

**THE EFFECT OF THE INTERVENTIONS OF THE SOUTH AFRICAN  
BREWRIES' KICKSTART YOUTH ENTREPRENEURSHIP  
PROGRAMME ON ENTREPRENEURIAL AND SMALL BUSINESS  
PERFORMANCE IN SOUTH AFRICA**

**by**

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**PROMOTER: PROF JW STRYDOM**

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I declare that **The effect of the interventions by the South African Breweries' KickStart Youth Entrepreneurship Programme on entrepreneurial and small business performance in South Africa** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

.....

Signature

Ms E Swanepoel

.....

Date

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## SUMMARY

### THE EFFECT OF THE INTERVENTIONS OF THE SOUTH AFRICAN BREWERIES' KICKSTART YOUTH ENTREPRENEURSHIP PROGRAMME ON ENTREPRENEURIAL AND SMALL BUSINESS PERFORMANCE IN SOUTH AFRICA

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**Subject:** Business Management

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The purpose of the study is to determine the effectiveness of the interventions used by the South African Breweries (SAB) KickStart Programme to establish and grow entrepreneurial small businesses among young South Africans. South Africa has an extremely high unemployment rate, low economic growth and a dismal Total (early-stage) Entrepreneurial Activity (TEA). With regard to established businesses (older than three-and-a-half years), the GEM report of 2005 ranked South Africa the lowest of all the countries surveyed.

The SAB KickStart Programme comprises five phases: an awareness campaign, recruitment and training, a business plan competition for grants, success enhancement and national awards. The following interventions form part of the programme: the General Enterprising Tendency (GET) test; two-week live-in business management training; funding and mentoring; and a national competition for prize money. At every stage, adjudication is based on business plans and presentations.

The evaluation of the effectiveness of an existing entrepreneurship programme, the SAB KickStart Programme, has several advantages, in so far as it determines whether the programme does indeed attain its objectives, and could help to improve the structuring of such programmes for future use by other corporations in South Africa.

The population for the study comprised all the participants of the SAB KickStart Programme, from 2001 to 2006. A questionnaire was developed and a response rate of 28.5% was realised. Analysis of variance (ANOVA) was applied to the turnover and percentage profit figures of respondents to investigate the significance of the type of SAB

KickStart support afforded. The results were confirmed by the Bonferroni multiple comparison of means test. The deduction is that funding and mentoring, after training, adds value to the programme. Eighty per cent of the SAB KickStarters were still operating their initial businesses, which they owned when they started on the programme, while a further six per cent had started another business – hence a “failure” rate of only 14 per cent. Many other meaningful findings emerged.

In conclusion, it can be said that the SAB KickStart Programme adds value and advances entrepreneurship, and could possibly be applied by other large institutions in South Africa. In conclusion, it can be said that the SAB KickStart programme adds value and advances entrepreneurship, and can be elevated to other large institutions in South Africa.

*Key terms*

Youth entrepreneurship; Development programme for entrepreneurs; Selection of entrepreneurs; General Enterprising Tendency (GET) Test; Training of entrepreneurs; Funding of entrepreneurs; Mentoring of entrepreneurs; Interventions that contribute to enterprise growth; Corporate social investment programmes; Business plans; Administration of entrepreneurship development programmes.

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## **CHAPTER 1 BACKGROUND TO THE STUDY**

### **1.1 INTRODUCTION**

The purpose of the study is to determine the effectiveness of the interventions used by the South African Breweries Limited (SAB) KickStart Programme to establish and grow entrepreneurial businesses among young South Africans between the ages of 18 and 35 years, and in so doing, foster a culture of entrepreneurship in South Africa. These businesses are likely to range in size from small to medium.

In this chapter, the rationale for the study is outlined after a definitional framework has been delineated with regard to entrepreneurship, small business management and small business categories. The need for investment in small business development is propounded by advocating the importance of small businesses to the economy of South Africa. The reasons for selecting the SAB KickStart Programme are elucidated. The chapter concludes by formulating the research problem, setting the objectives and outlining the research methodology.

### **1.2 RATIONALE FOR THE RESEARCH**

Some authors (Scarborough & Zimmerer 2003:2, 21) believe that this is the age of new businesses – in other words, more new businesses are being started than in previous decades. In the following sections, the rationale for the research is explained, but first, entrepreneurship is defined and businesses classified by size.

#### **1.2.1 Defining the concept of entrepreneurship and classifying enterprises by size**

The term “small business management” is not synonymous with that of “entrepreneurship”, although there is a tendency in popular jargon to use the terms interchangeably (Wickham 2004:102). Davidsson (2002:16) alerts researchers to the fact that, as far back as 1990, authors such as Hornaday (1990), Stevenson (Stevenson and Jarillo 1990) and Venkataraman (1997, in Shane & Venkataraman 2000) directed the field of entrepreneurship “away from indiscriminately equating “entrepreneurship” with (any kind of) small firm ownership-management”.

An entrepreneur can be defined as “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities

and assembling the necessary resources to capitalize on those opportunities” (Scarborough & Zimmerer 2003:3). Other definitions of entrepreneurship are reviewed in chapter 2. Several different types of entrepreneurs can be found, for example, founder entrepreneurs, administrative entrepreneurs or franchisees. Entrepreneurs can be differentiated on the basis of two basic patterns, namely artisan entrepreneurs with technical expertise and opportunistic entrepreneurs with both business and technical expertise (Longenecker, Moore & Petty 2003:13-15). An entrepreneur can start a business, buy an existing business of any size (small, medium or large), buy a franchise, start or join the family business or operate in a corporate environment. The characteristics of an entrepreneur will be discussed in chapter 3 of the thesis.

Although small businesses are often started by entrepreneurs, not all small business owners are entrepreneurial, and the two terms are not synonymous (a distinction is drawn in ch 2).

The definition of a small business can vary from country to country. In South Africa, the National Small Business Amendment Act 29 of 2004 defines a small business as a company with a labour force less than 50, a total annual turnover varying between R3 million and R32 million, depending on the sector in which it is classified, and with a total gross asset value varying between R1 million and R6 million, again depending on the sector, as set out in table 1.1. The study, however, does not focus on businesses in any specific sector, but will determine from which sectors the SAB KickStart Programme participants originate predominantly (see ch 6).

**Table 1.1 Classification of enterprises**

The National Small Business Amendment Act 29 of 2004 classification of enterprises				
Sector or subsector in accordance with the Standard Industrial Classification (SIC)	Size of class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5 m	R5 m
	Small	50	R3 m	R3 m
	Very small	10	R0.50 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m
Mining and quarrying	Medium	200	R39 m	R23 m
	Small	50	R10 m	R6 m
	Very small	20	R4 m	R2 m
	Micro	5	R0.20 m	R0.10 m
Manufacturing	Medium	200	R51 m	R19 m
	Small	50	R13 m	R5 m
	Very small	20	R5 m	R2 m
	Micro	5	R0.20 m	R0.10 m
Electricity, gas and water	Medium	200	R51 m	R19 m
	Small	50	R13 m	R5 m
	Very small	20	R5.10 m	R1.90 m
	Micro	5	R0.20 m	R0.10 m

The National Small Business Amendment Act 29 of 2004 classification of enterprises				
Sector or subsector in accordance with the Standard Industrial Classification (SIC)	Size of class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
Construction	Medium	200	R26 m	R5 m
	Small	50	R6 m	R1 m
	Very small	10	R3 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m
Retail and motor trade and repair services	Medium	200	R39 m	R6 m
	Small	50	R19 m	R3 m
	Very small	10	R4 m	R0.60 m
	Micro	5	R0.15 m	R0.10 m
Wholesale trade, commercial agents and allied services	Medium	200	R64 m	R10.00 m
	Small	50	R32 m	R5 m
	Very small	20	R6 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m
Catering, accommodation and other trade	Medium	200	R13 m	R3 m
	Small	50	R6 m	R1 m
	Very small	20	R5.10 m	R0.90 m
	Micro	5	R0.20 m	R0.10 m
Transport, storage and communications	Medium	200	R26 m	R6 m
	Small	50	R13 m	R3 m
	Very small	20	R3 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m
Finance and business services	Medium	200	R26 m	R5 m
	Small	50	R13 m	R3 m
	Very small	20	R3 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m
Community, social and personal services	Medium	200	R13 m	R6 m
	Small	50	R6 m	R3 m
	Very small	20	R1 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m

**Source:** National Small Business Amendment Act 29 of 2004

The SAB KickStart Programme develops entrepreneurial businesses of various sizes, and these will be classified (in ch 6) according to the National Small Business Amendment Act 29 of 2004. Because of the involvement of the SAB KickStart Programme with entrepreneurial businesses that tend to be small, the significance of these businesses for South Africa should be examined.

### 1.2.2 The importance of small businesses to South Africa

Despite good economic growth prospects, a major concern for South African economists is the lack of job creation, which results in high unemployment, for example, 25.6 per cent in March for 2007 (StatsSA 2007:1). In South Africa, the sector including small, micro and medium-sized enterprises (SMMEs), comprises about 95 per cent of all enterprises, accounts for almost 75 per cent of employment in the country, and contributes approximately 56 per cent to the country's gross domestic product (GDP) (DTI 2005:10). From these statistics it is evident that small, micro and medium-sized enterprises (SMMEs) play a critical role in terms of economic growth and employment. The



establishment of more small, micro and medium-sized enterprises (SMMEs) in South Africa, their sustainability and growth are thus a vital topic of research.

Because entrepreneurs are involved in the establishment and growth of new and existing enterprises of varying sizes, including small businesses, the level of entrepreneurial activity in South Africa is of concern.

### **1.2.3 The level of entrepreneurial activity in South Africa**

The cross-national data of the Global Entrepreneurship Monitor (GEM) indicate that South Africa's Total (early-stage) Entrepreneurial Activity (TEA) performance, in terms of relative position, has consistently been below the median since 2001 (Maas & Herrington 2006:16). South Africa's TEA index for 2006 is 5.29 per cent, meaning that in the last three-and-a-half years, only five out of every hundred South African adults between the ages of 18 and 64 have started a business, which they either own with others, or on their own. The TEA index focuses on new business formation and includes start-ups and new firms but excludes established firms. A start-up is defined by the GEM as a business that has not paid salaries and wages for more than three months, while a new firm has survived the initial start-up period and is between three months and three-and-a-half years old. An established firm is older than three-and-a-half years. The GEM defines opportunity entrepreneurs as people who take advantage of a business opportunity, while necessity entrepreneurs as people who have no better options for work (Orford, Herrington & Wood 2004:12). In 2006, South Africa's TEA opportunity index of 3.47 per cent (ranked 33<sup>rd</sup> out of 42 participating countries) was far below the average of 6.82 per cent, and below the 9.65 per cent average for all "developing" countries which included Peru, the Philippines, Colombia, Brazil, Thailand, Uruguay, India, Argentina, Chile and Mexico (Maas & Herrington 2006:17-18), and so too in 2005 (Von Broembson, Wood & Herrington 2005:19) and 2004 (Orford et al 2004:3).

With regard to established businesses (older than three-and-a-half years), South Africa ranked the lowest of all countries surveyed in 2005 by the GEM, with an estimated percentage of 1.3 (35<sup>th</sup> of both developing and developed countries). This implies that only 1.3 per cent of South African adults between the ages of 18 and 64 own and managed, either on their own or with others, a business that is older than three-and-a-half years (Von Broembsen et al 2005:18).

The GEM results seem to indicate that not only does a need exist in South Africa to increase the number of start-up businesses, but also to grow businesses beyond the start-up and new firm stages to the established stage – in other words beyond three-and-

a-half years. The question arises: “How can this be accomplished?” The GEM 2004 report recommends the following to remedy the situation of low entrepreneurial activity in South Africa (Orford et al 2004:4):

- improvement in the quality of education – with the focus on mathematics and science
- entrepreneurship education
- regulatory reform
- rethinking the support of small enterprises – concentrating on facilitating private sector service provision
- improvement in the financial and general management capacity of small enterprises to increase start-up survival rates through targeted training and experienced mentoring

With regard to the fourth recommendation, the South African Breweries (SAB) is a prominent private sector company that *supports small businesses by facilitating private sector service provision* through several of its programmes as part of corporate social investment (CSI) and black economic empowerment (BEE), programmes such as the barley farmer, owner driver, distribution operator, customised delivery service, HoneyBEE franchised distribution centre, retail normalisation and their flagship programme, the SAB KickStart Programme (see details of these programmes in ch 4).

One of these programmes, the SAB KickStart Programme, was selected for evaluation in the study, because it also complies with the second and fifth recommendations by providing *entrepreneurship education* and contributing to the *improvement in the financial and general management capacity of small enterprises to increase start-up survival rates through targeted training and experienced mentoring*. Further reasons for selecting the SAB KickStart Programme are elaborated upon in the following sections.

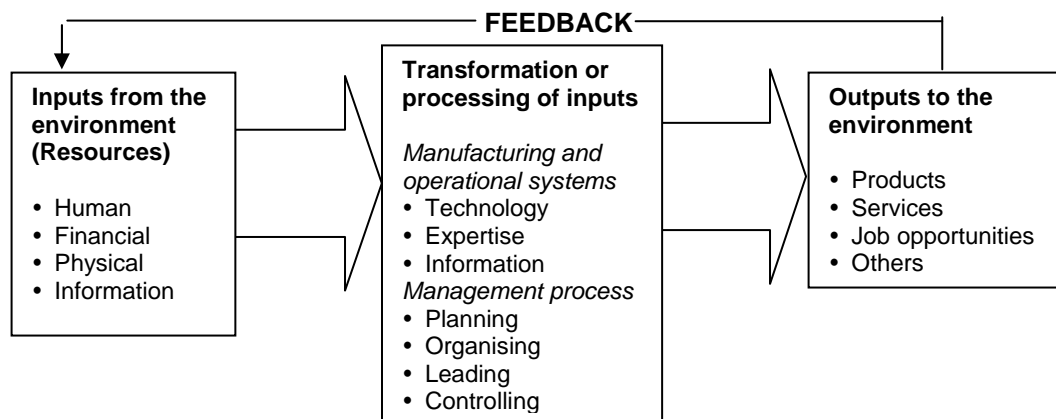
The SAB KickStart Programme selects potential entrepreneurs (between the ages of 18 and 35) for targeted training, funding and mentoring. The questions that now arise are: “How effective are these interventions – selection, training, funding and mentoring – to establish and grow entrepreneurial SMMEs? Should this programme be continued in its current format? If not, what changes are paramount? Should it be replicated by other companies or by SAB on a larger scale?” Evaluating such interventions requires an understanding of the environment of entrepreneurial SMMEs.

### 1.2.4 The environment of entrepreneurial SMMEs

A small, micro or medium-sized enterprise is not self-sufficient or self-contained; instead it “is a system that operates in a specific environment” (Smit, Cronjé, Brevis & Vrba 2007:38), as depicted in figure 1.1.

As shown in figure 1.1, it is the responsibility of the SMME owner to manage (plan, organise, lead and control) the transformation or processing of inputs (human, financial, physical and information) into satisfactory outputs (products, services, and job opportunities) by means of technology, expertise and information. To accomplish this, SMME owners should preferably have both entrepreneurial and business skills (manufacturing and/or operational, and management skills).

**Figure 1.1 A systems perspective of an organisation, such as an SMME**



**Source:** Smit et al (2007:39)

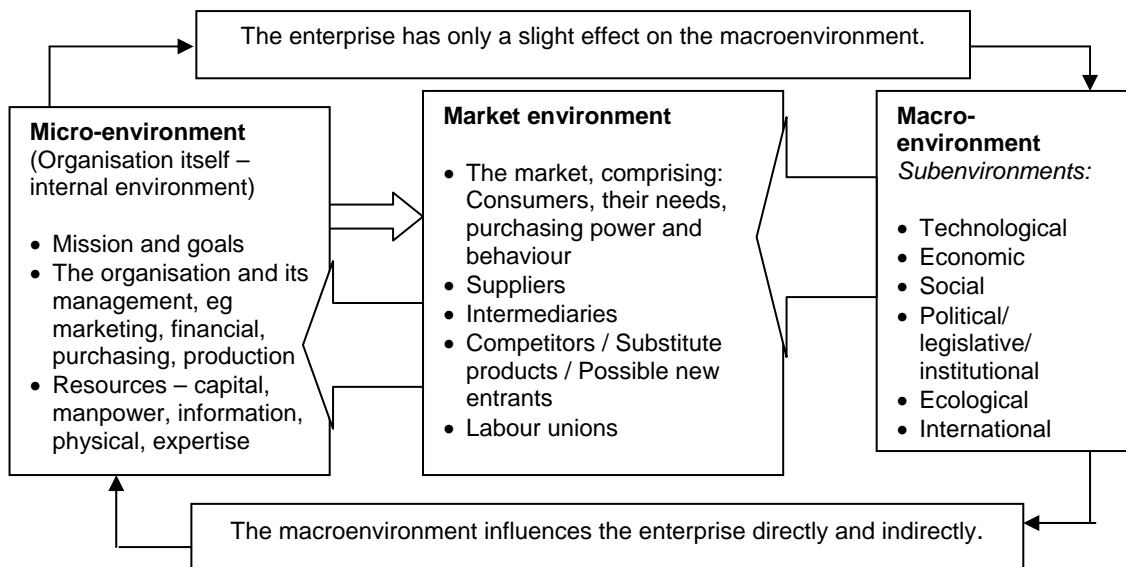
According to an Entrepreneurship Training Model developed by Van Vuuren (Antonites 2003:15), entrepreneurial performance is a function of performance motivation, entrepreneurial skills (risk propensity, creativity and innovation, opportunity identification and role models) and business skills (general management, marketing, legal, operations management, human resources management, communication and business planning skills). This and other international entrepreneurial models will be discussed in greater detail in chapter 3 of the thesis.

The selection criteria of the SAB KickStart Programme cover certain entrepreneurial attributes, while the training and mentoring offered address some of the entrepreneurial and business skills. The study will compare the design of the SAB KickStart Programme with internationally acceptable models for training and mentoring entrepreneurs.

Apart from managing the business as a system, the SMME owner has to manage within a business environment, as illustrated in figure 1.2.

Whether this environment is termed a business or management environment (Smit et al 2007:38-39) or a marketing environment (Cant, Strydom, Jooste & Du Plessis 2006:35) it encompasses three distinct components/subenvironments, namely the macro-, market and micro-environments (Du Toit, Erasmus & Strydom 2007:93).

**Figure 1.2 Composition of the business/marketing/management environment**



**Source:** Adapted from Du Toit et al (2007:93)

The performance of SMMEs can be affected by factors in any of these three environments. The study briefly discusses the macro- and market environments of the SMMEs in South Africa in chapter 2 but the focus is the micro-environment because the interventions of the SAB KickStart Programme are primarily aimed at this environment.

### 1.2.5 Failure rates of small businesses

Another reason that justifies the concern with the establishment and growth of small, micro- and medium-sized businesses is the fact that small businesses tend to have a high failure rate. The majority of the failures of small businesses occur in the first two to six years (see tab 1.2) according to a number of studies conducted in America (Timmons 1999:32).

**Table 1.2 Small business failure rates**

Percentages of small businesses dissolved – within					
two years	23.7%	four years	51.7%	six years	62.7%
Reasons for failure					
Economic factors	47.4%		Exogenous factors		
Financial troubles	38.4%		Endogenous factors		
Inexperience	7.1%				
Owner neglect	3.4%				
Other	3.7%				

**Source:** Adapted from Timmons (1999:32)

These statistics apply equally to South Africa according to Ligthelm and Cant (2002:vii): “Less than half of newly established businesses survive beyond five years. This is not only true for South Africa but also a common phenomenon in the rest of the world, including first World countries.”

The factors contributing to failure rates can be divided into exogenous and endogenous factors which are categorised as follows (Dockel & Ligthelm 2002:1):

- **Macro-level (exogenous) factors.** These form the enabling environment which includes the economic (business cycle phase), technical and legislative (growth policies) environments (see the subenvironments of the macro-environment in fig 1.2)
- **Industry/sectoral level (exogenous) factors.** These refer to specific issues that inhibit or advance small enterprise growth, for example, demand and supply factors, ease of entry into the market, degree of competitiveness (see market environment in fig 1.2)
- **Entrepreneurial level (endogenous) factors.** These include the entrepreneurship acumen and the technical and business skills required to establish and grow a business in terms of turnover, profit and employment; resources availability and effective use of resources (micro-environment in fig 1.2 and the systems perspective in fig 1.1)

The SAB KickStart Programme does not address the macro- and industry level factors, but endeavours instead to counteract endogenous factors that could result in failure. The extent to which the endogenous factors are addressed through the SAB KickStart Programme will be researched.

An awareness of factors that result in failure as well as factors that increase the probability of performance could assist in evaluating the effectiveness of a small, micro- and medium-sized enterprise support programme.

### **1.2.6 Factors that contribute to small business survival**

In a survey of the literature on endogenous factors responsible for SMME survival, two factors commonly identified are capital availability and managerial experience (Lussier 1995, in Dockel & Ligthelm 2002:2). From regression analysis applied to the data, four statistically significant factors emerged, namely planning, professional advisors, education and staffing. Factors that contribute to the performance of small businesses will be investigated in greater detail in chapter 2 of the thesis. With regard to investigating the effectiveness of assistance provided by authorities to small businesses, Dockel and Ligthelm (2002:7) conclude that “any such assistance should therefore be evaluated at the level of implementation in order to ensure that it has the desired effect on small businesses”. Although the study of the SAB KickStart Programme does evaluate “at the level of implementation” the interventions utilised by this programme to advance entrepreneurial SMMEs, it does not evaluate the assistance provided by government and parastatal authorities. The level of involvement of the SAB KickStart Programme is outlined in the next section.

## **1.3 THE SOUTH AFRICAN BREWERIES KICKSTART PROGRAMME**

A fundamental reason for selecting an entrepreneurship advancement programme run by the South African Breweries is because SAB forms part of a prominent globalised company. SAB Ltd is the largest subsidiary (group revenue of US\$4 204 million, EBITA of US\$1 062 million in 2006) of SABMiller plc (revenue of US\$15 307 million), the second biggest brewer by volume in the world, present in over 40 countries in Europe, North and Latin America, Asia and Africa (SABMiller Annual Report 2006). In South Africa, SAB operates seven breweries, and has several beer brands and fruit alcoholic beverages. It is the biggest contributor to the South African fiscus – R6 billion in taxes and excise duty in 2004 (SABMiller Annual Report 2005).

A vital reason for choosing SAB’s KickStart Programme is that it is recognised by the South African government as a benchmark programme for fostering business start-ups. In its Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (DTI 2006:13) reference is made to the fact that “certain large corporations have developed and implemented their own in-house programmes, such as the youth enterprise support programmes of South African Breweries (SAB KickStart), Anglo-Zimele and Shell

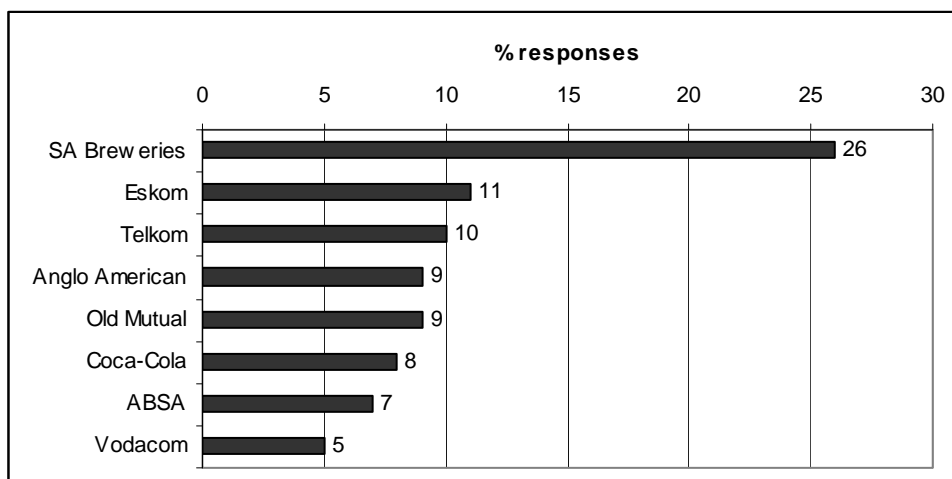
Petroleum (Shell Live Wire), which provide training and support and run youth-entrepreneurship awards”.

An essential reason for deciding on SAB is that in South Africa, we have entered into the era of industry transformation charters which have to be harmonised with the Department of Trade and Industry’s broad-based black economic empowerment scorecard and codes of good practice. In these charters targets are set for, amongst others, enterprise development (detailed in sec 4.6.3 & table 4.3). Companies that have never been involved with enterprise development may look to emulating the SAB KickStart Programme, because SAB has managed to derive value for their business while channelling and leveraging CSI funds for optimal developmental impact (set out in table 4.2). SAB, as part of their Corporate Social Investment (CSI) initiatives, has invested a substantial amount of money, more than R34 million, in the SAB KickStart Programme, one of the company’s key CSI projects and one that deals with investment in entrepreneurial SMMEs.

### 1.3.1 Reasons for selecting the SAB KickStart Programme

A significant reason why SAB has been selected for the study is because it is highly regarded by its fellow corporates as the strongest contributor to job creation and entrepreneurial development in a 2007 survey, reflected in figure 1.3 (De Wet 2007:337).

**Figure 1.3 Strongest contributors to job creation and enterprise development as seen by corporate grantmakers**



**Source:** De Wet (2007:337)

As many as 48 companies are mentioned as contributors to job creation and entrepreneurial development. Eskom, the second strongest contributor to this category,

has, for example, allocated funding for electrification, cold storage and equipment to Tinjolela Oils to grow medicinal plants. Consequently, Tinjolela Oils has been able to employ 20 permanent and 109 temporary employees (Rockey 2005:206).

The key reason for selecting SAB is the fact that, since 2001, the SAB KickStart Programme has “aimed at creating a culture of entrepreneurship among young people between 18 and 35 by promoting business awareness” (SAB KickStart information brochure and application form, 2006) through a number of interventions. Furthermore, these interventions are contingent on specific criteria, some of which are performance related. In the study it would thus be possible to evaluate the range of interventions, namely selection, training, funding and mentoring, and the criteria. In addition, information can be extracted to describe the interventions in detail and data on the participants are available. Other information, such as the names and contact details of participants, the training offered and grants allocated, is obtainable from the regional programme administrators of the SAB KickStart Programme. SAB has given permission for the data to be used and for the study to be conducted. They are interested in the findings and recommendations. Once the study has been completed, a database can be established and the SAB KickStart Programme can be reviewed annually, contributing to a longitudinal study.

Another reason for academically evaluating the existing SAB KickStart Programme stems from the fact that it is the intention of SAB to emulate the SAB KickStart Programme in other countries in Africa, South America and the rest of the world.

### **1.3.2 The nature of the SAB KickStart Programme**

Since May 1995, when the programme was launched, SA Breweries has invested more than R34 million in the SAB KickStart Programme and helped launch over 3 000 businesses. Many of these fledgling enterprises have grown into multi-million rand concerns. In the early years, funding was provided to a large number of previously disadvantaged young adults (blacks, coloureds and Asians) to develop their own businesses. In 2001, the SAB KickStart Programme switched from a numbers-driven approach, which focused on poverty alleviation, to a quality-driven and carefully monitored intervention at the SMME level with the aim of inculcating a culture of entrepreneurship and creating sustainable enterprises among the previously disadvantaged groups. More stringent selection criteria have been implemented in the selection of participants. Extensive use is made of the General Enterprising Tendency (GET) test. Fewer participants are selected for training while greater emphasis is being placed on post-training mentorship and assistance.



### 1.3.3 Different phases of the SAB KickStart Programme

The objectives of the study are influenced by the different phases of the SAB KickStart Programme. These are briefly described below.

*Phase 1: awareness campaign*

The SAB KickStart Programme begins in April/May each year with a strong recruitment drive through the national press and small business agencies. Nationally, SAB receives about 7 000 applications.

*Phase 2: recruitment and training*

From each of SAB's five operating regions, 15 to 20 participants are selected by considering the scores of applicants on the General Enterprising Tendency (GET) test, their business plans and their presentations to a panel of adjudicators. The selected participants then participate in a two-week "live-in" training course that includes training in entrepreneurship and business skills, such as production management, marketing, financial management, human resources management and the business plan.

*Phase 3: business plan competition for grants*

On completion of the course, the participants are given one month in which to prepare a business plan on a preferred business idea. The business plans are presented to a panel of adjudicators in each region, for evaluation. Based on the results, each region allocates discretionary grants from its R300 000 budget to "kick-start" five to eight of the most promising potential businesses or existing businesses. The grants range from R50 000 to R120 000 per business.

*Phase 4: success enhancement*

Intensive and interactive mentoring of these winning enterprises continues for a further eight months. SAB also provides direct support through the introduction of high-level networking to stimulate business development, and helps the small businesses gain public relations exposure.

*Phase 5: national awards*

Each region chooses three of its best performers for a national adjudication process to select the top winners who take a share of R700 000 in prize money, which includes business mentorship for a further six months.

From this information it is now possible to formulate the research problem.

## **1.4 THE STATEMENT OF THE PROBLEM**

Owing to the need for economic growth and increased employment, the establishment and growth of entrepreneurial SMMEs have become of paramount importance to South Africa. To accelerate the process of SMME development, support from both government and the private sector is needed. The support from government is set out in the National Small Business Amendment Act 29 of 2004, and is not investigated in the study. The support that can be provided by the private sector to establish and grow entrepreneurial small businesses is investigated by evaluating the effectiveness of an existing entrepreneurial SMME development programme, namely the SAB KickStart Programme, with a view to improving this programme and the possible replication by other companies or institutions.

The primary research problem centres on the question:

“How effective are the interventions used by the SAB KickStart Programme to establish and grow entrepreneurial SMMEs?”

This problem statement can be subdivided into a number of secondary problems.

### **1.4.1 Identification of the secondary problems**

The secondary problems that will be addressed focus on the following questions:

- “How effective and fair is the selection process of the participants for the SAB KickStart Programme?”
- “How effective is the training offered to the participants of the SAB KickStart Programme?”
- “How effective is the mentoring given to the grant winners of the SAB KickStart Programme?”
- “What are the perceptions/experiences of the participants in the SAB KickStart Programme with regard to its value to grow their businesses?”
- “Do the SAB KickStart Programme participants who, in addition to training, also received grants and mentoring, perform better than those who received only training?”

- “Is there a relationship between the demographic profile of participants and the performance of their businesses? In other words, which demographic factors seem to contribute to a higher probability of increased performance?”

## **1.5 OBJECTIVES**

From the statement of the problems the objectives are formulated.

### **1.5.1 The primary objective**

The primary objective is to evaluate the effectiveness of the interventions used by the SAB KickStart Programme to establish and grow entrepreneurial SMMEs. This would require evaluating the interventions at the different phases of the programme, which translates into the following secondary objectives.

### **1.5.2 The secondary objectives**

The following secondary objectives flow from the primary objective:

- (1) Compile a demographic profile of the participants of the SAB KickStart Programme.
- (2) Evaluate the selection of participants of the SAB KickStart Programme:
  - Determine the aptness of the criteria used for screening the applicants.
  - Assess the General Enterprising Tendency (GET) test for appropriateness.
  - Examine the composition of the regional adjudicating panels.
- (3) Evaluate the training course offered by the SAB KickStart Programme:
  - Compare the content of the two-week training course against internationally acceptable training requirements for entrepreneurial small and medium-sized businesses owners.

Based on the experience and perceptions of the participants –

  - Assess the impact of the SAB KickStart training on the businesses of the participants.
  - Validate the benefit of the different areas of training to the participants.
  - Gauge the proficiency of the KickStart trainers presenting the course.
  - Elicit any additional training needs of the participants.

- (4) Evaluate the business plan competition and the impact of the funding:
- Ascertain the appropriateness of the criteria used to judge the business plans.
  - Verify that the funding contributed to business growth.
- (5) Evaluate the mentoring from the participants' point of view.
- Examine the type of mentoring provided.
  - Identify the participants' mentoring needs.
  - Ascertain the participants' level of satisfaction with the mentoring received.
- (6) Evaluate the selection process of regional finalists and national winners:
- Determine the type of criteria used to select regional finalists and national winners as perceived by the participants, and the relevance of these criteria.
  - Examine the composition of the panel of national adjudicators.
- (7) Determine whether the businesses of the participants who received grants and mentoring, in addition to training, performed better than the businesses of the participants who received only training. This objective translates into the following null and alternative hypotheses:

*Null hypothesis ( $H_{01}$ ): No difference exists between the performance of the businesses of the SAB KickStarters who received training, grants and mentoring and the businesses of SAB KickStarters who received only training.*

*Alternative hypothesis ( $H_{11}$ ): The businesses of SAB KickStarters who received training, grants and mentoring perform better than the businesses of SAB KickStarters who received only training.*

- (8) Determine whether any relationship exists between the demographic profiles of the participants (the entrepreneurial SMME owners) and the level of performance of their businesses. The null and alternative hypotheses for this objective are as follows:

*Null hypothesis ( $H_{02}$ ): No relationship exists between the demographic profiles of the SAB KickStarters (entrepreneurial SMME owners) and the performance of the businesses.*

*Alternative hypothesis ( $H_{12}$ ): A relationship exists between the demographic profiles of the SAB KickStarters (entrepreneurial SMME owners) and the performance of their businesses.*

### 1.5.3 The scope and limitations of the study

The geographical scope of this study is South Africa. Only one programme involved in the advancement of entrepreneurs, namely, the SAB KickStart Programme, will be evaluated and this programme will not be compared to other similar programmes. The following apply to the SAB KickStart Programme:

- Only previously disadvantaged individuals qualify for the SAB KickStart Programme which means that only blacks, coloureds and Asians are accepted as participants.
- The SAB KickStart Programme, in its current format, commenced in 2001, and thus only participants involved since 2001 can be included in the population. A maximum of 100 participants are selected per annum. A number of the early participants can no longer be traced and this will reduce the size of the population.
- Although the SAB KickStart Programme is financed from SAB's corporate social investment (CSI) fund, the issue of CSI will only be briefly discussed in the thesis, in chapter 4.
- The study will not investigate the reasons for failure of the participants who have closed their doors since 2001.

The scope of the study, furthermore, does not include the following:

- The study will not develop benchmarks against which the objectives will be evaluated. Instead existing benchmarks will be used.
- The macro- and market environments of the SAB KickStart participants will not be investigated, because the focus of the study is on the micro-environment of these participants.
- The study will not research the effectiveness of interventions offered by government or non-profit organisations.

## 1.6 THE VALUE OF THE STUDY

In the preface to the third edition of his book, *Strategic entrepreneurship*, Wickham (2004:ix) points out that "the study of entrepreneurship continues to grow and (to an inevitable degree, fragment) as a field of enquiry". In line with the research approach of the Harvard Business School which "has taken a slightly different approach to research in the field by announcing that entrepreneurship should not be what scholars study but rather the entrepreneurial firm should be where people study" (Stevenson 2004:5), the study explores the effect of a programme to establish and grow entrepreneurial SMMEs

on their performance. It is therefore possible that the study has pedagogic value both at an analytical and a planning level. It contributes to the body of entrepreneurship knowledge in so far as the practical application of theoretical constructs is analysed and evaluated with regard to their ability to increase entrepreneurial performance and to utilize the information for the planning of future programmes. After all, the intent of entrepreneurship training and education is to increase entrepreneurial activity and performance.

The benefits that should emerge from the study are as follows:

- An existing entrepreneurial SMME development programme is described in detail.
- The interventions utilised to ensure the effectiveness of this programme are analysed and evaluated against existing benchmarks.
- Areas for improvement of the programme are identified and recommendations made.
- The difference that training, funding and mentoring make is examined.
- For academic purposes, additional topics that should be covered during the training of entrepreneurial SMMEs are identified.
- A demographic profile of participants likely to perform well may emerge.

The findings of the study could be applied by a range of organisations or departments in organisations for different purposes:

- corporate affairs departments – companies that allocate some of their corporate social investment to SMME development with a view to create jobs
- organisations that outsource services – private companies, non-profit organisations and government departments committed to outsourcing services and interested in assisting the development of entrepreneurial SMMEs to whom services have been outsourced
- purchasing departments – private companies, non-profit organisations and government departments that obtain supplies from entrepreneurial small and medium-sized businesses and are interested in assisting the development of these suppliers
- financiers, such as banks and venture capitalists, which provide funding for entrepreneurial SMMEs and are interested in the development of these SMMEs
- government organisations focusing on entrepreneurial SMME development, such as the Small Enterprise Development Agency (SEDA) and Khula Enterprise Finance Ltd

- non-profit organisations that are currently investing in entrepreneurial SMME development and those considering such investment

On completion of the evaluations and assessments, comments on the efficacy of the SAB KickStart Programme for entrepreneurial SMME development will be given, followed by recommendations. Companies and organisations should be able to learn from the experiences of the participants of the described entrepreneurial SMME development programme and apply the findings and recommendations either to improve an existing similar programme or to develop a similar programme. Should the findings enhance the effectiveness of programmes geared towards establishing and growing entrepreneurial SMMEs and increase the investment in SMME development, this would contribute to the growth in the number and size of SMMEs, which in turn, would contribute to the economic growth of the country.

Should it be possible, from the study, to describe a demographic profile of an entrepreneurial SMME owner who is more likely to perform, this would be of value in the selection process to ensure investment in SMMEs with a higher probability of exhibiting business growth.

On completion of the study, a database will have been compiled of the participants who were involved in the SAB KickStart Programme from 2001 to 2006. The database can be used in future for a longitudinal study to monitor the sustainability of the businesses over the next five to 10 years. Longitudinal/developmental research is defined as “observational-descriptive type of research that usually stretches over a period of time to determine trends” (Leedy 1997:111).

## **1.7 RESEARCH METHODOLOGY**

To answer research questions, Leedy and Ormrod (2005:94-95) point out that it is possible to combine the qualitative and quantitative approaches in a research project because they answer different types of questions. Both these approaches are adopted in the study.

### **1.7.1 Qualitative research**

A qualitative study is defined by Creswell (1994:2, in Leedy 1997:104) as an “inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting”.

Using the qualitative approach, questions could be resolved on the subject of the nature of the phenomena – the SAB KickStart Programme – with a view to describing, understanding and interpreting the different interventions of the programme from the administrators' and the participants' point of view (Leedy 1997:104). In other words, "What makes the interventions of the SAB KickStart Programme effective?" This involved an in-depth study of the programme.

### **1.7.2 Quantitative research**

A quantitative study is defined as "an inquiry into a social or human problem based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true" (Creswell 1994:2, in Leedy 1997:104).

The quantitative approach is used to test the hypotheses formulated around two of the secondary objectives. For the first null hypothesis, the statistical technique, the Chi-squared test for independence, is used to test whether the businesses of the SAB KickStart participants who received grants and mentoring after the training perform better than those who received only training. With regard to the second null hypothesis about the relationships between participants' demographic profiles and the performance of the businesses, an analysis of variance with a regression approach was considered. However, difficulties were experienced in applying this statistical technique, as explained in chapter 6.

## **1.8 DATA COLLECTION STRATEGIES**

Data were collected from two sources, secondary and primary data sources.

### **1.8.1 Secondary information sources**

Secondary information sources were used to save costs and time because such data sources are readily available (Steyn, Smit, Du Toit & Strasheim 2003:8). Information contained in books, articles and research reports on the topics covered in chapters 2, 3 and 4 of the thesis was gathered. Existing data on the SAB KickStart Programme was collected. To ensure that the research resulted in meaningful analysis, the researcher requested access to details of the different phases of the SAB KickStart Programme, as described above. The following data were obtained:

- information on the selection criteria in order to select participants



- the General Enterprising Tendency (GET) Test
- the names of psychologists who administer the GET to the selected participants
- the criteria used for compiling the regional adjudicating panels
- the contact details of participants selected for training, from 2001 to 2006
- the course content of the two-week training course, the assessor's guide and the learner workbook
- the names and contact details of the SAB KickStart trainers/mentors
- the monthly reports of regional grant winners
- the composition of the national prize adjudicating panel
- criteria used for selecting the national winners

Existing information is described and compared with benchmarks or acceptable standards gleaned from the literary review. Once sufficient information had been collected and analysed, the primary research commenced.

### 1.8.2 Primary information sources

Primary data are defined as the "data that lie closest to the source of the ultimate truth underlying the phenomenon" (Leedy 1997:101). Three sources of information were approached in order to obtain meaningful information:

- (1) **The KickStart trainers/mentors.** Discussions were entered into with the KickStart trainers/mentors to benefit from their involvement with the SAB KickStart Programme and the participants. The discussions with the trainers/mentors were exploratory in nature and information was used to obtain a better understanding of the SAB KickStart Programme and to develop the questionnaire for the participants. Guidelines on the discussions with the trainers/mentors were compiled and utilised.
- (2) **The SAB KickStart Programme participants – the SAB KickStarters.** Since one of the secondary objectives of the research is to assess the value of the SAB KickStart Programme from the point of view of all participants (the SAB KickStarters) who received training, mentoring, grants and prizes, and to determine what other needs identified by them as needs which, if fulfilled, would have accelerated the growth of their businesses, it was necessary to conduct primary research. A single questionnaire was developed to be completed by the following three groups of participants:

Group 1: SAB KickStarters who completed the training but did not qualify for a regional grant

Group 2: SAB KickStarters who completed training and qualified for a regional grant with mentoring, but did not win prize money in the national competition

Group 3: SAB KickStarters who completed the training, received a regional grant with mentoring, and won prize money and further mentoring in the national competition

- (3) **The administrators of the GET test.** Input about the administration and interpretation of the GET test was obtained from the psychologists who administer the test.

## **1.9 POPULATION AND SAMPLE**

A sample was not drawn for this survey; instead a census of the population was taken. The population consisted of all the entrepreneurs selected to participate in the SAB KickStart Programme from 2001 to 2006 and who could be traced. Prior to 2001 participants were not subject to the same interventions.

### **1.10 INTERVIEWS AND QUESTIONNAIRES**

Both formal and informal interviews were conducted to obtain the required information. During the qualitative research, informal interviews were conducted with the Business Development Manager/Specialist responsible for the SAB KickStart Programme at SAB Head Office and regional CSI co-ordinators who are responsible for administering the programme at regional level, the regional KickStart trainers/mentors and the psychologists administering the GET test.

For the quantitative research, formal interviews were conducted with the participants of the SAB KickStart Programme using a formal questionnaire. The questionnaire contains both closed (the respondent is given various possible answers and has to choose one or more answers) and open-ended questions (questions are not pre-coded and allow spontaneous responses from respondents). The questionnaire consists of different parts. Participants who only received training and no funding only completed selected parts of the questionnaire, while participants who completed training and received funding and mentoring completed all the parts.

During the design stage of the questionnaire, the relevant literature was consulted and fact-finding interviews were conducted with the SAB KickStart trainers/mentors in the different SAB regions to obtain relevant input flowing from their personal experience with the SAB KickStart Programme and their interaction with the participants.

The design and effectiveness of the questionnaire were tested during a pilot study. Personal interviews were conducted with about five participants and the questionnaire was e-mailed and sent by facsimile to a further five participants. The purpose of the pilot study was to ensure the relevance of the questions, their clarity and whether they elicited meaningful responses. Any difficulties in completing the questionnaire which surfaced at this stage guided the adjustments to the questionnaire, prior to coding and despatching the questionnaires. Completed questionnaires were checked for inconsistencies and omissions before the data were captured. The SAS statistical analysis package, version 9.1, was used for statistical analyses.

### **1.11 ANALYSIS AND INTERPRETATION OF RESULTS**

A comprehensive description of the different interventions of the SAB KickStart Programme appears in chapter 4. The analyses of the survey results are presented in chapter 6 in tables and histograms, and the findings are interpreted.

The conclusions, recommendations, limitations and suggestions for further research appear in chapter 7.

### **1.12 SUMMARY**

Storey (Henry, Hill & Leitch 2004:250) notes that despite the “claims of the administrators of intervention and its effectiveness, the academic community has been slow to investigate this matter”. Storey’s statement does not apply to the study as its purpose is to academically investigate the claims regarding the effectiveness of the interventions of the SAB KickStart Programme.

In this chapter, the background statistics and information in support of the need for the evaluation of an entrepreneurial SMME support programme were discussed. The value of such an assessment to the business community and academics was explained. The topics introduced in this chapter are discussed in greater detail in the following chapters. The chapter concluded by formulating the research problem and objectives and outlining the research methodology adopted.

## **CHAPTER 2 SMME ENVIRONMENT AND PERFORMANCE FACTORS**

### **2.1 INTRODUCTION**

In the previous chapter the rationale for the study was merely outlined – in this chapter it will be expounded. A distinction is drawn between entrepreneurship and small business, by adopting a process approach to entrepreneurship. The contribution of SMMEs to economic growth and employment generation is enlarged upon and summarised in a job-creation model. The environment in which South African entrepreneurs in small, micro and medium-sized enterprises (SMMEs) operate, namely the micro-, market and macro-environments, are discussed in detail with the use of several models. The chapter concludes with an exposition of the factors contributing to entrepreneurial performance and failure, as researched from different theoretical approaches, and integrated in a model of entrepreneurial failure. Throughout this chapter, the relevance of the theory to the evaluation of the SAB KickStart Programme is highlighted.

### **2.2 DISTINCTION BETWEEN ENTREPRENEURSHIP AND SMALL BUSINESS**

Although the terms “entrepreneurship” and “small business management” are sometimes used interchangeably, they differ in meaning as elucidated below.

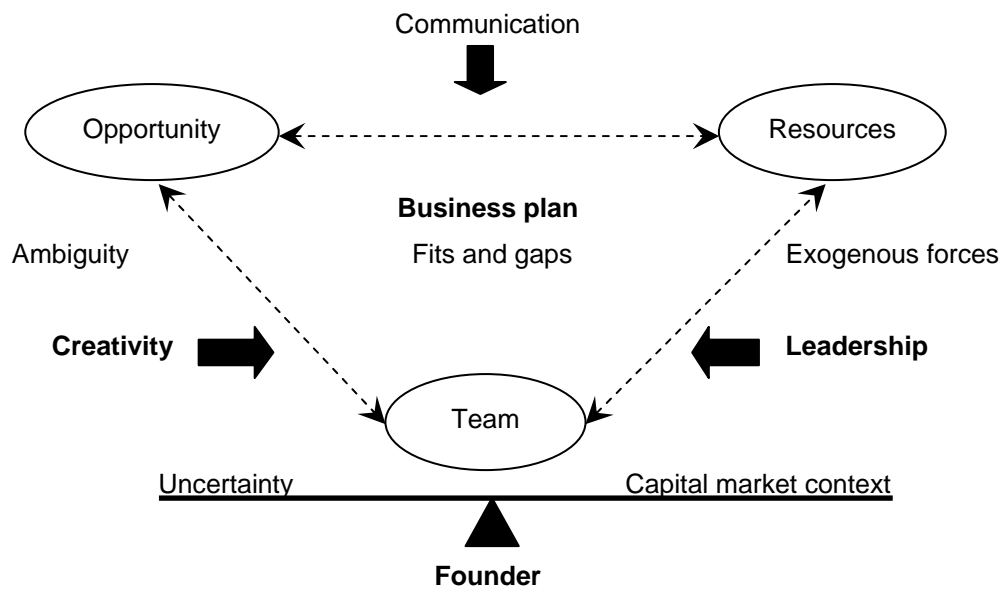
#### **2.2.1 Defining entrepreneurship**

“Researching entrepreneurship is fun, fascinating, frustrating ...” because of “... the lack of a common understanding of what precisely entrepreneurship is” (Davidsson 2004:1). Consensus on a definition of entrepreneurship does not yet exist because “entrepreneurship is a rich and complex phenomenon” (Wickham 2004:7). As far back as 1928, Schumpeter stated that “the essence of entrepreneurship lies in the perception and exploitation of new opportunities in the realm of business ... it always has to do with bringing about a different use of national resources in that they are withdrawn from their traditional employ and subjected to new combinations” (Wingham 2004:31; and Landström 2005:31-37). In line with Schumpeter’s statement is the widely used Harvard definition, “entrepreneurship is the pursuit of opportunity beyond the resources you currently control” (Stevenson 1983; Stevenson & Gumpert 1985; and Stevenson & Jarillo-Mossi 1990, in Stevenson 2004:3). This definition takes into account both the individual and the society in which he or she is embedded. The identification of the interaction of the entrepreneur with the context flows from the early work of Schumpeter (1934, in Stevenson 2004:3) and complies with the argument of Aldrich (1992, in Stevenson

2004:3) who maintained that the individual, the organisation and the context need to be studied to develop a theory of entrepreneurship.

A definition, evolved from two decades of research at Babson College and Harvard Business School, and recently enhanced by Spinelli (Timmons & Spinelli 2004:47) reads as follows: “Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach, and leadership balanced”. Timmons concluded that entrepreneurship is a highly dynamic process that is opportunity focused, driven by a lead entrepreneur and an entrepreneurial team, is resource parsimonious and creative, depends on the fit and balance between these, and is integrated and holistic as exhibited in his model of the entrepreneurial process in figure 2.1.

**Figure 2.1 The Timmons model of the entrepreneurial process**



**Source:** Timmons & Spinelli (2004:57)

From the above definitions it seems that to understand entrepreneurship, one should not only investigate the “who” and the “what” but also the “how” of entrepreneurship – in other words, not only the personality aspects but also the behavioural aspects of entrepreneurship. Stevenson (1983, in 2004:6) researched the differences between entrepreneurial enterprises and administratively driven organisations with regard to six key business dimensions listed in the middle column of table 2.1, namely strategic orientation, commitment to opportunity, commitment process, control of resources, management structure, and compensation and reward system. He concluded that entrepreneurs differ from administrators of large organisations, with regard to these six key business dimensions and then formulated a process definition of entrepreneurship incorporating these dimensions. In the table, the entrepreneurial approaches to these

dimensions (in the left column) are contrasted to the approaches of typical corporate administrators (in the right column).

According to the first and second dimensions, namely “strategic orientation” and “commitment to opportunity”, the entrepreneur is driven by the perception of an opportunity and displays a quick response to change. Porter (1981, in Stevenson 2004:7) first described first-mover advantage. This was supported by subsequent work on time-based competition by Stalk (1996, in Stevenson 2004:7) who confirmed the power of speed (quick to respond) as a competitive weapon, in particular, because larger organisations can be overwhelmed by inertia in spite of advanced technology and sophisticated market intelligence, as shown by the work of Christensen (1997, in Stevenson 2004:7).

**Table 2.1 A process definition of entrepreneurship: Stevenson**

<b>A process definition of entrepreneurship: Stevenson</b>		
<b>Entrepreneur</b>	<b>Key business dimensions</b>	<b>Administrator (large organisation)</b>
Driven by the perception of the opportunity	1. Strategic orientation	Driven by resources currently controlled
Quick commitment	2. Commitment to opportunity	Evolutionary with long duration
Multi-stage with minimal exposure at each stage	3. Commitment process (risk taking)	Single-stage with complete commitment upon decision
Episodic use or rent of required resources	4. Control of resources	Ownership or employment of required resources
Flat with multiple informal networks	5. Management structure	Formalized hierarchy
Value-based and team-based	6. Compensation and reward system	Resource-based, individual and promotion oriented

**Source:** Stevenson (2004:6)

With regard to Stevenson’s third dimension in table 2.1, “commitment process”, although early studies identified entrepreneurs as risk-takers, subsequent studies (Stevenson 2004:7) found that entrepreneurs manage risk by sequential/multi-stage commitment to the opportunity. This corresponds to the needs of many resource providers, such as venture capitalists who expect positive results before continuing as a provider (Sahlman 1988, in Stevenson 2004:7).

Stevenson’s fourth dimension in table 2.1, “control of resources”, distinguishes different forms of resource control. A warning has been sounded against the hierarchical control of resources and the creation of barriers to exit (Jensen 1993, in Stevenson 2004:7). The Internet world with its network structure offers new forms of control to the entrepreneur,

such as alliances, partnerships and market teams, in matching resources with unpredictable needs.

Stevenson's fifth dimension in table 2.1, "management structure", focuses on the entrepreneur's ability to manage through networks rather than hierarchy, especially when key resources are external. With regard to value-based and team-based sharing of rewards (the sixth dimension – "compensation and reward system"), the entrepreneur has greater flexibility, except during the start-up and early stages of the enterprise when there is nothing to share.

A succinct definition that incorporates the process approach and delineates the role of entrepreneurship in society is that of the Austrian economist, Kirzner (1973, in Davidsson 2004:6, 16): entrepreneurship consists of "the competitive behaviours that drive the market process". This definition emphasises behaviour, includes an outcome which implies that the processes of discovery and exploitation are included, and is only restrictive with regard to the market context.

Entrepreneurship, however, is an evolving concept, and recognising this fact, Kuratko and Hodgetts (2004:30) developed an integrated definition that acknowledges the critical factors needed for this phenomenon, including the cognitive scripts of arrangements, willingness and ability (explained in sec 2.5.4 and ch 3):

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

In the discussion that follows and in the rest of the study, the process approach to entrepreneurship, as contained in the definition of entrepreneurship by Kuratko and Hodgetts, is accepted.

### **2.2.2 Small businesses versus entrepreneurial ventures**

The process approach to understanding entrepreneurship clarifies the difference between entrepreneurial ventures and small businesses. Even though, in both instances, the owners exhibit entrepreneurial tendencies in order to start up, the entrepreneurial

ventures outgrow the SMMEs which tend to stabilise at a certain stage and then only grow with inflation. Webster's defines the term "venture" as an undertaking involving chance, risk or danger – a speculative business enterprise. An undertaking that poses such challenges would require a management approach exhibiting special characteristics.

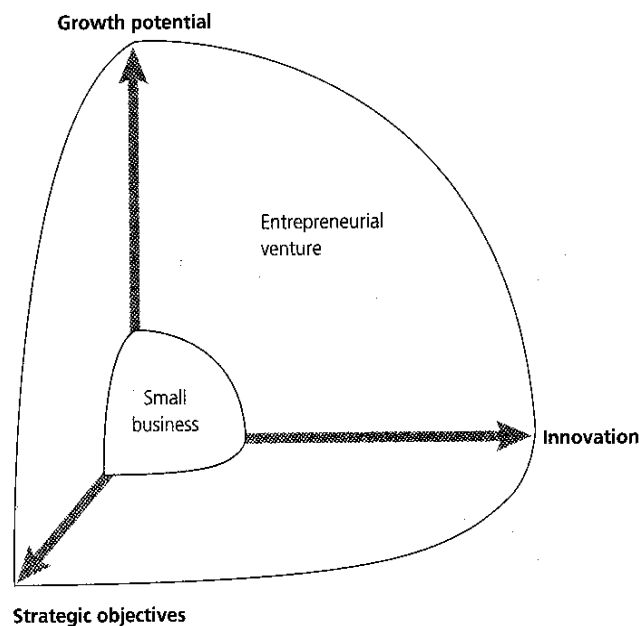
Wickham (2004:102) identified the following three characteristics that distinguish entrepreneurial ventures from small businesses:

- (1) **Innovation.** Entrepreneurial ventures grow as a result of innovation – technological innovation (eg a new product or production method), a new service offering, innovative marketing or distribution channels, the way in which the organisation is structured and managed, or the way relationships between organisations are maintained. In contrast, the small business is usually involved in delivering an established product or service. Even though it may be in a new locality, in a global sense, it is not essentially doing anything new.
- (2) **Potential for growth.** Owing to its innovative orientation, the growth potential of the entrepreneurial venture is higher than that of the small business. Whereas the entrepreneurial venture is in a position to create its own market, the small business operates within a given market.
- (3) **Strategic objectives.** Even the smallest firm has sales targets and financial objectives, while the entrepreneurial venture goes beyond these and sets itself strategic objectives in relation to growth targets, market development, market share and market position. The small business focuses on survival, sales and profit targets.

Although a small business may demonstrate one or two or even three of these characteristics, it is the combination and depth of innovation, potential for growth and strategic objectives that add up to distinguish the key character of the entrepreneurial venture, namely a business that makes significant changes to the world. It is the entrepreneurial venture that tends to create employment. The difference between the entrepreneurial venture and the small business is illustrated in the graph in figure 2.2. As indicated in the graph with its three axes, namely growth potential, innovation and strategic objectives, the extent to which these characteristics are addressed by the entrepreneurial venture is much greater than it is for the small business.



**Figure 2.2** Difference between a small business and an entrepreneurial venture



**Source:** Wickham (fig 4.3, 2004:103)

There is no universally agreed-upon definition of a small business. According to Scarborough and Zimmerer (2003:21), a common delineation of a small business is one that employs fewer than 100 people. An interesting fact in the USA is that almost 90 per cent of firms employ fewer than 20 people, while more than half of all businesses employ fewer than five people (data from the National Federation of Independent Business in Kuratko & Welsch 2004:3).

Small businesses are usually defined in terms of number of employees, sales volume and value of assets (Longenecker et al 2003:9). In South Africa, the National Small Business Act 102 of 2004 defines a small business as a company with a labour force equal to or less than 50, a total annual turnover varying between R3 and R35 million, depending on the sector in which it is classified, and with a total gross asset value varying between R1 and R6 million, again, depending on the sector (see tab 1.1 in ch 1).

From the designation of the SAB KickStart Programme and its aims and objectives, this programme is aimed at inculcating a culture of entrepreneurship among young people. The objective of the programme is to assist small, micro and medium-sized enterprises to become entrepreneurial ventures. A flow chart of the different phases of the SAB KickStart Programme appears in chapter 3 and the programme is discussed in detail in chapter 4.

In the literature providing statistics or reporting on research findings, a clear distinction is rarely made between entrepreneurial ventures and small and medium-sized businesses. At the risk of creating confusion, the terminology used by such specific literature will be adhered to. The impact of small, micro and medium-sized businesses (whether entrepreneurial or not) on the economy is described in the next section.

## **2.3 CONTRIBUTION OF SMMEs TO ECONOMIC GROWTH**

The prosperity of a country is indicated by its economic growth rate, which is measured by the range and number of products produced and services provided, expressed in monetary terms as the gross domestic product (GDP) (Cant et al 2006:50; and Du Toit et al 2007:106). The intent of the SAB KickStart Programme is to create a culture of entrepreneurship among young people, and in so doing, contribute to economic growth, job creation and black empowerment. The question arises: "Do small, micro and medium-sized businesses actually contribute to economic growth?"

### **2.3.1 Statistics on SMME contribution to economic growth**

The Annual review of small business in South Africa – 2004 (DTI 2005:81-83) states that in 2004 micro and very small enterprises (fewer than 20 employees) contributed 24 per cent to gross domestic product (GDP), small enterprises 15 per cent and medium and large enterprises 59 per cent. Furthermore, the trend from 1997 to 2004 was that the share of the micro enterprises to GDP was increasing and the share of medium and large enterprises decreasing. According to the review, micro and small enterprises employed 74 per cent of the number of permanent employees, while medium and large enterprises employed 26 per cent (calculations based on Stats SA Labour Force Survey). Similar statistics appear in the Review of trends on entrepreneurship and the contribution of small enterprises to the economy of South Africa, 2000-2006 (SEDA 2007:11-12).

How do these statistics compare with comparable statistics for other countries? According to Scarborough and Zimmerer (2003:21) small businesses with fewer than 100 people, employ 52 per cent of the USA's private sector workforce, while possessing less than one fourth of total business assets. The above authors point out that because small enterprises are labour intensive they create more jobs than big enterprises. According to the US Small Business Administration, small companies created 76.5 per cent of net new jobs from 1990 to 1995 and 75.8 per cent from 1996 to 1997 (Case 2001:1).

In the UK a survey among small and medium-sized manufacturing enterprises revealed that they employ 45 per cent of the manufacturing workforce and account for about 30

per cent of the manufacturing output, while in Germany, SMEs account for 99.2 per cent of manufacturing firms and 47.4 per cent of all manufacturing employment (Levy, in Wittenberg 1994:20-23).

### **2.3.2 The entrepreneur as prime mover of economic development**

In 1911 Joseph Schumpeter published his work, *Theory of economic development*, in which he identified the entrepreneur as the prime mover of economic development through the introduction of new combinations, such as new products, new techniques, new forms of organisation, new markets and new sources of materials – features exogenous to the capitalistic system (Schumpeter 1934, 1939, 1942, in High 2004:46). Several studies on the impact of entrepreneurship on economic growth (Brock & Evans 1989, and Carree & Thurik 2000, in Fisher 2004:4; Carree & Thurik 2003:465) confirmed that entrepreneurship contributes to economic growth. Thurik's research, which was based on a historical analysis and extensive statistical data at national level, focused on the relationship between entrepreneurship/small enterprises and economic growth (Wennekers & Thurik 1999 & 2001, in Corbetta, Huse & Ravasi 2004:27), and supports "the view that differences in the business ownership rate across countries have an effect on economic growth and that countries lagging behind in the restructuring process will pay the penalty in terms of lost macro-economic growth".

### **2.3.3 Economic growth rate and entrepreneurial activity**

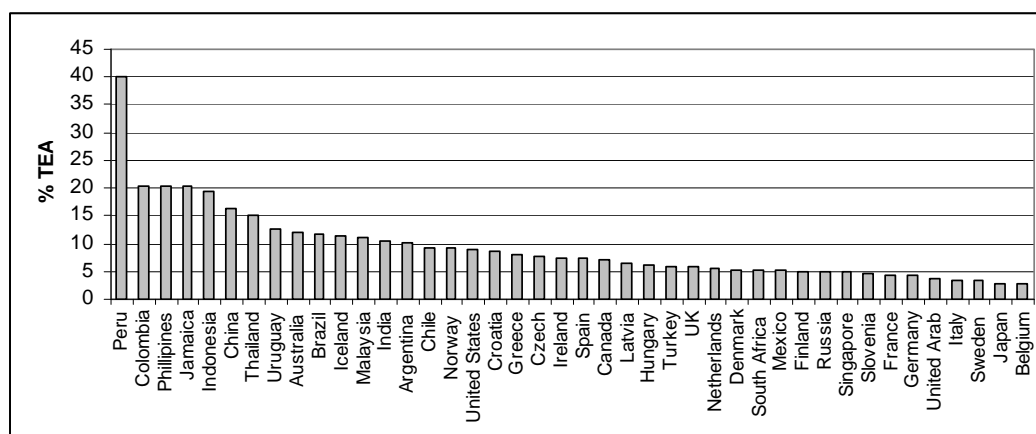
A "causal relationship between the GDP per capita of a country and the extent and nature of its entrepreneurial activity" was established in 2004 by the Global Entrepreneurship Monitor (GEM) international research team and the findings confirmed by the GEM 2005 Executive Report (Von Broembson et al 2005:15). Research by Van Stel, Carree and Thurik (2004:1) using the Total Entrepreneurial Activity (TEA) variable from the GEM and the Growth Competitiveness Index found that entrepreneurial activity affects economic growth. Furthermore, this effect increases with per capita income. The researchers advise that even though their results mean that poorer countries fail to benefit from entrepreneurial activity, entrepreneurship should still be encouraged in such countries. This view is supported by the findings of a World Bank survey, *Voices of the poor* – of the 60 000 poor people interviewed in more than 50 countries, the majority claimed that they escaped from poverty by starting their own business (The World Bank 2006:1). The World Bank (2006:1) advises: "Jobs are a priority for countries emerging from conflict, to absorb former soldiers into the workforce and quickly enable families to rebuild their lives. Without jobs there is a high risk that these countries will return to conflict. And jobs in the

formal economy are a priority for countries in Africa – which have the most obstacles to doing business and are reforming more slowly than anywhere else”.

### 2.3.4 Entrepreneurial activity in South Africa

South Africa's Total Early-stage Entrepreneurial Activity (TEA) rate in 2006 was 5.29 per cent, which means that for “every 100 adults in South Africa between the ages of 18 and 64, about five own and manage a start-up business (a business that has not paid salaries for three months or more) or a new business (a business that has paid salaries for between 3-42 months), either with others or by themselves” (Maas & Herrington 2006:16). From figure 2.3 it can be seen that South Africa ranks in 30<sup>th</sup> position out of 42 countries surveyed in 2006.

**Figure 2.3 Total early-stage entrepreneurial activity by country (2006)**



**Source:** Maas & Herrington (2006:17)

Developing and transitional economies are characterised by low GDP per capita and high TEA rates; high unemployment tends to result in necessity entrepreneurship. This, however, is not the case in South Africa which has a low GDP per capita, relative to the GEM sample, but a low entrepreneurial activity rate. In comparison with the 11 developing countries (Uruguay, Malaysia, Argentina, Chile, Croatia, the Czech Republic, Latvia, Hungary, Turkey, South Africa, Mexico and Russia – listed from highest TEA rate to lowest) that participated in GEM 2006, South Africa has the third lowest TEA rate, attributable to the low rate of opportunity entrepreneurship (3.47%) and the low rate of necessity (survivalist) entrepreneurship (1.51%) (Maas & Herrington 2006:16-18).

In the 2005 GEM, the established firm rate (owner-managers who have paid wages for more that 3.5 years), for South Africa was 1.3 per cent – the lowest of all 35 participating GEM countries. With regard to the sustainability of enterprises, South Africa had the

lowest early entrepreneurship-to-established firm ratio of all the GEM countries sampled. This means that the probability of a firm surviving beyond 42 months in South Africa is lower than in any other GEM country sampled in 2005 (Von Broembson et al 2005:21). From this it seems that the quality of early-stage entrepreneurship activity in South Africa is by comparison lower than in other countries of the GEM sample. Should this be the case, a serious need for entrepreneurial support in the form of education, funding and mentoring exists during the early stages of business establishment – typically the type of support provided by the SAB KickStart Programme.

### **2.3.5 Poverty reduction correlated with entrepreneurial activity**

Can entrepreneurial activity reduce poverty? To examine this relationship, the total entrepreneurial activity (TEA) index has been correlated to poverty levels as measured by the percentage of the population living below US\$1 a day, across 25 countries, including South Africa. Regression analysis revealed a strong relationship, which leads to the conclusion that “entrepreneurship must be promoted as a powerful vehicle for reducing poverty” (Ncube & Ahwireng-Obeng 2006:35) and that “South Africa needs a plethora of private equity funds that target SMEs, not only to deliver on BEE (black economic empowerment) compliance, but more particularly, to reduce poverty and promote growth and development”. These aims fit perfectly with what the SAB KickStart Programme is trying to accomplish.

### **2.3.6 Entrepreneurship and employment generation**

After the Industrial Revolution, economists relied on large companies, in particular manufacturers, to generate employment based on the theory of “economies of scale”, and official policies favoured the large units of production (Acs, Carlsson & Karlsson 1999:6). “Writing contemporaneously with Schumpeter (1928), Knight (1921) and later, economists Mill (1848), Higgins (1959), Baumol (1968), Schloss (1968), and Leibenstien (1978, 1979) reflect the long history of seeking to understand and to explain the role played by the entrepreneur as the motor of the economic system” (Filion 1998, in Wingham 2004:31). Studies during the last two decades in many countries found small enterprises to be “overrepresented as generators of new jobs” (Birch 1979; Baldwin & Picot 1995; Fumagelli & Mussati 1993; Kirchhoff & Phillips 1988; and Spilling 1995, in Davidsson, Lindmark & Olofsson 1999:286).

In 1979, David Birch provided overwhelming evidence that small firms with fewer than 100 employees created 81 per cent of the new jobs in the USA (Wingham 2004:33). His research highlighted the importance of entrepreneurial activity, new ventures and small

business development for job creation (Birch 1979, 1987, in Stevenson 2004:3; and Landström 2005:159-172).

Subsequent research led Birch (Landström 2005:168) to conclude that fast-growing entrepreneurial enterprises, known as “gazelles”, contribute more to the creation of new jobs than “mice” (companies that start small and stay small) and “elephants” (big companies that are slow and not very innovative) on the *Fortune 500*. Birch defines a gazelle as a company that grows at least 20 per cent per annum for four years, from a base of at least \$100 000 in revenue – it doubles in size over a four-year period (Case 2001:1; and Kuratko & Welsch 2004:5). Birch found in a study of gazelles that 30 per cent were in wholesale and retail, a further 30 per cent in service and the remainder in high tech (Case 2001:1). The researcher, Malizia (Case 2001:2), however, found that most growth companies are in “low-tech or in traditional industries”. This fact is corroborated by a GEM report for the United States which found that “fifteen per cent of the fastest-growing new firms (that is, “gazelles”) accounted for 94 per cent of the net job creation, and less than one-third of the gazelles were involved in high technology” (Kuratko & Hodgetts 2004:4). The researcher, Winders (Case 2001:2), concluded that most growth companies “serve local markets”. Birch’s study further found that gazelles as a group pass through a “gradual development phase followed by a robust (but not explosive) growth” and include companies of all sizes, not only small enterprises (Case 2001:2).

In the US economy, the small entrepreneurial enterprises have “created a steady supply of net new jobs over the business cycle of 1977 to 1990. It is important to recognize that historically, employment growth in the United States is correlated directly with new-business growth.” (Kuratko & Welsch 2004:4).

The contribution of small and medium-sized enterprises (SMEs) to economic growth and their propensity to create new jobs vary according to the upward and downward economic cycles of a country and the different sectors (Case 2001:1). Case (2001:1) found that in downturns or early phases of economic expansion, small enterprises tend to generate more new jobs than large organisations. However, as expansion continues, the big companies start to hire increasingly more people for new locations/branches. Acs and Armington (Case 2001:2) conclude that new companies and new branches of large companies create most of all the net new jobs. Some research indicates that job creation by firm class may vary over the business cycles. A debate has ensued regarding the reality of small firm job creation (Davis, Haltiwanger & Schuh 1996; Baldwin & Picot 1995; Carree & Klomp 1996; Davidsson 1994, 1995b; Gallagher & Robson 1995; ENSR 1995; Haltiwanger 1995; Harrison 1994a, 1994b; Kirchoff & Greene 1995; Storey 1994, 1995; and Van der Hoeven, Kleijnweg & Visser 1994 in Davidsson et al 1999:304). Research

by Haltiwanger (1999:280) revealed that employer age (maturity) is more important than employer size (whether large or small) for understanding the cyclical dynamics of job creation and destruction. An analysis in Sweden of job creation during the serious 1990-1993 recession, and the years preceding and following, established that SMEs contributed more to new job creation, both in gross and net terms, than large firms (Davidsson et al 1999:305). The analysis further revealed that “the result that SMEs are over-represented as job-creators is not owing to the ‘regression fallacy’” (a phenomenon labelled and described by Davis, Haltiwanger & Schuh 1993. 1996a, 1996b in Davidsson et al 1999:305).

To assess whether entrepreneurial activity results in job creation, the GEM data collected over a three-year period (2003-2005) were examined and revealed that opportunity-motivated firms are far more likely to employ six or more employees than necessity-motivated firms, as illustrated in table 2.2. “Less than 3% of necessity businesses – which constitute all ‘survivalist’ businesses and most micro-enterprises in the informal economy” – are likely to create six or more jobs. “This calls into question the notion that the informal sector has the potential to contribute much to job creation” (Von Broembson et al 2005:25). This is the main reason why the informal sector will not be investigated in the study, while another reason is that the SAB KickStart Programme is not involved with the informal sector.

**Table 2.2 Employment levels in opportunity-motivated and necessity-motivated firms (new firms and established firms only)**

<b>Employment levels</b>		
	<b>Opportunity-motivated firms (% of firms)</b>	<b>Necessity-motivated firms (% of firms)</b>
No employees	16.0	29.6
1-5 employees	68.0	67.6
6-19 employees	12.0	2.8
20+ employees	4.0	0.0
Total	100.0	100.0

**Source:** Von Broembson et al (2005:25)

These findings are corroborated by an analysis of the worldwide GEM data (Autio 2005 in Von Broembson et al 2005:25) that suggests that the primary job creators worldwide are firms that employ 20 people or more. Autio found that in both developed and developing countries, these firms are responsible for an estimated 80 per cent of new job creation by entrepreneurs.

This information is of particular relevance to the SAB KickStart Programme to determine whether it is targeting the correct size entrepreneurial venture for development to achieve the goal of job creation.

The SAB KickStart Programme is a national programme, investing in different communities in South Africa. The question arises as to why entrepreneurship flourishes more in some communities than in others?

### **2.3.7 Communities in which entrepreneurship flourishes**

Over the last two decades, Stevenson (2004:4) examined the history and culture of more than 40 countries to determine whether entrepreneurship flourishes in certain types of community. He uncovered the following information:

- Entrepreneurship flourishes in communities in which resources such as capital, labour and ideas are mobile.
- Entrepreneurship is greater when successful members of a community reinvest excess capital in the projects of other community members.
- Entrepreneurship flourishes in communities in which the success of other community members is celebrated rather than derided.
- Entrepreneurship is greater in communities that see change as positive rather than negative.

Firstly, concerning the mobility of resources, the SAB KickStart Programme arranges for entrepreneurial and business skill levels to be advanced, then provides capital, together with business mentoring, to some of the SAB KickStarters. Secondly, the SAB is an example of a company that invests capital in projects of other community members through several of its entrepreneurial programmes. Thirdly, judging from the popularity of the regional and annual award dinners held by the SAB KickStart Programme, one may conclude that entrepreneurial performance is celebrated in all areas of the country. Finally, SAB has always embraced change and this culture is inculcated in its 10 000 employees in South Africa (SAB Annual report 2006). Thus, it would seem that SAB is making a concerted effort to change the South African community into one in which entrepreneurship flourishes.

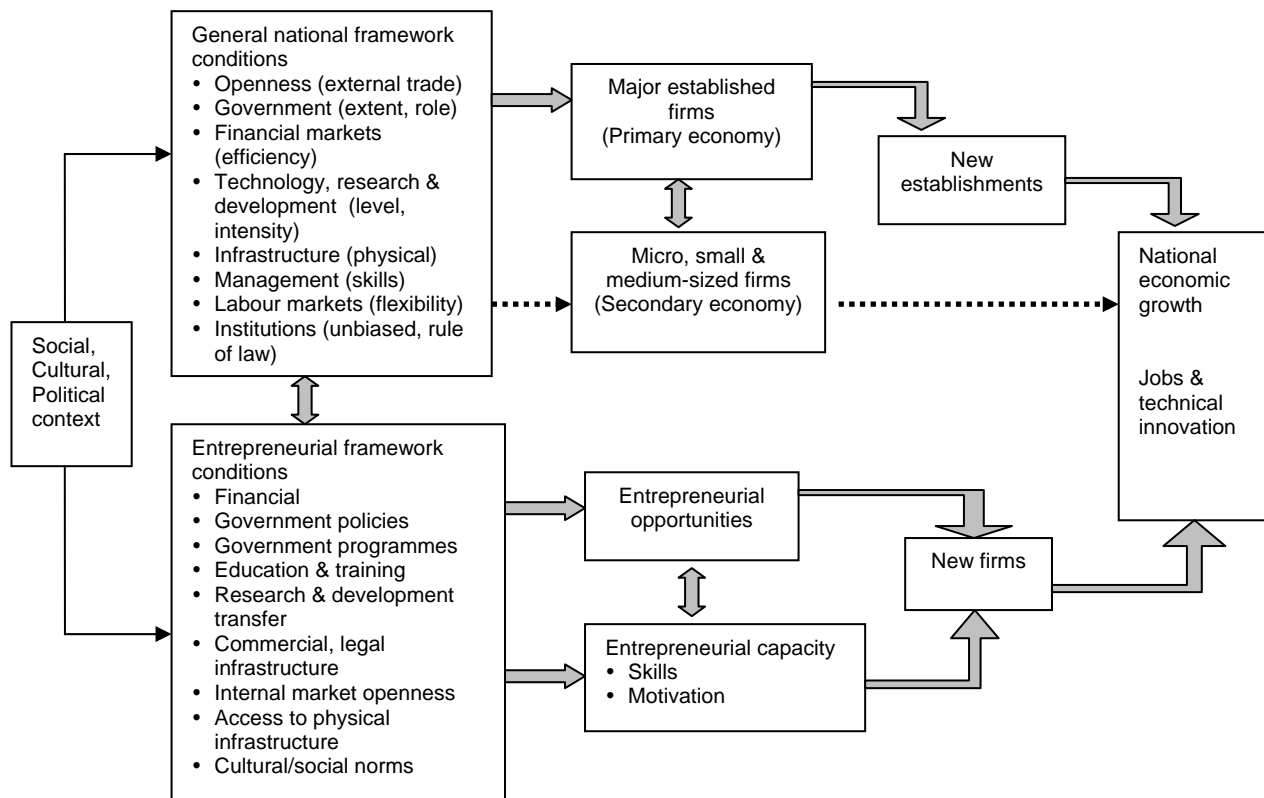
The above discussion seems to highlight the fact that job creation is a multifaceted phenomenon with several contributing variables.



### 2.3.8 A job creation model

To understand the interrelationships between some of the variables that can contribute to job creation, the authors of the South African GEM 2005 conceptualised a model that is set out in figure 2.4.

**Figure 2.4 The GEM conceptual job creation model**



**Source:** Von Broembson et al (2005:12)

When business conditions are favourable, companies can compete effectively and start new or ancillary businesses. Business conditions, however, are affected by the general national framework conditions, which include economic conditions and legislation in a social, cultural and political context. The decisions by entrepreneurs to start businesses are influenced by additional factors, namely entrepreneurial framework conditions. All these factors determine the type, quality and quantity of entrepreneurship in a country and its contribution to economic growth and job creation (Von Broembson et al 2005:12).

The above-mentioned conditions form part of the environment of businesses, and these are discussed in the next section.

## 2.4 THE ENVIRONMENT OF THE SOUTH AFRICAN SMMEs

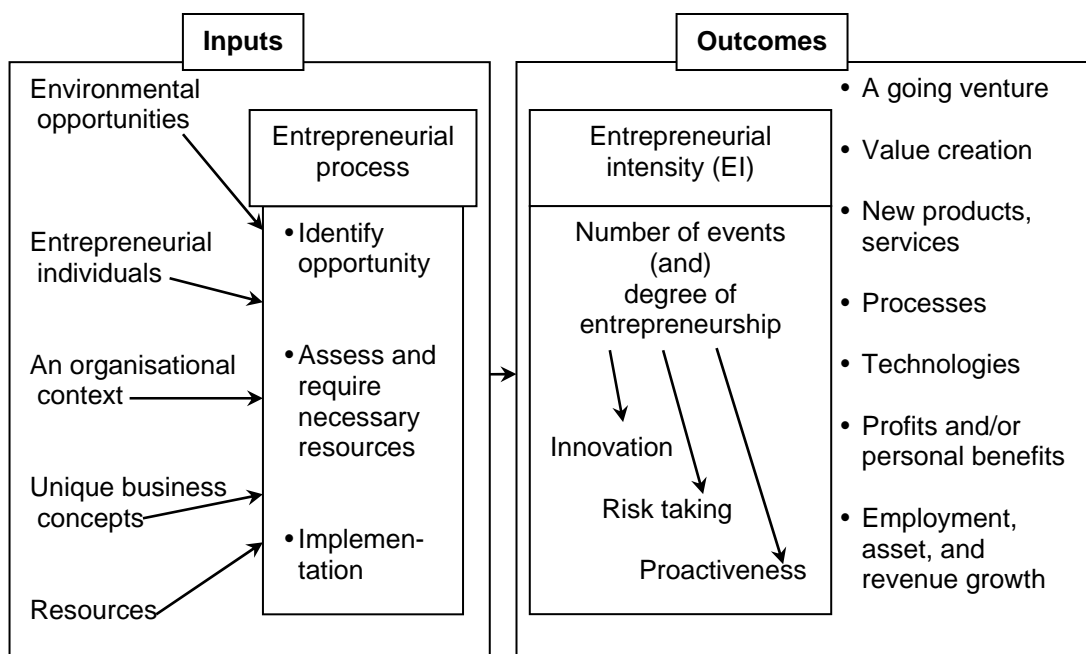
Developing a theory of entrepreneurship and understanding the entrepreneur require a study of the individual, organisation and the context (Aldrich 1992, in Stevenson 2004:3). In this section, the context in which the entrepreneur operates in South Africa is described.

### 2.4.1 The SMME as a system

No enterprise, whether small or large, is self-sufficient or self-contained; instead it “is a system that operates in a specific environment” (Smit et al 2007:38). As can be seen from figure 1.1, inputs from the environment, such as human, financial, physical and information resources, are transformed through management expertise (planning, leading, organising and control) using manufacturing and operational systems to deliver a range of outputs, such as products, services and job opportunities.

Morris, Lewis and Sexton (1994:25) adapted the systems perspective of an organisation to include the entrepreneurial process and entrepreneurial intensity into an integrative model of entrepreneurial inputs and outputs, as highlighted in figure 2.5.

**Figure 2.5 An integrative model of entrepreneurial inputs and outputs**



**Source:** Morris et al (1994:25)

On the input side of the model, the entrepreneurial process commences by identifying the environmental opportunities that are present as a result of new technology or changes in laws, regulations and market demands. The opportunity or new concept then has to be developed and refined by an entrepreneurial individual. Thereafter, the individual has to create an organisational context, such as a family business, franchise, home-based business, sole proprietorship, partnership or large organisation, in order to implement the business concept, utilising the necessary financial, human, physical and informational resources to ensure a sustainable competitive advantage.

The output component of the model requires entrepreneurial intensity (innovation, risk taking and “proactiveness”) to establish a venture, create or add value along with new products, services, processes, technologies to ensure profit, employment, asset and revenue growth, and even personal benefits, all of which will ultimately contribute to economic, social and organisational growth and development. The model applies to all types of entrepreneurial ventures, whether start-up, new or established enterprises.

Comparing the entrepreneurial input-output model with the system perspective to organisations (figure 1.1), it seems that the former have not incorporated the managerial functions, systems and processes necessary for the transformation of inputs to outputs. Another model, the multidimensional model of entrepreneurship (Johnson 1990, in Kuratko & Hodgetts 2004:42) describes a more detailed process approach to entrepreneurship and views entrepreneurship as a complex, multidimensional framework that emphasises four dimensions – the individual, the environment, the organisation and the venture process.

The complex environment in which the entrepreneur operates can be termed a business or management environment (Smit et al 2007:38-39) or a marketing environment (Cant et al 2006:35) and encompasses three distinct components or subenvironments, namely the macro-, market and micro-environments. The composition of each of the three environments is summarised in figure 1.2.

It is crucial for the planning and strategising of entrepreneurial ventures to increase productivity, competitiveness and profitability, in order to promote a substantive understanding of the variables in the micro-, market and macro-environments, because some or all of these variables could have a direct impact on the productivity, competitiveness and profitability of the enterprise. Factors in these environments could thus have an impact on the performance of the participants of the SAB KickStart Programme and are explained in greater detail in the next sections.

### 2.4.2 The micro-environment

The system perspective of an enterprise (fig 1.1) and the integrative model of entrepreneurial input and output (fig 2.5) cover the micro- or internal environment of the enterprise, in which the entrepreneur or manager has complete control of the variables in this environment (Cant et al 2006:37-39; Du Toit et al 2007:92). The variables include the mission, goals and objectives of the enterprise, the various functions of management, the organisation structure and culture, the operating procedures, the resources, and the entrepreneurial process and intensity. From the multidimensional process approach to entrepreneurship (Johnson 1990, in Kuratko & Hodgetts 2004:42) three of the four dimensions, namely the individual, organisation and process dimensions, are relevant to the micro-environment of the enterprise.

Since the survival and growth of the enterprise depends on whether it has sufficient numbers of satisfied customers purchasing continuously from it and as marketing strategies are centred on customer accrual and retention through customer satisfaction, it follows that marketing management contributes significantly to the strategies of the enterprise. Such strategies can only be implemented successfully if all the functions in the enterprise are harmonised.

Innovations and strategies in the micro-environment may influence the market and elements of the macro-environment. For example, the marketing decisions made by an enterprise may influence the market environment, decisions, such as to enter a new market as a competitor or supplier, to introduce new products and services, to bypass intermediaries, to increase market share, to expand globally, et cetera. New technology developed by an entrepreneur could bring about changes in the technological environment of the macro-environment. The micro-environment, however, is far more susceptible to changes in the market and macro-environments than vice versa. The market and macro-environments are expanded upon in the next sections.

### 2.4.3 The market environment

The market environment is encountered immediately outside the enterprise and continually influences it. This environment is governed by four variables, namely consumers, suppliers, intermediaries and competitors (Cant et al 2006:39-46; Du Toit et al 2007:97-102):

- (1) **Consumers/customers** have a range of needs, wants, desires and demands, which are curtailed by their buying power and behaviour patterns, which in turn

determine the number and size of entrants to the market. The successful entrepreneur develops an intimate understanding of the different types of customer.

- (2) **Suppliers** provide raw material, products, services and financing (through banks and financial institutions) to the enterprises. To ensure the continued supply of the right quality at the right time in the right quantity, the entrepreneur/manager would have to establish long-term relations with several key suppliers.
- (3) **Intermediaries** are wholesalers, retailers, commercial agents and brokers who handle or sell the products of a manufacturer – in other words, they act as distribution channels. “The traditional physical distribution and the modern channel management, including goods, services, people and information, consist of a network of relations” (Gummesson 2002:28). The networking ability of the entrepreneur may contribute to the growth of the enterprise.
- (4) **Competitors** include potential, new and existing competitors who either plan to enter the market, maintain their market share or strengthen their market position. Enterprises do not only compete for a share of the market but also for raw material, labour, capital and entrepreneurship. Competition as a market mechanism keeps excessive profits in check, acts as an incentive to higher productivity and encourages technological innovation (Cant et al 2006:42-43), areas in which the entrepreneur can excel.

All these variables in the market environment create either opportunities or threats, depending on the nature of the enterprise and its specific strategies. The principal task of the entrepreneur is to identify, evaluate and exploit opportunities that arise in the market by developing strategies that attract and secure customers while keeping competition at bay. The entrepreneur poses the question: By establishing binding relationships, how can the enterprise exert a greater influence on the variables in the market environment? Through such relationships the organisation can become less vulnerable and start to wield more power.

One of the four dimensions of the multidimensional process approach to entrepreneurship (Johnson 1990, in Kuratko & Hodgetts 2004:42) is concerned with factors in the environment, such as venture capital availability, the presence of experienced entrepreneurs, a technically skilled labour force, the accessibility of suppliers, the accessibility of customers or new markets, governmental influences, the proximity of universities, the availability of transportation, the attitude of the area population, the availability of supporting services and living conditions. A few of these factors form part of the market environment while most of them resort in the macro-environment (in fig 1.2).

#### **2.4.4 The macro-environment**

The forces and trends in the macro-environment can exert a direct or indirect influence on enterprises (the micro-environment) and their customers, suppliers, intermediaries, competitors (the market environment). These forces and megatrends, which create and shape opportunities and pose threats, are non-controllable, but entrepreneurial SMMEs can monitor and respond to these (Kotler 2003:161). Contemporary literature (Du Toit et al 2007:92; Smit et al 2007:67-74; and Cant et al 2006:36, 47) on management and marketing, divide the macro-environment into six variables or subenvironments, namely the technological, economic, social, political/legislative/ institutional, ecological and international environments. When drawing up a business plan the participants in the SAB KickStart Programme should analyse factors in the environment that may have a direct impact on the growth potential of their businesses. The SAB KickStart mentors should also be aware of factors in the environment that could have an effect on the business of the SAB KickStarter. It is therefore appropriate to discuss the subenvironments and their implications for the entrepreneurial SMME.

##### **2.4.4.1 The technological environment**

Technological development and the convergence of different technologies such as computers and telecommunications, contribute to increased business opportunities and changes in enterprises (Bolton & Thompson 2004:280; Cant et al 2006:47-50). Technological innovation originates in research and development conducted by individuals, business organisations, research institutions and the state. Some results, such as innovative or improved machinery, products, methods or processes, enlarge the capabilities of the human race, while novel approaches to functions, such as management, marketing, financing and procurement, redirects the focus of such functions. Innovativeness is a central part of the entrepreneurial process. "Since World War II, small entrepreneurial firms have been responsible for half of all innovation and 95 per cent of all radical innovation" (Timmons & Spinelli 2004:10).

Technological change affects the entire organisation and has strategic implications for organisations as well as industries, creating significant opportunities for entrepreneurs and devastating threats for others. Schumpeter (1942) and Scherer (1984) cite "creative destruction", volatility and turbulence in economies as a necessary feature of economic growth and change (Reynolds 1991:97; Kotler 2003:172). However, research conducted over an eight-year period by Reynolds (1999:97-113, 16) found that the higher the volatility, the higher the economic growth rate is, but found little evidence that turbulence alone is an independent factor affecting economic growth.

Industries need to adapt to new technology in order to survive and the entrepreneur should therefore monitor the following trends in technology (Kotler 2003:173):

- **The accelerated pace of change.** An increasing number of ideas are being researched and the product life cycle has been contracted – the period between the presentation of the idea and its successful implementation has shortened. Investment cost and risk can be extremely high while the entrepreneur faces a number of uncertainties, namely market uncertainties (product acceptance), technological uncertainty (product performance) and regulatory uncertainty (government's approval).
- **Unlimited opportunities for innovation.** According to Kotler (2003:172), "scientists today are working on a startling range of new technologies that will revolutionise products and production processes, electronics, telecommunications, robotics and designer material".
- **Varying research and development (R&D) budgets.** The trend is for consortiums of companies to be involved in research aimed at major breakthroughs (Kotler 2003:173).
- **Increased regulation of technological change.** As products increase in complexity, the government tends to pass more legislation in order to protect the public against potentially unsafe products.

The entrepreneur has a threefold involvement in the process of technological innovation and change (Cant et al 2006:48):

- The entrepreneur continuously investigates new consumer needs, which the enterprise, through the utilisation of technology, endeavours to satisfy.
- The entrepreneur searches for new inventions to develop and commercialise.
- The entrepreneur scans technological progress and the opportunities it presents and the threats it poses. A case in point would be the improved speed and capabilities of the Internet which have created opportunities, such as Internet ordering.

For the entrepreneur, the following "four major changes have elevated the role of technology as a strategic capability" (Gordon 1998:186):

- **The Internet.** The Internet affords business the opportunity to engage interactively with customers through standardised processes, which afford customers the opportunity to assemble the value they desire in a customised product. Customers

make use of either a “pull” (visit the web site and select a product or information) or a “push” (receive requested information when it becomes available) strategy. Push technology allows the entrepreneur to learn about customers’ individual preferences and then act accordingly.

- **Computer telephony integration (CTI).** CTI workstations enable customers to receive and respond to multiple voice mails, e-mails and faxes in one step with one software system (Gordon 1998:192). CTI has capabilities, such as video-conferencing, information display on incoming calls, automated dialling and simultaneous voice and data transmission. The fact that CTI has the power of processing vast amounts of information and presenting it at the point of contact with the customer, for handling via telephony, is of particular value to the entrepreneur because it ensures better customer service, enhanced productivity and increased revenues.
- **Data warehouses.** Gordon (1998:194) defines customer data warehouses as “large repositories of information about the customer, from sources both internal to the company and from the customer and third sources, such as the government, credit bureaus and market research firms. Data can include behaviours, preferences, lifestyle information, transactional data and data about communications with the firm before, during and after a sale. It may include information about customer profitability, satisfaction, retention, loyalty and referrals”. With such information, entrepreneurial decision making in areas, such as planning, matching inventory to customer requirements, customer targeting and improving marketing and operating processes, could be enhanced.
- **Mass customisation.** This is the process of providing and supporting individually tailored goods and services, at a profit, according to each customer’s preferences with regard to form, time, place and price (Gordon 1998:217). Technology and processes are sufficiently flexible and adaptable to accommodate mass customisation which can reduce costs, such as inventory carrying costs and write-downs associated with out-of-date products. Offering products and services adapted to customers’ specific needs gives entrepreneurial ventures a competitive edge.

The subenvironments in the macro-environment do not exist in isolation. Developments in technology can have a direct impact on the economic, social, international, physical and political environments.



#### 2.4.4.2 The economic environment

Owing to the interrelatedness of environmental factors or variables the economic environment is influenced by trends in the technological, social, physical, international and political environments. The economic environment is described by indicators such as economic growth rate, levels of employment, consumer income, rate of inflation, interest rates and exchange rates. According to Strydom, Jooste & Cant (2000:52) "The monetary and fiscal policies influence the welfare of the organisation and its community". The trends in economic forces have implications for the entrepreneur who sells to markets with adequate numbers of customers (people) with acceptable levels of purchasing power (Kotler 2003:168). The available purchasing power in the economy depends on GDP growth, disposable income (subject to growth in real wages), inflation (consumer prices), savings, debt, interest rates (credit availability) and tax rates, while the competitiveness of the enterprise's products and services is in part determined by economic factors such as exchange rates, interest rates (cost of capital), productivity, wage and producer inflation, and company tax rate. The values of some of these indicators relevant to the participants of the SAB KickStart Programme appear in table 2.3 for the period 2001 to 2006, which indicates the trends. Although historic data are of value in determining trends, what is of greater significance for the entrepreneur's strategic and marketing planning is the current situation and the expected future trends.

**Table 2.3 A few key indicators of the South African economy**

<b>Selected key indicators of the South African economy</b>						
<b>Indicators</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Population (m) (estimates)	45.21	45.73	46.22	46.70	47.15	47.39
GDP (% real change per annum)	2.74	3.67	3.12	4.84	5.09	4.98
Consumer price index (% change pa; av)	6.60	9.32	6.78	4.33	3.95	4.60
Real personal disposable income (% change pa)	1.76	-0.18	6.69	1.99	-2.06	1.20
Lending interest rates	13.77	15.75	14.96	11.29	10.63	11.17
Labour productivity growth (%) (estimates)	7.20	6.10	4.00	3.40	0.00	0.60
Labour force (m)	16.24	16.37	16.14	15.79	16.49	16.96
Unit labour costs (% change pa)	-16.1	2.26	64.84	25.68	6.73	10.50
Unemployment rate (%)	27.90	30.05	29.60	27.05	26.60	25.55

**Source:** The Economist Intelligence Unit, CountryData: South Africa – November (2007)

Kotler (2003:169) advises entrepreneurs to pay careful attention to major changes in incomes, cost of living, interest rates, savings and borrowing patterns as these can have a drastic impact on business growth, especially where products are geared to high-income and price-sensitive consumers.

#### 2.4.4.3 The social environment

The social environment is concerned with the demands made by people's way of life, expectations, laws and standards set by their culture, customs, values and faith (Strydom et al 2000:52). An enterprise relies on people as employees, customers and other stakeholders. The demands of the people are not static but change over time. According to Nel (2002:24): "South Africa's socio-economic and socio-political situation is undergoing drastic change". Kotler (2003:178) insists that "in the demographic environment, marketers must be aware of worldwide population growth; changing mixes of age, ethnic composition and educational levels; the rise of non-traditional families; large geographic shifts in population; and the move to micromarketing and away from mass marketing".

In South Africa, the demographic structure with regard to the race and gender composition of the population has a direct impact on the labour composition of the organisation. According to the Employment Equity Act 55 of 1998, chapter 3 on Affirmative Action, every designated employer must, in order to achieve employment equity, implement affirmative action measures for people from designated groups – blacks, coloureds, Asians, women and the disabled (Nel 2002:298). A designated employer would have to obtain the following information (Department of Labour: Preparing an Employment Equity Plan – A user's guide, undated:10) from the economic and social environment:

- the particular business environment and circumstances of the employer
- the relevant economic sector or industry
- relevant local, regional and national demographic information about the economically active population

Population distribution by race and growth rates are reflected in table 2.4. The population growth rates calculated by the Bureau for Market Research (BMR 2003:29) take into account the effect of AIDS but not the illegal immigration of large numbers of people from neighbouring countries. The latter will probably swell the African population.

**Table 2.4 Population of South Africa and average annual growth rate – mid-year 1996 to 2003**

Population of South Africa and average annual growth						
Population group	1996 Number	1996 % share of total	2003 number	2003 % share of total	% average annual growth	2003 % excluding whites
African	32 248 180	76.7%	36 035 100	77.8%	1.60%	87.7%
Asian	1 055 840	2.5%	1 133 600	2.4%	1.02%	2.8%
Coloureds	3 546 170	8.4%	3 902 800	8.4%	1.38%	9.5%
White	5 173 620	12.3%	5 250 200	11.3%	0.21%	-----
Total	42 023 810	100.0%	46 321 700	100.0%	1.40%	100.0%

**Source:** Adapted from Bureau for Market Research. Research report no 314 (2003:26)

The BMR cautions that the “population growth rates will be affected by the future impact of HIV/AIDS, the rapidly declining fertility rates and complex migration dynamics of South Africa”.

Demographic trends do not only influence the composition of the labour force but also purchasing power and patterns. The entrepreneur who understands these trends and their power on consumer needs and desires would be in an advantageous position to meet such needs and build relations with these customers to gain a competitive advantage. The following are some of the trends that would be of interest to the entrepreneur:

- **Increasing urbanisation.** A rapid growth in the degree of urbanisation may result in increased unemployment, pollution, squatter camps and crime. The demand would be for basic products and services (Strydom et al 2000:60).
- **Changing population composition.** The change in the composition of the population with regard to race, age and gender distribution results in different demands.
- **Growing economic power of women.** Working women have wider interests outside the home, more expendable income and less time to buy. The changing role of women in Western society calls for convenience shopping, instant meals and a range of additional services.
- **Rising number of households owing to the increase in the divorce rate.** Smaller and more households equate to a larger market for household equipment, products and services.

- **Escalating HIV/AIDS-related deaths.** Such deaths will have an effect on future population growth, life expectancy, number of orphans, disposable income, health care services, productivity levels, operating costs, et cetera. The BMR estimates that 5.3 million people in South Africa are infected with AIDS (BMR 2003:14).
- **Improving education and skills levels of the workforce.** A higher skilled workforce, enhanced through training and education, contributes to the productivity and competitiveness of organisations. The higher the education levels the more sophisticated consumer demands will be.
- **Intensifying unemployment and poverty.** Unemployment tends to precede poverty and is the result of the inability of the economy to create job opportunities owing to a lack of investment by government, foreign direct investment (FDI) or local investors. Unemployment and poverty impact directly on disposable income and the type of products that are purchased.
- **Mounting lawlessness.** The maintenance of law and order through the capabilities of the legal system leads to stability. In South Africa, however, there is a high incidence of crime which scares off foreign investors and consequently restricts economic growth.

In the sociocultural environment, entrepreneurs should understand people's views of themselves, others, organisations, society, nature and the universe (Kotler 2003:178) so that they can sell products and services that correspond to society's core and secondary values, and address the needs of different subcultures within a society.

Two social forces that should be of particular interest to entrepreneurs are the following:

- **Consumerism** is the social force that protects the consumer from misleading advertisements, unsafe products, profiteering and other objectionable practices by exerting legal, moral, economic and even political pressure on management (Cant et al 2006:55).
- **Social responsibility** refers to the fact that organisations will act responsibly in the environment in which they operate and continuously consider the consequences of their decisions and actions.

#### **2.4.4.4 The political/legislative/institutional environment**

The "institutional environment embraces the government with its political involvement and legislation as the main components" (Strydom et al 2000:52). The government promulgates and enforces legislation that impacts directly on the operating and marketing costs of South African organisations by means of legislation, the annual budget, taxation,

import control, promotion of exports, import tariffs, price control of selected goods and services, health regulations, as well as government expenditure. Through the statutory body, the National Economic Development and Labour Council (Nedlac), representatives of organised employers, together with representatives of organised labour, the state and development organisations can engage in the processes of drafting and/or amending legislation affecting the economy, labour and development (Nel 2002:25). As part of an integrated strategy on the promotion of entrepreneurship and small enterprises, through the Department of Trade and Industry, the South African government has created two institutions: a financing agency, Khula Enterprise Finances and the Small Enterprise Development Agency (SEDA). With regard to investigating the effectiveness of assistance provided by authorities to small business, Dockel and Ligthelm (2002:7) concluded that “any such assistance should therefore be evaluated at the level of implementation in order to ensure that it has the desired effect on small businesses”. The study does not evaluate the assistance provided by government and parastatal authorities.

An appropriate regulatory and institutional environment is the single most important element in any economic growth strategy. This is the key finding of a 10-country study on improving the enabling environment (study by Bannock Consulting under contract of the United Kingdom Department for International Development, in SBP 2002:3). The 10 countries included seven sub-Sahara African countries (South Africa, Zambia, Tanzania, Kenya, Uganda, Ghana and Malawi) and three countries in Central Europe (Poland, Hungary and Latvia). The slowest growing of the 10 economies were the most overregulated. A strong correlation was also found between a country's level of available skills (especially technical skills) and per capita economic growth in these 10 countries. However, although macro-reform is necessary, it is not a sufficient precondition for sustained growth. For South Africa, other issues which constrain sustained growth emerged, namely the lack of competition among South African banks resulting in high interest rates, inappropriate complex regulations relating to labour and tax, and the low exemption ceiling of the Usury Act. The payment of value added tax (VAT) at the point of invoice rather than on receipt of cash usually exacerbates its impact on cash flow – critical to small business liquidity.

A Sacob survey (SBP 2002:14) found that small businesses do not participate in the skills development system, except for paying the levy, considering it to be just another tax. This could partly be because of the complexity of claiming against the levy and partly because the process of learning in small business tends to be less formal and more on the job.

A World Bank study on *Doing business in 2006: Creating jobs* investigated the scope and manner of regulation that enhance business activity and those that constrain it. In the survey, 155 countries were ranked on 10 indicators. South Africa ranked 28<sup>th</sup> overall on the 10 indicators in table 2.5. A high ranking on the ease of doing business means that a government has created a regulatory environment conducive to business operations. On average, high rankings on the *Doing business* indicators are associated with better economic and social outcomes but these are not necessarily linear. An optimal level of business regulation has not yet been established (The World Bank 2006:92-93). Table 2.6 provides a list of the principal laws that affect business activities in South Africa.

**Table 2.5 World Bank ranking of doing business in South Africa**

<b>World Bank ranking of doing business in South Africa</b>			
<b>Starting a business</b>		<b>Getting credit</b>	
Procedures (number)	9	Strength of legal rights index (0–10)	5
Time (days)	38	Depth of credit information index (0–6)	5
Cost (% of income per capital)	8.6	Public registry coverage (% of adults)	0.0
Minimum capital (% of income per capital)	0.0	Private bureau coverage (% of adults)	63.4
<b>Dealing with licences</b>		<b>Paying taxes</b>	
Procedures (number)	18	Payments (number)	32
Time (days)	176	Time (hours per year)	350
Cost (% of income per capital)	38.0	Total tax payable (% of gross profit)	43.8
<b>Hiring and firing workers</b>		<b>Trading across borders</b>	
Difficulty of hiring index (0 – 100)	56	Documents for export (number)	5
Rigidity of hours index (0 – 100)	40	Signatures for export (number)	7
Difficulty of firing index (0 – 100)	60	Time for export (days)	31
Rigidity of employment index (0 – 100)	52	Documents for import (number)	9
Hiring cost (% of salary)	3	Signatures for import ( number)	9
Firing cost (weeks of salary)	38	Time for import (days)	34
<b>Protecting investors</b>		<b>Enforcing contracts</b>	
Extent of disclosure index (0 – 10)	9	Procedures (number)	2
Extent of director liability index (0 – 10)	9	Time (days)	18
Ease of shareholder suits index (0 – 10)	8	Cost (% of debt)	33.9
Strength of investor protection index (0–10)	8.0		
<b>Registering property</b>		<b>Closing a business</b>	
Procedures (number)	6	Time (days)	2
Time (days)	23	Cost (% of estate)	18
Cost (% of property value)	11.0	Recovery rate (cents on the dollar)	33.9

**Source:** The World Bank (2006:152)

According to an EIU report (May 2003:10), South Africa's labour market is overregulated, and a disincentive to foreign direct investment (FDI) because such regulations increase the cost of conducting business in South Africa. In addition, the EIU calls attention to the fact that every government attempt to review labour laws has been met with an outcry from the Congress of South African Trade Unions (Cosatu). Organised labour protest that

“competitiveness” means greater exploitation of labour and the undermining of workers’ basic rights. As a result of this crude blackmail, the EIU expects the highly restrictive labour laws to continue to undermine the government’s efforts to create an overall business environment conducive to foreign investment in the longer term, even though the government may formulate as its objectives “striving for competitiveness” and “expanding markets abroad and improving efficiencies at home”.

**Table 2.6 The principal laws that affect business activities in South Africa**

<b>Cross-cutting regulatory requirements – South Africa</b>	
The most important regulations that affect most businesses.	
<b>General start-up: nine registration requirements, five different offices</b>	
Reserve a company name	
Register name and articles of association	
Register for value added tax (VAT); pay as you earn (PAYE); income tax; skills levy, indicating the relevant Sector Education and Training Authority (SETA)	
Register with Unemployment Insurance Fund (UIF); Regional Services Council (RSC)	
Register as an employer for Workman’s compensation	
<b>People and workplace</b>	
Labour Relations Act 66 of 1995	
Occupational Health and Safety Act 85 of 1993	
Compensation for Occupational Injuries and Diseases Act 130 of 1993	
Basic Conditions of employment Act 75 of 1997	
Employment Equity Act 75 of 1997	
Skills Development Act 97 of 1998	
Skills Development Levies Act 9 of 1999	
Unemployment Insurance Act 63 of 2001	
Broad Based Black Economic Empowerment Act	
HIV/Aids and the employer	
<b>Taxation</b>	
Standard income tax on employees (SITE)	Income tax
Pay as you earn (PAYE)	Secondary tax on companies
Capital gains tax (CGT)	Provisional tax
Value added tax (VAT)	Regional Services Council (RSC) levy
<b>Miscellaneous</b>	
Licence fees	Stamp Duty Act
Price controls	Competition Act
Consumer Affairs Act	Customs and Excise
Promotion of Access to Information Act	
Trade marks, registered design, patents, merchandise marks, copyright	
National Environmental Management Act	
Tourism levies and requirements	

**Source:** Darroll (2004:8)

A comparative analysis of South African factors that drive or delay entrepreneurial activity compared to those in the USA, in table 2.7, reveals that it is far more time consuming and costly to establish a business in South Africa (Ncube & Ahwireng-Obeng 2006:35). The factors that drive or delay entrepreneurial activity include the time taken to set up a business, the number of procedures it takes to enforce a contract, the cost of registering and setting up a business per capita income and the extent of labour market flexibility. Most of these factors require the entrepreneur to comply with specific legislation (see also tabs 2.5 & 2.6).

**Table 2.7 Comparison of South African and US conditions for setting up a business**

<b>Comparison of South African and US conditions for setting up a business</b>		
<b>Factors</b>	<b>South Africa</b>	<b>USA</b>
Average number of days required to start a business	38 days	4 days
Cost of registration of a business as a percentage of per capita income	9%	1%
Number of procedures required to enforce a contract	26	17
Employment laws index	36	22

**Source:** Ncube & Ahwireng-Obeng (2006:35)

At this stage it is necessary to pose the following question: Does regulation in a country restrict entrepreneurship activity?

Spencer and Kirchoff (2006:164) hypothesise that “regulation tends to restrict new economic activity to the informal sector, from which it has difficulty to emerge”. In support of this hypothesis these authors quote the following research: Hernando de Soto (2000) showed how property rights influence the ability to access capital; Djankov et al (2001) found that higher regulation correlated with corruption and a larger informal economy; Bagb, Palich and McMullen (2003) examined 2002 data from the Index of Economic Freedom (IEF) and the Global Entrepreneurship Monitor, and found a correlation between economic freedom and GDP per capita, and higher-levels of necessity-based entrepreneurship in countries with lower GDP per capita and less economic freedom; and Van Stel and Stunnenberg (2004) found that people’s perception about the complexity of regulations has a negative impact on the level of business ownership. Spencer and Kirchoff (2006:164) used data from the GEM, the IEF, and the Economic Freedom of the World index, in conjunction with GDP data from the CIA World Factbook and the Center for International Comparisons at the University of Pennsylvania. They found that a relationship exists between economic freedom and per capita GDP growth over time and between the level of economic freedom and the level of entrepreneurial activity, and that



these relationships are stronger for opportunity-based entrepreneurship than for necessity-based entrepreneurship. They also found that these relationships are much stronger in developed countries than in less developed countries. They conclude that entrepreneurship, in developed countries, acts as a link between economic freedom and economic growth.

A survey undertaken by SBP to count the cost of red tape in South Africa (Darroll 2004:14) revealed the following:

- Thirty-four per cent of the businesses surveyed cited the interface between the state and business as their biggest constraint to expansion and employing more staff.
- The most troublesome and time-consuming regulations were VAT, other aspects of tax administration, labour laws and SETA/RSC levies, in that order.
- Seventy-six per cent of respondents (1 794 businesses were interviewed) claimed that compliance costs had increased over the past two years while 83 per cent expected these cost to increase in the future.
- On average, the annual costs of regulatory compliance were R105 000 per firm.
- Big firms have the largest costs in absolute terms, while small firms bear the heaviest burden, in relation to their size. Compliance costs represent 8.3 per cent of turnover for enterprises with annual sales of less than R1 million, and 0.2 per cent of turnover for corporations with sales of R1 billion or more.
- Informal enterprises are deterred from entering the formal economy because of the higher tax burden, and the red tape they have to deal with.
- In 2004, South African businesses incurred regulatory compliance costs of about R79 billion, or 6.5 per cent of GDP. This is a significantly higher percentage of GDP than in many developed countries.
- New research by the World Bank has shown that an improved regulatory environment could increase economic growth in many developing countries by as much as 1.4 per cent a year.

Kotler (2003:174) so succinctly remarks: "Although each new law may have a legitimate rationale, it may have the unintended effect of sapping initiative and retarding economic growth". Entrepreneurs should not only have a sound working knowledge of the major laws protecting competition, consumers and society, and affecting the business costs, but also be aware of the growing numbers of pressure groups who place more restraints on enterprises. Political action groups lobby government officials and pressure business

executives to pay more attention to consumers' rights and the rights of minority groups. The consumerist movement has strengthened the powers of buyers in relation to sellers.

The participants of the SAB KickStart Programme have to deal with regulatory requirements (listed in tab 2.6) in running their enterprises. In evaluating this programme the extent to which relevant legislation is covered in the training material will be assessed, and secondly, the extent to which the mentors are familiar with the legislation and assist the participants with the implementation and adherence to the laws will be determined.

#### **2.4.4.5 Physical/ecological environment**

The physical environment comprises "natural resources as well as the improvements made by man, for example roads and bridges, mineral wealth and flora and fauna" (Strydom et al 2000:52) and the environment into which waste is discharged (affects pollution). In the physical/ecological environment, the following four interfaces pose either opportunities or threats to the entrepreneur:

- (1) **Limited resources.** Increasing shortages of a wide range of resources, such as raw materials, energy and foodstuffs, affect the supply of goods, which causes price rises, which in turn, contribute to inflation. Overcoming shortages requires innovativeness on the part of the business organisation that would have to investigate different production methods or substitute products.
- (2) **Rising cost of energy.** The rise in the cost of energy, in particular the price of crude oil, has started a search for alternative sources of energy, such as solar, wind, hydro and nuclear energy, opening up opportunities for entrepreneurs.
- (3) **Legislation to thwart pollution.** To combat pollution which destroys the environment and the natural resources, governments have promulgated laws to which business organisations have to adhere or face massive fines. Recycling has opened up new business opportunities for enterprises and new methods of manufacturing and operating are being researched in order to reduce pollution to the minimum.
- (4) **Environmentalism.** It is defined as an organised movement of citizens and government institutions in defence of the natural environment (Strydom et al 2000:64). It is the responsibility of the management of an organisation to prevent any harmful effects on the community of any of their activities. Should an enterprise fail to comply, hostile attitudes may develop, which may threaten the very survival of the enterprise.

#### 2.4.4.6 International environment

Globalisation trends in the international environment are of increasing importance to South African enterprises. Globalisation is defined as the “increasing interaction and integration of national economic systems through the growth of international trade, investment and capital flows” (Cronjé et al 2004:581). Globalisation comprises the following two components (Du Toit et al 2007:598-599):

- (1) **The globalisation of markets.** Previously distinct markets are merged into one integrated marketplace owing to the fact that the preferences and tastes of consumers in different countries are beginning to converge.
- (2) **The globalisation of production.** Manufacturing or service facilities are located in the countries in which the highest cost efficiency can be achieved.

Globalisation has social, cultural and economic implications. South African entrepreneurs, for example, have expressed concern about the fact that Asian countries, China in particular, dump goods at very low prices on the South African market.

Taking all these environmental factors into consideration, how competitive is the South African environment?

#### 2.4.5 Competitiveness rankings of South Africa

South Africa's competitiveness ranking continues to spiral downwards. The 2007 World Competitiveness Yearbook (IMD 2007:238-241) ranks the overall performance of the South African economy in 50<sup>th</sup> position out of 55 economies, down from 37<sup>th</sup> in 2005. With regard to the four major categories of evaluation the survey ranks South Africa as follows: economic performance – 54<sup>th</sup>; government efficiency – 35<sup>th</sup>; business efficiency – 32<sup>nd</sup>; and infrastructure – 55<sup>th</sup>. The survey lists South Africa's weakest criteria by factor (identified by taking the biggest value differences from the averages of the 55 countries). In table 2.8, the factors that are of interest to the study are listed, because these factors are being addressed by the SAB KickStart Programme through its different interventions.

Most of the rankings indicate that South Africa's level of competitiveness is not acceptable by world standards. In 2005 the World Competitiveness Yearbook highlighted three goals for South Africa: demonstrate a more rapid growth of the economy; improve the quality of education, housing and health services; and reduce inequality and fight poverty. To achieve these goals, both government and private enterprise would have to be involved. According to Wickham (2004:46), most economists would, however, “now

agree that while government plays an important part in regulating business, managing macro-economic stability and redistributing wealth, it is not primarily a generator of wealth. Rather, government must be regarded as a cost, properly paid for (via taxation) for the services it delivers. ... Global corporations ... have a critical function in maintaining wealth levels and driving investment in the developing world.” In line with this statement, SAB, the second largest brewery in the world, is a global corporation that not only maintains but also increases wealth levels and drives investment in the developing world through a variety of programmes, one of which is entrepreneurial development. SAB’s different entrepreneurial development programmes are discussed in chapter 4.

**Table 2.8 2007 World Competitiveness Yearbook: South African rankings by criteria and SAB’s contribution**

<b>2007 World Competitiveness Yearbook: South African rankings by criteria and SAB’s contribution</b>		
<b>Weakest criteria</b> (relevant to the study)	<b>Ranking out of 55</b>	<b>SAB addresses through:</b>
Cost of capital in our economy encourages business development	47 <sup>th</sup>	Grants, prizes
Overall productivity – real growth (estimates: percentage change of real GDP per person employed)	30 <sup>th</sup>	Training, mentoring
Entrepreneurship of managers is widespread in the economy	51 <sup>st</sup>	Training, finance & mentoring
Human development index – combines economic, social and educational indicators	53 <sup>rd</sup>	Training, mentoring
Finance skills are readily available	52 <sup>nd</sup>	Training, mentoring
Economic literacy is generally high among the population	54 <sup>th</sup>	Training, mentoring
Unemployment rate – percentage of labour force	55 <sup>th</sup>	Establish & grow enterprises
Youth unemployment – percentage of labour force	51 <sup>th</sup>	Focus on youth: 18-35 years
<b>Strongest criteria</b> (relevant to the study)		
Social responsibility of business leaders is high towards society	24 <sup>th</sup>	Substantial corporate social investment

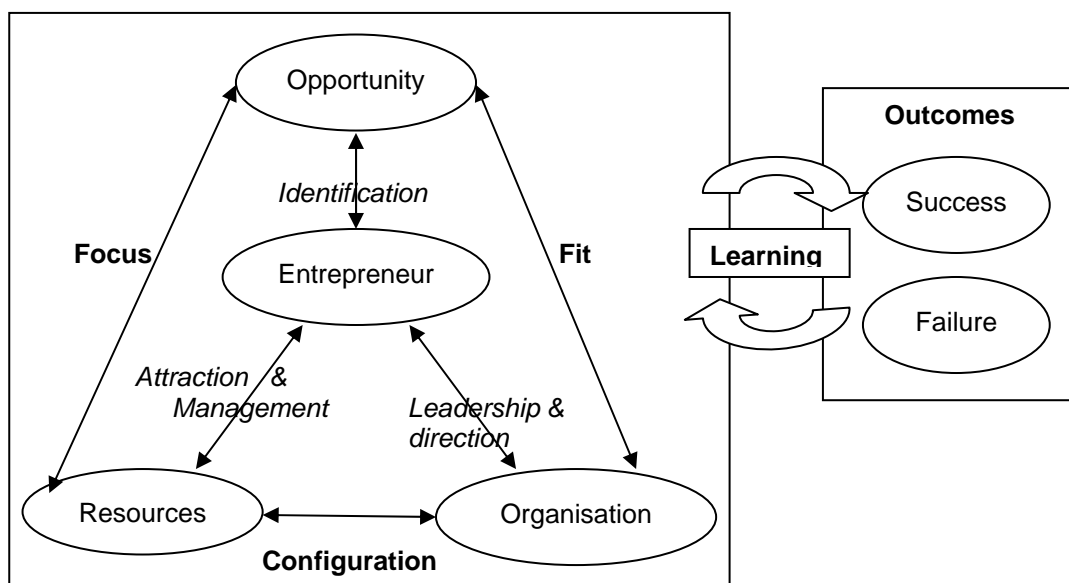
**Source:** The 2007 World Competitiveness Yearbook (IMD 2007:238-241)

## **2.5 FACTORS CONTRIBUTING TO SMME PERFORMANCE/SUCCESS**

The extent to which firms enter, grow, decline and exit an industry has been termed “mobility”, “turnover”, “dynamic evolution” and “turbulence”, and occurs because “some economic agents (eg firms) improve their technology, management or organisation;

become more productive; innovate; and force other firms out of business. As this ongoing creative destruction occurs, more and better jobs are created than the ones lost, the overall level of productivity rises, and the standard of living rises as well" (Acs et al 1999:16, 31). The reasons for the turnover in enterprises are rooted in the model of the process by which entrepreneurs create wealth, described by Wickham (2004:134, 138, 139) and illustrated in figure 2.6.

**Figure 2.6 The dynamics of the entrepreneurial process**



**Source:** Wickham (2004:134, 138, 139)

The entrepreneurial process is the creation of new value through the entrepreneur identifying new opportunities and using his/her leadership skill to build an organisation that fits the opportunity and attracts and manages a configuration of resources with the focus on exploiting the opportunity (Wickham 2004:132-141). During this dynamic process the entrepreneur continuously learns through success and failure. From this process, entrepreneurial behaviour and/or characteristics and/or skills that contribute to success may become apparent.

### 2.5.1 Characteristics exhibited by successful entrepreneurs

The characteristics exhibited by successful entrepreneurs relate to the way an entrepreneur approaches a set of tasks, and may be either the product of his or her commitment, interest and motivation or a predisposition towards these characteristics. A successful entrepreneur is more likely to be hard working, and a self-starter who sets

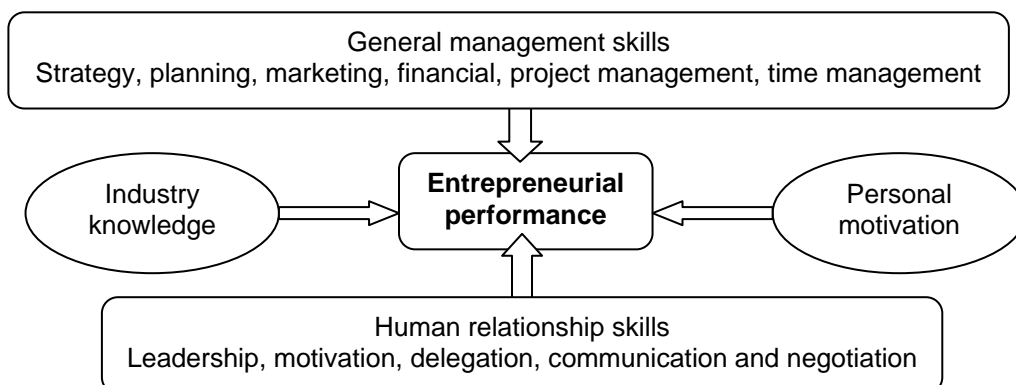
demanding personal goals; has resilience and confidence in his or her own abilities; is receptive to new ideas and assertive in presenting ideas; seeks information through questioning; is eager to learn, attuned to new opportunities, receptive to change, committed to others, and uses power responsibly (Wickham 2004:150-152). These characteristics are, however, not the only factors contributing to entrepreneurial success. The profile of an entrepreneur is investigated in chapter 3.

### 2.5.2 Entrepreneurial skills

Successful entrepreneurial performance is the outcome of the integration of industry knowledge, general management skills, personal motivation and people skills (figure 2.7).

The general management skills include strategy skills, planning skills, marketing skills, financial skills, project management skills and time management skills, while the people skills would included leadership skills, motivation skills, delegation skills, communication skills and negotiation skills (Wickham 2004:152-160).

**Figure 2.7 Factors influencing entrepreneurial performance**

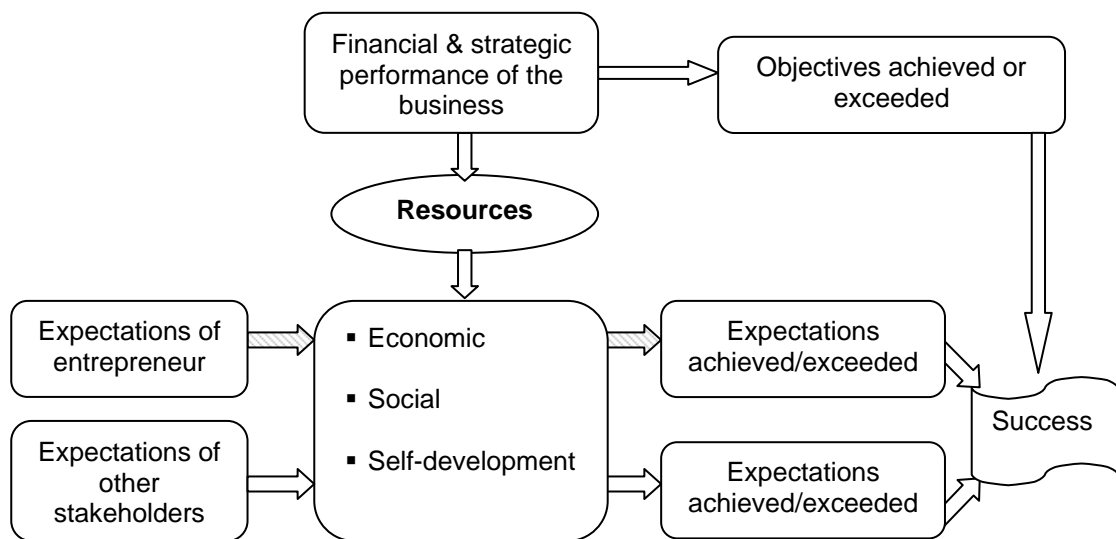


**Source:** Wickham (2004:154)

### 2.5.3 The dynamics of entrepreneurial success

From the preceding discussion it would seem that a number of factors contribute to the success of an entrepreneurial venture. But what really does success mean? Whether or not an entrepreneurial venture is successful depends on the expectations of the different stakeholders and the outcomes relative to those expectations which could be economic (monetary rewards), social (fulfilling relationships with other people) or self-developmental (the achievement of personal intellectual and spiritual satisfaction and growth) (Wickham 2004:243-259), as illustrated in figure 2.8.

**Figure 2.8 The dynamics of entrepreneurial success**



**Source:** Wickham (2004:154)

The various stakeholders, such as the entrepreneur, the investors, the employees, the customers and the suppliers, all have different expectations of the venture. Whatever these expectations, the entrepreneurial venture has to be successful as a business and this can be measured using any of the following quantitative measures (Wickham 2004:246):

- absolute financial performance, for example, sales or profits
- financial performance ratios, for example, profit margin or return on capital employed
- financial liquidity ratios, for example, debt cover or interest cover
- absolute stock market performance, for example, share price or market capitalisation
- stock market ratios, for example, earnings per share or dividend yield
- market presence, for example, market share or market position
- growth, for example, increase in sales or increase in profits
- innovation, for example, rate of new product introduction
- customer assessment, for example, customer service level or customer rating

These measures provide an unambiguous basis for monitoring the development of the entrepreneurial venture.

For the evaluation of the SAB KickStart Programme, the growth of the participating enterprises will be measured using increase in sales/turnover, profits and number of employees.

#### **2.5.4 Deliberate practice for exceptional performance**

Insights from cognitive science research on exceptional performance may explain the extraordinary success of some entrepreneurs. According to Baron and Henry (2006:15), a factor that contributes largely to exceptional performance is “deliberate practice – effortful, directed practice focused on building the specific skills necessary for high levels of performance”. Thus, through prolonged and deliberate practice, successful entrepreneurs have acquired the relevant knowledge, skills to recognise complex patterns, and cognitive capacities to perform key tasks (eg recognising and evaluating opportunities, and finding solutions) very effectively, resulting in the success of their ventures. The research on expert performance therefore suggests that nascent or current entrepreneurs can be trained to perform complex tasks required to launch new ventures effectively. These findings support the approach of the SAB KickStart Programme to train nascent and existing entrepreneurs – in other words, entrepreneurs who can immediately practise the skills they have learnt. A question that will be researched in the study is whether deliberate practice is utilised during the two-week training sessions of the SAB KickStart Programme.

#### **2.5.5 Knowledge-related success factors**

A German study examined the impact of knowledge types on the transition from unemployment to entrepreneurship. Dencker, Gruber and Shah (2006:48) found that “prior knowledge of industry/product, and the adaptation of product line following market entry increases the likelihood of success”. Business planning and assistance from banks in business planning only increase the likelihood of success when individuals have prior knowledge of the industry/product. Interestingly, they found that reliance on consultants and assistance from potential clients in business planning decrease the likelihood of success. No impact on success was found with assistance from trade associations and assistance from personal networks.

From these research results, at least two questions arise that should be considered when evaluating the SAB KickStart Programme. To what extent do the participants have prior knowledge of the industry in which they operate? To what extent did they adapt the product/service line following market entry?



A South African study (Berreira, Urban & Van Vuuren 2006:1) on the relevance of business knowledge and work experience on the success of high-expectancy entrepreneurship found a statistically significant relationship between employment growth, higher levels of education, previous work experience and successful entrepreneurship indicators. In a South African survey of the literature on endogenous factors responsible for successful small businesses, two factors commonly identified are capital availability and managerial experience (Lussier 1995, in Dockel & Ligthelm 2002:2). From regression analysis applied to the data, four statistically significant factors emerged, namely planning, professional advisors, education and staffing. Another South African study by Nieuwenhuizen and Kroon (Nieuwenhuizen & Groenewald 2006:70) found a strong relationship between the success of an enterprise and the entrepreneur's creativity.

This discussion on success factors is neither exhaustive of the research in this domain nor of the variables that could impact on success, but highlights the fact that entrepreneurial success is a multifaceted phenomenon. Factors that contribute to small business growth will be further investigated in chapter 3 of the thesis.

## **2.6 SME FAILURE: FACT OR MYTH?**

A reason that justifies the concern of the SAB KickStart Programme with the successful establishment and growth of SMEs, is the fact that “new firms fail at an alarming rate, and that failure is the norm, rather than the exception” (Dean, Turner & Bamford 1997, in Liao 2004:133). Mitchell, Mitchell & Smith (2004:1) point out that new venture failure has been studied ...

at multiple levels of analysis: in the economy (McGrath 1999; and Shane 1996), in organizational populations (Hannan & Freeman 1989), in firms (Azoulay & Shane 2001; Gimeno, Folta, Cooper & Woo 1997; Holmberg & Morgan 2003; and McGrath 1990), and in individuals (Shepherd 2004; and Zacharakis, Meyer & DeCastro 1999). Failure has been portrayed in both a positive (McGrath 1999; and Sitkin 1992) and negative (Dickeinson 1981) light. It has been linked to entrepreneurial grief (Shepherd 2003), learning (Minniti & Bygrave 2001; and Sitkin 1992), risk and reward (McGrath 1999), and numerous other socio-economic phenomena (Begley & Tan 2001).

According to Audretsch (1993:161), several research studies (in the USA – Phillips & Kirchoff 1989; and Dunne, Roberts & Samuelson 1989; in Germany – Preisendörfer, Rudolf & Ziegler 1989) found that firm survival tends to increase with enterprise age.

Timmons (1999:32) concurred that the majority of failures of small enterprises occur in the first two to six years according to a number of studies conducted in the USA, and consolidated in table 1.2. Similarly, in the UK, most business failures occur within the first two years. An interesting fact revealed by the data is that the same mean failure rate (11% of the stock of value-added tax-registered businesses) occurred throughout the decade of the 1980s in spite of the fact that this period was characterised by vast economic changes and industry restructuring (Ganguly 1985, and Storey 1994, in Cressy 1999:161).

In Italy, Contini and Revelli (1986) found the most critical years to be the first three years, while empirical research by Mussati (1990a), Fumagalli and Marcora (1990) showed that in the Province of Milan, between 20 to 40 per cent of new firms failed in the first two years during the period 1975 to 1986, according to the type of industry (in Mussati & Fumagalli 1993:141-148). However, the new firms of the 1980s had a higher survival capacity than those of the 1970s.

A USAID comparative study found that the number of business failures was similar across Africa, Europe and the USA (SBP 2002:13).

Meggison, Byrd and Meggison (2000:5-6) claim that the high failure rate among small firms is a myth. As proof they cite several studies: a Dun and Bradstreet census of 250 000 businesses found that about 70 per cent of firms that started in 1985 were still around in 1995; Kirchoff of the New Jersey Institute of Technology surveyed 814 000 businesses started in 1977/78 and found that over half survived more than eight years – while 18 per cent actually failed (no assets to cover liabilities), 28 per cent closed voluntarily; Small Business Administration Office of Advocacy-sponsored research (published in 1997) found that of every seven businesses that close their doors only one actually fails (leaves unpaid obligations). This fact highlights the issue of the meaning of failure.

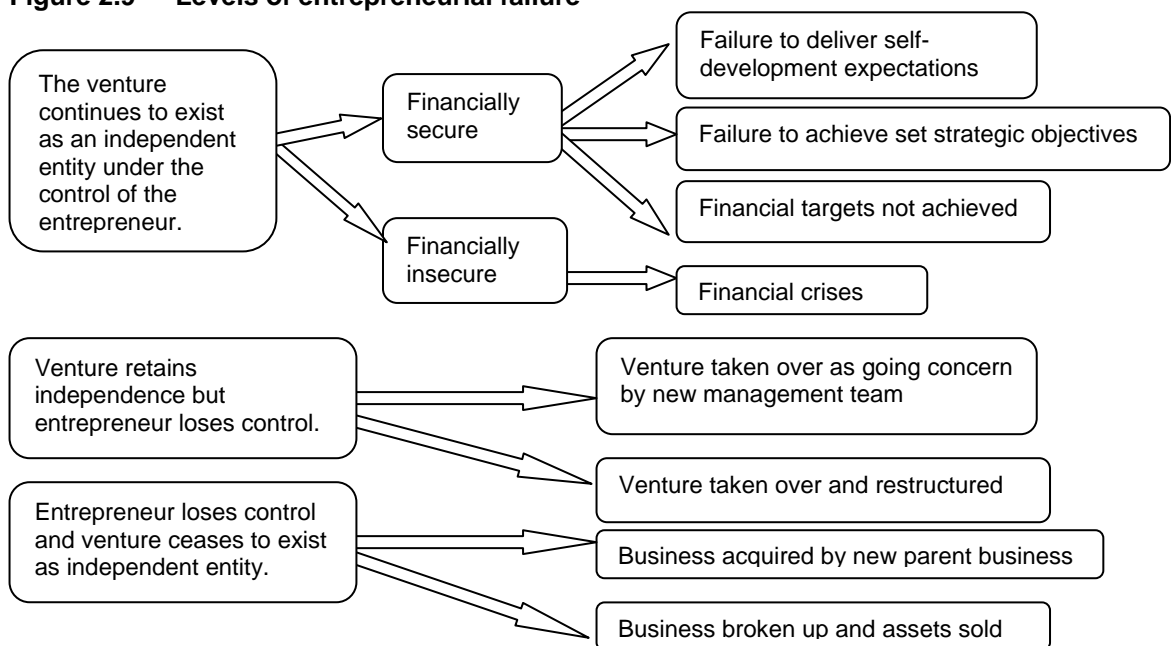
### **2.6.1 Entrepreneurial failure defined**

Different terms have been used to define business failure, for example, “firm closures”, “entrepreneurial exit” (Gimeno, Folta, Cooper & Woo 1997, in Liao 2004:134), “dissolution”, “discontinuance”, “insolvency”, “organisational mortality”, “bankruptcy” and “organisational failures” (Baum 1996, in Liao 2004:134). Researchers of small business failure mostly use four different criteria (Liao 2004:124), namely discontinuance of ownership (either as part of exit strategy or owing to financial reasons), legal bankruptcy with resulting losses to creditors, loss-cutting disposal to avoid future losses, and

inadequate earning (earning a rate of return that is not commensurate with a firm's opportunity costs of capital). Firm closure is not synonymous with failure as revealed in Bates's (2004:343) study of small businesses created between 1989 and 1992, and then closed down between 1993 and 1996. He found that owners often described their firms as "successful" when the decision to close was made.

Liao's literature review of research conducted between 1986 and 2002 on entrepreneurial failure reveals a general lack of consensus by academics over what constitutes entrepreneurial failure. Wickham (2004:255-256) states that, from the perspective of the entrepreneur, at least eight degrees of "failure" can be identified on the basis of the performance of the business and the way the entrepreneur retains control of it, as illustrated in figure 2.9. This classification follows from the discussion of figure 2.8 on the dynamics of entrepreneurial success.

**Figure 2.9 Levels of entrepreneurial failure**



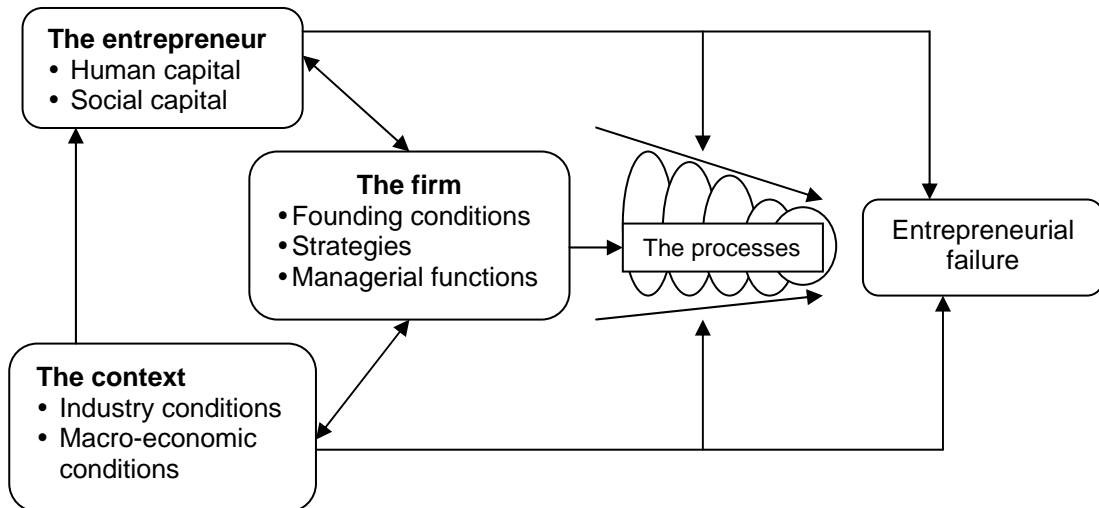
**Source:** Wickham (2004:258)

### 2.6.2 Entrepreneurial failure: an integrative model

According to Liao (2004), integrative models of entrepreneurial failure are mostly non-existent, with the exception of Romanelli (1989, in Liao 2004:144). On the premise that entrepreneurial failure is a multidimensional phenomenon with different variables impacting on one another, Liao (2004:144) identified four categories of variables, as illustrated in figure 2.10. These variables exhibit independent and interaction effects,

between the entrepreneur and the firm, the firm and the context, the context and the process, the entrepreneur and the process, the firm and the process, and the entrepreneur and the context. Liao (2004) emphasises that research on entrepreneurial failure should not only be focused on “why” firms fail but also on “how” – in other words, on the process.

**Figure 2.10 Entrepreneurial failure: an integrative model**



**Source:** Liao (2004:135)

Research into the different variables in Liao's (2004) integrative model of entrepreneurial failure presents some interesting findings, as highlighted below:

- Human capital.** Research based on human capital theory argues that high human capital endowment (education and experience) of the entrepreneur reduces the chances for entrepreneurial failure. Bruderl, Preisendorfer and Ziegler (1992, in Liao 2004:141) researching 1 849 German business founders found that general human capital, such as years of schooling and years of working experience, significantly decrease a firm's failure rate. Subsequently, Carter, Williams and Reynolds (1997, in Liao 2004:141) found that “experience in starting other businesses, experience working in the industry, starting a business with partners, and having employees significantly decrease the odds of discontinuance”. Other empirically oriented work indicated a significant correlation between human capital and entrepreneurial failure (Evans & Jovanovic 1989; Bates 1989; and Holtz-Eakin, Joulfaian & Rosen 1994b, in Cressy 1999:163). Cressy (1996b, in Cressy 1999:161) has shown that human capital significantly explains the failure rate of UK start-ups over a three-and-half-year period, while financial capital emerged to be relatively unimportant. Based on Jovanovic's (1982, in Cressy 1999:162) view that

a business is a “learning experiment” (hence that failure is related not only to *initial* but also to *current* human and financial capital), Cressy conducted research and found that “human capital, which changes relatively slowly, is what keeps the business failure rate and its distribution by firm age constant over time, even though macro-economic conditions vary considerably” (Acs et al 1999:20). Where a country’s workforce is seriously underqualified, large companies tend to employ what they need from the inadequate pool of skills, leaving too few people of high enough calibre to boost the skill requirements of the SMEs (Wittenberg 1994:2).

- **Social capital.** The term “social capital” refers to the set of social resources embedded in relationships, including norms and values. It is defined as the “application or exercise of social norms of reciprocity, trust and exchange for political or economic purposes (Bourieu 1985; and Granovetter 1992, in Cooke & Clifton 2004:107) and is supposed to be of value in communities ranging from ethnic sub-communities to professional associations. Liao and Welsch (2003, in Liao 2004:145) found that an “entrepreneur’s social capital is instrumental in obtaining financial support, gaining legitimacy, and facilitating transactions”. Cooke and Clifton (2004:130) explored the role of social capital in SME performance in the UK and found that the use of social capital by SMEs is “ubiquitous” and has a price attached to it; the most competitive regions are the most pronounced exploiters of social capital, and less well-performing areas in all regions rely on social capital.
- **The firm.** Research focusing on the firm addressed the issue of firm growth, and found that even a small amount of growth reduced the average failure rates within five years to 34 per cent, and that the earlier in the life of the business that growth occurred, the lower the chance of failure was (Philips & Kirchoff 1989, in Liao 2004:142).
- **Strategies.** With regard to strategies, conflicting results emerged from research: some researchers found that specialists fare better than generalists, while other researches found that broad strategies reduced discontinuance (Liao 2004:142).
- **Managerial variables.** Managerial variables such as management incompetence, inexperience, inefficiency and lack of planning, are the major causes of business failure (Berryman 1981; Bruno, Leidecker & Harder 1987; Gaskill, Van Auken & Manning 1993; Peterson, Kozmetsky & Ridgeway 1983; and Perry 2002, all in Liao 2004:142).

- **The context.** Liao's (2004:143) analyses of research on the effects of environmental conditions (the context) on entrepreneurial failure are inconclusive.

Although further research is required on how the process of failure unfolds, it is possible from Liao's integrative model of entrepreneurial failure to categorise the factors contributing to failure.

### **2.6.3 Exogenous and endogenous factors contributing to failure**

Dockel and Ligthelm (2002:1) group the factors contributing to failure rates into exogenous and endogenous factors, which are categorised at three levels:

- (1) Macro-level (exogenous) refers to the enabling environment that includes the economic (business cycle phase), technical and legislative (growth policies) environments (macro-environment in fig 1.2).
- (2) Industry/sectoral level (exogenous) refers to specific issues that inhibit or advance small enterprise growth, for example, demand and supply factors, ease of entry into the market and degree of competitiveness (market environment in fig 1.2).
- (3) Entrepreneurial level (endogenous) includes the entrepreneurship acumen and the technical and business skills required to grow a business in terms of profit and employment, as well as availability and effective use of resources (micro-environment in fig 1.2 and the systems perspective in fig 1.1).

At the entrepreneurial level, Wright (1995:48-63, in Van Aardt, Van Aardt & Bezuidenhout 2000:250-251) identified eight major reasons why small businesses fail, namely poor management skills, poor record-keeping, poor money management, too little effort in marketing the business, poor planning, poor pricing practices, poor human resources management and the entrepreneur's inability to adapt to the changing demands of a business.

### **2.6.4 Business failure theories: transforming failure into expertise**

Researchers have used different theoretical frameworks to uncover why some entrepreneurs succeed and others fail. Personality theory differentiates entrepreneurs from non-entrepreneurs based on their characteristics or traits (Brockhaus & Horowitz 1986; Carland, Hoy, Boulton & Carland 1984; Hull et al 1982; and McClelland 1965, 1968 in Mitchell et al 2004:1), while the behaviourists focus on the entrepreneurial activities undertaken (or not) (Gartner 1989 in Mitchell et al 2004:1). Of the several cognitive theories utilized to explain failure, Mitchell et al (2004:1) selected the expert-information

processing theory, which suggests that “expert entrepreneurs possess a differential ability to transform, store, recover and use information that novice entrepreneurs miss” (Mitchell, Smith, Seawright & Morse 2000:974-993). The findings suggest that “failure can actually facilitate (and expedite) expertise; and that it is at lower levels of experience where such learning from failure is most needed, ... [and] that experiential pedagogy in entrepreneurship enhances a novice’s propensity to engage in entrepreneurial activities and the ability of that individual to successfully engage in such activities” (Mitchell et al 2004:6). The implications of these findings for the SAB KickStart Programme are that its effort to move the novice entrepreneur up the entrepreneurial learning curve through training and mentoring, should increase enterprise success rates.

A South African researcher, Pretorius (2006:145), applied the “grounded theory approach” to academic literature on failure to build a theory for business failure. He concluded that “each declining venture is preceded by a set of unique preconditions that require specific associated processes and strategies to recover”. Financial data and models are used to predict these preconditions. His theory of failure consists of five sub-domains, namely: signs and causes; preconditions; predictions; process, strategy and recovery; and cognition, learning and decision making. These sub-domains of failure are, however, moderated by “governing principles”, such as leadership as origin, unique preconditions, life cycle stage, extremes dichotomy, strategic versus operational origin, continuous decision impact, stakeholder perspective, quantitative versus qualitative nature of signs and causes, and finally the age and size effect principle. Understanding these sub-domains of failure and governing principles could assist the entrepreneur in making the appropriate decisions to arrest the decline of his or her venture and turn it around.

From the above discussion of research into the causes of failure, it follows that failure is probably the flip side of success and causes are multifaceted, supporting the integrative model of entrepreneurial failure.

## **2.7 SUMMARY**

In this chapter awareness was created of the complexity of the concept “entrepreneurship” and of the fact that simple answers to the process of entrepreneurship do not exist. Factors both within and outside the entrepreneur have an impact on the success and failure of the entrepreneurial venture. Evaluation of the SAB KickStart Programme is therefore necessary, taking into consideration the complexity of entrepreneurship and the diversity of the factors impacting on the KickStarters.

For clarification a distinction was drawn between entrepreneurship and small business. The small, micro and medium-sized businesses participating in the SAB KickStart Programme are all entrepreneurial ventures, set on growth.

Statistics have proven that although SMMEs do indeed contribute to economic growth and employment generation, it is mainly the “gazelles” that contribute to growth.

The job creation model promotes an understanding of the different factors that contribute to job creation. These factors are found in the environment in which South African entrepreneurs in small, micro and medium-sized enterprises operate, namely the micro-, market and macro-environments, which were discussed in some depth in this chapter by way of several models. From these environments emerge several opportunities that entrepreneurs could pursue, but equally so, many challenges surface to which the entrepreneur has to find solutions in order to grow his or her business.

Although a number of factors contributing to entrepreneurial performance/success and failure were identified, it followed from the discussion that the causes of failure are multidimensional, and not all possible factors were discussed. Different theoretical approaches, integrated in a model of entrepreneurial failure, were explained.

In evaluating the four interventions of the SAB KickStart Programme, some of the factors in the micro-environment will be examined but not the factors in the market and macro-environment of the entrepreneurial SMMEs.

In the next chapter, a theoretical base will be established for the evaluation of entrepreneurial selection, training/education, funding and mentoring – the four interventions utilised by the SAB KickStart Programme.



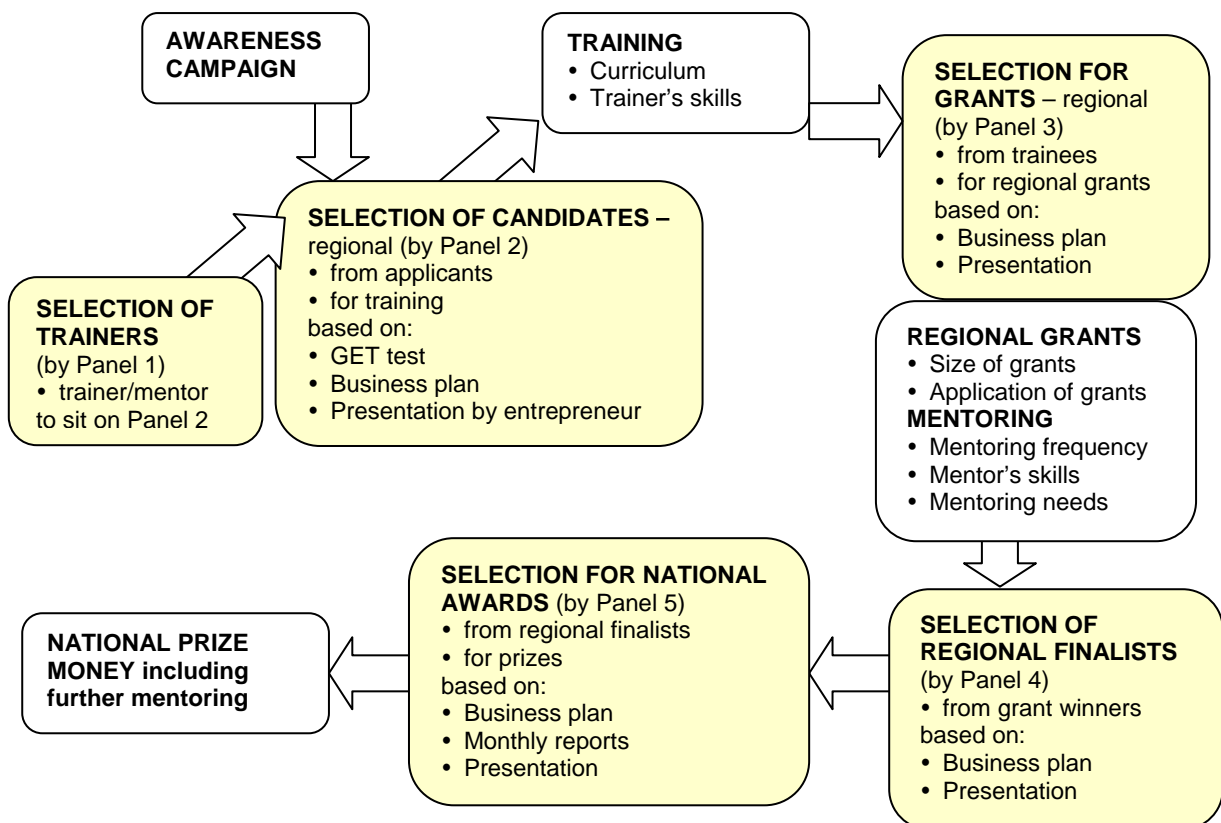
## CHAPTER 3 INTERVENTIONS TO ACCELERATE SMME GROWTH

### 3.1 INTRODUCTION

Internationally, national, regional and local economic development agencies have tried many different approaches/interventions to enterprise development, including low-interest loans, grants and subsidies, education programmes and retraining, business incubators, networking schemes, mentoring programmes and easing government regulations (Howard 1990, in Bisk 2002:262). In South Africa, not only do national and provincial governments attempt different approaches to enterprise development, but several private companies have also entered the arena of enterprise development, for example, SAB, First National Bank and De Beers, and mostly as part of their corporate social investment.

In this chapter, a theoretical base for the interventions used by the SAB KickStart Programme, namely the selection, training, funding (grants and prizes) and mentoring of entrepreneurial SMME owners is explored with reference to existing best practices. Figure 3.1 is a flow chart of the interventions and their constituent parts involved in the SAB KickStart Programme.

**Figure 3.1 Interventions used by the SAB KickStart Programme**



The SAB KickStart Programme was outlined in chapter 1, and is reiterated here (it is described in full in ch 4). SAB launches an awareness campaign requesting interested nascent and existing entrepreneurs between the ages of 18 to 35 years to apply. Judged by the information on the application form, the business plans and financial statements, the thousands of applicants are whittled down to 40 candidates per region to complete the General Enterprising Tendency (GET) test. They appear before a regional panel, which selects 20 entrepreneurs per region to attend a two-week training session. On completion of the training, further selection takes place, based on business plans and presentations and conducted by a regional panel, to allocate grants to about five to eight KickStarters. The grant includes eight months of mentoring. About six months later, the regional finalists are selected to present their businesses to a national adjudicating panel which chooses the national prize winners. These winners receive a further six months of mentoring. As mentioned above, the programme is discussed in detail in chapter 4.

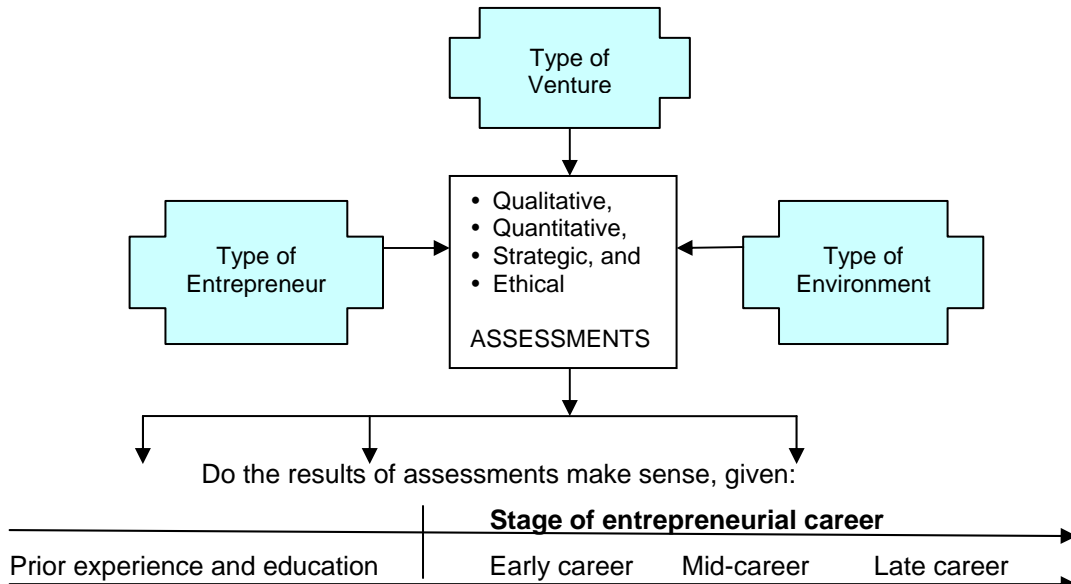
In this chapter, a model for entrepreneurial venture assessment is described to highlight the multifaceted nature of venture assessment. Different criteria for selecting entrepreneurial small business owners with a higher propensity to succeed are explored, as well as a range of psychometric and other tests. The components of a business plan, as prescribed by recognised authors are consolidated, and the issue of subjective evaluation of business plan presentations debated. The critical criteria for assessing a new venture are summarised. The typical curriculum for training entrepreneurial SME owners is described, as well as an entrepreneurial training model. Criteria for allocating funding, mostly used by venture capitalists, are expanded upon. Mentoring is defined and the roles of the mentor, the phases of mentoring and the value of mentoring small business owners explained. Even though the SAB KickStart Programme is not a typical business incubator, business incubation is nevertheless discussed as an option for consideration by SAB. Business incubation is defined, and different types of incubators discussed, as well as the range of services offered by business incubators. The chapter concludes with a discussion of the measurement of business growth.

### **3.2 ENTREPRENEURIAL VENTURE ASSESSMENT**

In assessing entrepreneurial ventures, Ronstadt (1984, in Kuratko & Hodgetts 2004:41) developed a model, the *Entrepreneurial assessment approach* (depicted in fig 3.2). He adopted an “entrepreneurial perspective” in which he stresses “making assessments qualitatively, quantitatively, strategically and ethically in regard to the entrepreneur, the venture, and the environment”. In addition, the results of these assessments must be compared to the stage of the entrepreneurial career – early career, mid-career or late

career stage. Furthermore, prior experience and education should be taken into consideration.

**Figure 3.2 Entrepreneurial assessment approach**



**Source:** Ronstadt (1984, in Kuratko & Hodgetts 2004:41)

A degree of overlap exists between Ronstadt's entrepreneurial assessment approach and Gartner's argument (1982 & 1988, in Landström 2005:146), which preceded Ronstadt's. Based on the great heterogeneity among entrepreneurs and their ventures, Gartner argues that venture creation includes four major aspects: the characteristics of the individual(s) who start the venture, the organisation they create, the environment surrounding the new venture, and the process by which the new venture is created (cf also figs 1.1, 1.2 & 2.5 in chs 1 & 2). Similarly, Johnson's multidimensional approach to entrepreneurship (referred to in ch 2, sec 2.4.1), emphasises the same four dimensions – the individual, the environment, the organisation and the venture process. What these entrepreneurial assessment approaches have in common is that they all emphasise the individual/entrepreneur, the environment and the organisation/venture. Both Gartner and Johnson, however, add a fourth dimension, namely the process whereby the venture is created.

In line with Ronstadt's entrepreneurial assessment approach, authors Kuratko and Hodgetts (2004:42) highlight factors relating to the entrepreneur, such as previous work experience, entrepreneurial parents, age and education.

In this chapter, the assessment of the type of entrepreneur and the type of venture (by means of business plans and presentations) are discussed while in chapter 2 of the thesis the type of environment was dealt with in the discussion of the environmental factors that have an impact on entrepreneurial SMMEs. In the next section, different approaches to the assessment of entrepreneurs are debated.

### **3.3 ASSESSING ENTREPRENEURS**

During the discussion of the different definitions of entrepreneurship in the previous chapter, emphasis was placed on the behavioural aspects and cognitive scripts of entrepreneurship, rather than the personality characteristics. However, "it is not proper to dismiss the link between entrepreneurship and personality lightly, especially as it is one with powerful intuitive appeal and one which many researchers are investigating" (Wickham 2004:xiii). Another reason for debating the existence of an entrepreneurial personality stems from the fact that the SAB KickStart Programme utilises a personality trait test, the General Enterprising Tendency (GET) test, to select potential entrepreneurs.

Why is it that some individuals are able to establish and grow profitable new ventures and others not? To answer this question, scholars have considered factors, such as personality, motivation, social capital, social networks, cognitive biases and heuristics, social models, intelligence, critical thinking ability and experience, in the hope that research will lead to an evolving understanding of entrepreneurship. According to Kuratko and Hodgetts (2004:115), entrepreneurship (E), in its simplest theoretical form, is considered to be a function of the entrepreneur (e), that is:  $E = f(e)$ . In the next section, different approaches pertaining to the entrepreneur are investigated.

#### **3.3.1 The personality approach: characteristics and traits**

The role of personality in entrepreneurial inclination is controversial because of the lack of consensus. Wickham (2004:17) maintains that personality type (eg introvert, extrovert, aggressive, passive, internally or externally orientated, etc) as measured by personality tests, does not correlate strongly with entrepreneurial performance.

Personality type differs from personality trait in so far as personality types are distinct categories, while "traits occur in continuously variable dimensions" (Wickham 2004:17). In a study in the 1960s, David McClelland (Wickham 2004:17; Bolton & Thompson 2004:19; Landström 2005:42-43) identified a fundamental driving trait in the personality of successful entrepreneurs, namely "the need for achievement". Other traits are "the need for autonomy" (also Sexton & Bowman 1985, in Landström 2005:43), "the need to be in

control of a situation”, “a desire to take calculated risks” (also Cantillon 1755; Say 1803; Knight 1916, in Landström 2005:13), “creativity/innovation” (also Schumpeter 1912; Dahmén 1950; Baumol 1993, in Landström 2005:13), “a need for independence” and “the desire to express leadership qualities”. Wickham (2004:17) alerts us to the fact that the trait approach raises questions about whether traits are innate, learnt and/or driven by external forces.

Some of the most frequently mentioned entrepreneurial characteristics (Kuratko & Hodgetts 2004:116-121; and Longenecker et al 2003:21) are commitment, determination and perseverance; the drive to achieve; opportunity orientation, initiative and responsibility; persistent problem solving; seeking feedback; internal locus of control (a concept developed by Rotter 1966, in Landström 2005:43); tolerance of ambiguity; calculated risk taking; integrity and reliability; tolerance for failure; high energy level; creativity and innovativeness; vision; self-confidence and optimism; independence; and team building. To this list can be added the 21<sup>st</sup> century characteristics of entrepreneurs, as identified by Soo Ji Min (1999, in Kuratko & Hodgetts 2004:116): recognising and taking advantage of opportunities (also Mises 1951; Kirzner 1973, in Landström 2005:14), being a resourceful, creative, visionary, independent thinker, a hard worker, an optimist, innovator, risk taker and leader. Smith (1776; Ricardo 1817; Marshall 1890, in Landström 2005:14) describes the entrepreneur as a capitalist.

### **3.3.1.1 Personality seen from different schools of psychological thinking**

Various schools of psychological thinking define, characterise and measure personality differently (Wickham 2004:71-77):

- The psychodynamic school sees personality as the result of a series of internal psychological processes, mostly unconscious, that determine human behaviour.
- The dispositional school claims that an individual has a tendency to act in a particular way in a particular situation and these features are referred to as personality traits.
- The biological school states that personality is a biological process, and dictated by one’s genes.
- The premise of the evolutionary school is that modern human cognitive skills are the result of evolution through selective forces. They focus on the commonality of the personality of the species and not on the individual.
- The phenomenological school emphasises the uniqueness of each individual, and prioritises subjective experience over objective classification. They do not even try to explain why some people are entrepreneurs and others not.

- The behavioural school focuses on what can be observed, but has been superseded by cognitive psychology.
- The social-cognitive learning school perceives personality as resulting from social experience and interaction. This school recognises the role of mentors and leadership, as well as personal learning styles and strategies. Cooper (1981, in Wickham 2004:75) developed a social-cognitive learning model which “includes three sets of factors influencing entrepreneurial start-up: antecedent influences (those things inherent to the entrepreneurs, such as genetic endowment, education and life experiences), incubator organisation experience, and environmental experiences (including the availability of opportunities and resources)”. The wide range of factors considered by this school results in the loss of specificity and failure in making clear predictions.
- Attribution-based scholars suggest that personality is not possessed by the individual but awarded to the individual by others, based on levels of consistency, distinctiveness and consensus.

From all these schools, no real evidence emerges that there is a single “entrepreneurial personality” (Wickham 2004:77). People of all personality types become successful entrepreneurs and exhibit ambition, drive, hard work, effort in learning to understand a business and practice as a manager. No single entrepreneurial personality profile exists.

### 3.3.2 Entrepreneurial behaviour and the social development perspective

Wickham (2004:151) points out that the attitudes and behaviours exhibited by a successful entrepreneur when working are not the same as personality characteristics. The way in which entrepreneurs approach tasks is a product of commitment, interest and motivation (further discussion on motivation follows in sec 3.3.3), as well as a specific predisposition. Entrepreneurs can be described as (Wickham 2004:151) follows:

- **Hard workers.** Entrepreneurs put a lot of physical and mental effort into developing their ventures.
- **Self-starters.** Entrepreneurs identify what needs to be done and follow through.
- **Setters of personal goals.** Entrepreneurs set clear, demanding but realistic goals and benchmark themselves against these goals. They have internal standards.
- **Resilient.** Entrepreneurs cope with failure, learn from it and continue.
- **Confident.** Entrepreneurs believe in themselves and in their ventures.
- **Receptive to new ideas.** Entrepreneurs are not overconfident but recognise their own limitations and are willing to revise their ideas in the light of new experiences.

- **Assertive.** Entrepreneurs are committed to outcomes, not to methods.
- **Seekers of information.** Entrepreneurs are inquisitive and seek more information through questioning.
- **Eager to learn.** Entrepreneurs are prepared to improve their skills and develop new ones.
- **Attuned to opportunity.** Entrepreneurs continuously search for new opportunities, avoiding complacency.
- **Receptive to change.** Entrepreneurs actively embrace change and do not resist change.
- **Committed to others.** Entrepreneurs value employees and motivate them.
- **Comfortable with power.** Entrepreneurs are aware of the power they command and use it responsibly.

Timmons and Spinelli (2004:63) agree that entrepreneurs work hard and are driven by an intense commitment and determined perseverance, but add that they are optimistic, strive for integrity, thrive on the competitive desire to excel and win, are dissatisfied with the status quo and seek opportunities to improve any situation, use failure as a tool for learning, and believe that they can make a difference. These authors distinguish between core and desirable entrepreneurial attitudes and behaviours, exhibited in figure 3.3. They point out that consensus has been reached about six dominant themes, also known as the core attributes. These include commitment and determination, leadership, opportunity obsession, tolerance of risk, ambiguity and uncertainty, creativity, self-reliance and adaptability, and motivation to excel, while the desirable attributes include intelligence, capacity to inspire, creativity and innovativeness, values, and energy, health and emotional stability.

**Figure 3.3 Core and desirable entrepreneurial attributes**

<b>Core attributes</b>	<b>Desirable attributes</b>
<ul style="list-style-type: none"> <li>• Commitment and determination</li> <li>• Leadership</li> <li>• Opportunity obsession</li> <li>• Tolerance of risk, ambiguity, uncertainty</li> <li>• Creativity, self-reliance and adaptability</li> <li>• Motivation to excel</li> </ul>	<ul style="list-style-type: none"> <li>• Intelligence</li> <li>• Capacity to inspire</li> <li>• Creativity and innovativeness</li> <li>• Values</li> <li>• Energy, health and emotional stability</li> </ul>

**Source:** Adapted from Timmons & Spinelli (2004:251)

From the social development perspective, entrepreneurial behaviour is the result of a large number of factors grouped into the following three broad categories (Wickham 2004:18):

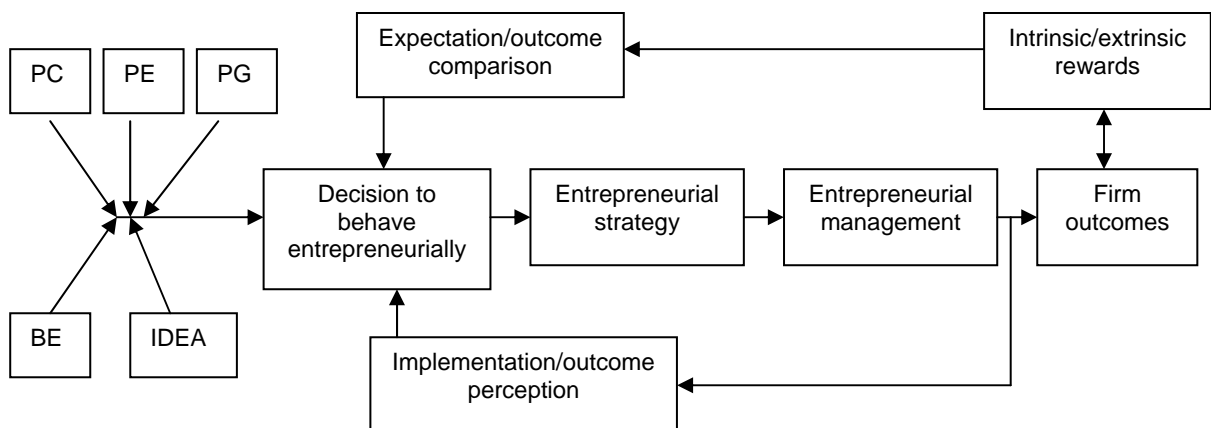
- (1) innate/internal factors, such as intelligence, creativity, personality, motivation, personal ambition, et cetera
- (2) acquired factors, such as learning, training, experience in “incubator” organisations, mentoring, existence of motivating role models, et cetera
- (3) social factors, such as birth order, experiences in the family life, socioeconomic group and parental occupation, society and culture, economic conditions, et cetera

The social development model identifies so many factors that their predictive power is limited and difficult to test empirically. Although the model indicates what factors influence entrepreneurial behaviour, it does not indicate the reasons for the influence.

### 3.3.3 Entrepreneurial motivation

A model of entrepreneurial motivation (figure 3.4) has been drafted by Naffziger, Hornsby and Kuratko (1994 in Kuratko & Hodgetts 2004:129) who postulate that the desire to create a new venture and the willingness to sustain it are directly related to the entrepreneur’s motivation. Even though consensus has not yet been reached on the psychological characteristics of an entrepreneur, they recognise personal characteristics as one of the motivational factors.

**Figure 3.4 A model of entrepreneurial motivation**



PC = Personal characteristics; PE = Personal environment; PG = Personal goals;  
BE = Business environment

**Source:** Naffziger et al (1994, in Kuratko & Hodgetts 2004:129)

From this model it is evident that the decision to behave entrepreneurially follows from the interaction of several factors, such as the personal characteristics, the personal environment and the personal goals of the entrepreneur, subject to an enabling business environment and the existence of a viable business idea. Prospective entrepreneurs



compare their perceptions of the probable outcome of business ideas with their personal expectations. Whether entrepreneurs are motivated to start or sustain business ideas depends on the match between the perceived expectations and the actual outcomes of the business.

This model emphasises the fact that entrepreneurship is a multidimensional phenomenon.

### 3.3.4 Cognitive approach/perspective

From a cognitive psychological approach entrepreneurs are distinguished by their cognitive (thinking) strategies and styles, such as, how they acquire, store, process and use information about the world, and how they make decisions, act and react in different situations (Wickham 2004:19, 77-80). The cognitive processes can be categorised into three types:

- (1) **Perception processes** refer to how the entrepreneur sees the world and gathers information about it, for example, complexity or simplicity, levelling or sharpening, verbalising or visualising.
- (2) **Problem-solving processes** refer to how the entrepreneur uses information when making decisions, for example, scanning or focusing, serialism or holism, adaptation or innovation.
- (3) **Task processes** refer to how the entrepreneur determines the way in which to approach a particular job, for example, constricted or flexible, impulsive or reflective, uncertainty accepting or cautious.

Cognitive strategies and styles can be linked and provide a basis for what is described as personality, but they are subject to learning and modification through experience. Cognitive psychology offers explanations for the engagement of entrepreneurs in the entrepreneurial process (explained in ch 2, see fig 2.1), in particular the following (all references to authors appear in Wickham 2004:79):

- Cognition influences motivation and the entrepreneur's perceptions and valuation of the entrepreneurial option compared to conventional employment alternatives (eg Campbell 1992; Katz 1992; Amundson 1995; Eisenhauer 1995; Robichaud & Egbert 2001; Uusitalo 2001).
- Cognition impacts on the individual's ability to spot new business opportunities (eg Minniti & Bygrave 1999; McCline et al 2000; and Key et al 2000).

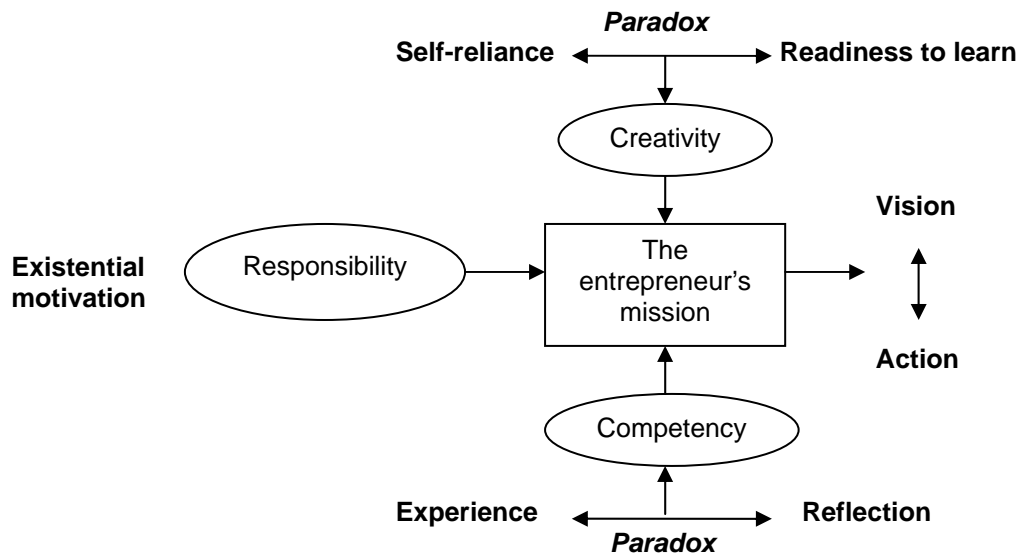
- Cognition includes the analytical skills of the individual and his or her ability to evaluate and make proper judgements about the value of opportunities.
- Cognition involves creativity in developing new innovation to capitalise on those opportunities.
- Cognitive abilities enable the consideration of competitive environments and dynamics (eg Giminez et al 2000; Luthans et al 2000; Frese et al 2002; Kreiser et al 2002a, b; Kristiansen 2002; Weaver et al 2002).
- Cognitive abilities include “strategic foresight”, the potential to imagine future worlds and consideration of the outcomes of current decisions in relation to them.
- Cognition assists with the judgement over which parts of the world are under personal control and which are not. Do entrepreneurs overestimate their ability to control the world compared with non-entrepreneurs? (eg Neck et al 1999; Markham et al 2002; Shepherd & Krueger 2002)
- Cognitive ability allows the entrepreneur to judge risk, either realistically or perhaps more positively than others (eg Stancill 1981; Chatterjee et al 2003).
- Cognitive skills could create appropriate strategic approaches and plans (eg Escher et al 2002).
- Cognitive abilities facilitate communicating with and persuading key stakeholders (eg Kamm & Nurick 1992).
- Cognition aids social relationship skills in sustaining and maintaining the organisation (eg Katz 1992).
- Cognitive abilities support the development of personal learning strategies in the light of experience (eg Minniti & Bygrave 2001).

The topic of whether entrepreneurs as a group share a cognitive strategy that is different from non-entrepreneurs is being researched and conclusive evidence has not yet emerged, mainly because entrepreneurial situations are as varied as any other type of situation.

#### **3.3.4.1 Entrepreneurial logic**

Johannisson (1992, in Landström 2005:16-18) goes beyond the traditional trait orientation and considers that the entrepreneur, as an individual, is existentially motivated and totally committed and takes on the responsibility for the business, employees and family. Johannisson’s entrepreneurial logic is illustrated in figure 3.5.

**Figure 3.5 The entrepreneurial logic: Johannisson**



**Source:** Johannisson (1992:120, in Landström 2005:18)

Entrepreneurship demands creativity that stems from the entrepreneur's self-reliance and readiness to learn from alternative realities. The paradox lies in the fact that self-reliance leads to a belief of "owning the truth" while the entrepreneur has to be responsive to a changing reality. Similarly, the entrepreneur possesses a competency that requires him or her to handle another paradox, namely that of employing empirical knowledge as a key source of information, as well as reflecting on and questioning practical experience. The entrepreneur's commitment, responsibility, creativity and competence form the basis of the entrepreneurial mission to create visions for new activities and transform these visions in order to create actions.

### 3.3.4.2 Entrepreneur intelligence

Research into the linkage between entrepreneur intelligence and new venture performance indicates that "entrepreneur intelligence explains a significant amount of variance in new venture performance above and beyond that which is accounted for by personality, motivation, strategic orientation and experience" (Hmieleski 2004:1). The dimensions that make up successful or entrepreneurial intelligence are high levels of analytical, creative, practical and emotional intelligence, but the importance of dimensions depends on the stage of the entrepreneurial process.

### **3.3.4.3 Entrepreneurial judgement and decision making**

According to Casson (1999:74), the key to long-run success is the quality of entrepreneurial judgement, reflected in the correctness of the decisions concerning specific business strategies and specific ownership advantages. The role of the entrepreneur is to monitor a volatile environment for two types of shocks – transitory and persistent shocks – emanating from both supply and demand. The entrepreneur synthesises the information and decides to respond in a way that is optimal for the venture. The ability to synthesise information, such as knowledge of markets, people, and technology, and to take appropriate decisions, has emerged as the hallmark of the successful entrepreneur.

In research focusing on cognitions (thinking biases and heuristics) associated with decision making to exploit a venture opportunity, South African researchers, Le Roux, Pretorius and Millard (2006:51-69) explored “the importance of cognitions in entrepreneurial thinking and the tendency to make judgements without complete information”. Their research sample included South African entrepreneurs (16%), managers (1%), employees (15%) and students (52%). They measured five constructs, namely the decision to start a venture, business risk perception, self-efficacy, misconceptions and the illusion of control. They concluded that “misconceptions, business risk perception and illusion of control are moderators of the decision whether to pursue the venture opportunity or not”.

A review (Simon 2005:33-36) of research exploring the relationship between cognitive biases and venture formation refers to Baron (1998) who made a compelling case that researchers need to explore cognitive biases, such as the “effects of counterfactual reasoning, planning fallacy, affect infusion, attribution style, and self-justification on venture formation”. Simon and Houghton (2002, in Simon 2005:35) propose that the “illusion of control, belief in the law of small numbers, and reasoning by analogy contribute to underestimating competition, overestimating demand, and overlooking requisite assets”.

### **3.3.4.4 Entrepreneurial management of paradoxes**

Johannisson and Senneseth (1993, in Klandt 1993:5-7) argue that the main task of the entrepreneur is the management of paradoxes in the marketplace and describe five paradoxes associated with entrepreneurship:

- (1) Entrepreneurs are both dependent and independent. The entrepreneur's need for independence is an important determinant for the initiation of a new venture. Yet, owing to limited resources, the entrepreneur relies on others for support and creates strategic alliances.
- (2) Entrepreneurship reflects both an organising process and a set of personal attributes. While the entrepreneur evolves new patterns of activity, the argument is not conclusive about which personal attributes are typical, although an internal locus of control, self-confidence and willpower emerge as important attributes of the entrepreneur.
- (3) Entrepreneurship implies both evolution and revolution. Some researchers see the entrepreneur as someone who revolutionarily exploits opportunities, while others maintain that he or she is an experiential learner, step by step balancing successes with mistakes.
- (4) Entrepreneurs are both prophets and actors. Entrepreneurs apply an intuitive-holistic approach to challenges, while simultaneously exhibiting a bias for action.
- (5) Entrepreneurial action is driven both commercially and socially. Entrepreneurs as high achievers need feedback on their performance in the form of increased wealth (commercial success) and recognition in their community (social success).

Accepting contradiction as a point of departure, both problems and opportunities are embedded in the paradox concept.

#### **3.3.4.5 Are we asking the right questions?**

Sarasvathy (2004, in Zahra 2005:262) questions the focus of entrepreneurship research because of absent theory. Mahoney and Michael (2005:33-54) suggest that the neoclassical economic theories can be combined with resource-based arguments to propose a "subjectivistic theory of entrepreneurship". Penrose, in his book, *The theory of the growth of the firm* (1959:25, in Mahoney & Michael 2005:41) notes that it is never the resources themselves that are the "inputs" (see figure 1.1 in chapter 1) in the production process, but the services that the resources render – in other words, the use of the resources. Thus, a conceptual distinction between resources and the services of resources exists. The linkage between resources and the services of resources is subjective, meaning that the linkage occurs because of the creative insights of the entrepreneur. "The multiple uses of any given resource plus the potential multiple combination of resources form a set of firm-level possibilities" (Mahoney & Michael 2005:41), depending on which productive possibilities the entrepreneur identifies and takes advantage of, which in turn depends on the ability of the entrepreneur to be

creative, gather and analyse information, judge in uncertainty and perceive and exploit opportunities/possibilities, and results in differences in economic performance.

How and what entrepreneurs learn and how they use what they learn from interactions with other entrepreneurs and the market are not yet clear. The ability to exploit learning over time is a vital resource for an entrepreneur, one that can be trained or accumulated through experience.

### **3.3.5 Entrepreneurship is a style of management**

Another approach to entrepreneurship, endorsed by Wickham (2004:17), is that entrepreneurship is a style of management which can be differentiated from conventional management with regard to the following three features:

- (1) Entrepreneurs make a difference through the management of change. They build new organisations or change existing ones.
- (2) Entrepreneurs pursue opportunities through innovation, exposing resources to risk while stretching these resources to the limit to ensure a good return.
- (3) Entrepreneurs manage the entire organisation and do not see functions in isolation.

Wickham (2004:xxi) concludes that an entrepreneur is just a manager, albeit an extremely effective one.

### **3.3.6 Entrepreneurial tasks**

One way of distinguishing between entrepreneurs and non-entrepreneurs is to look at the particular tasks they undertake (Wickham 2004:19-22).

- An entrepreneur owns an organisation.
- Entrepreneurs are founders of organisations or make major changes in their organisational world.
- Entrepreneurs act innovatively creating wealth and value.
- Entrepreneurs identify and pursue market opportunities.
- Entrepreneurs apply their expertise and have a special ability to allocate scarce resources appropriately in situations where information is inadequate or limited (also Say 1803; Casson 1982, in Landström 2005:13).
- Entrepreneurs exhibit leadership skills.
- The entrepreneur acts as a manager.

### **3.3.7 Summary: the multifaceted profile of the entrepreneur**

The number of traits identified in research has increased over the years and the research into individual traits has been criticised both on conceptual and methodological grounds, and the fact that more companies are being founded by teams rather than a single individual (Landström 2005:43).

Scarborough and Zimmerer (2003:3-6) summarised studies that try to describe the entrepreneurial profile, and elicited the following characteristics of entrepreneurs: the desire for responsibility, the preference for moderate risk, confidence in their ability to succeed, the desire for immediate feedback, a high level of energy, future orientation, skill at organising, value of achievement over money, a high degree of commitment, tolerance for ambiguity, flexibility and tenacity.

MacMillan (Landström 2005:298) in his article, "The politics of new venture management", concludes that it is more important to study the behaviour of entrepreneurs than their characteristics. In particular, the focus should be on finding common patterns of manipulative behaviour among entrepreneurs as they endeavour to start their own businesses.

Analyses of the cognitive strategies and styles of entrepreneurs have revealed many interesting facts but no conclusive evidence that would distinguish entrepreneurs from non-entrepreneurs. The investigation of aspects, such as entrepreneurial logic, entrepreneur intelligence, entrepreneurial judgement and decision making, and entrepreneurial management of paradoxes, has highlighted additional facets of the profile of the entrepreneur. Other factors that have been considered are entrepreneurial style of management and entrepreneurial tasks.

What can be concluded is that the entrepreneur has a multifaceted profile. Wickham concludes that it is a common myth that to be a successful entrepreneur one must have a particular type of personality (Wickham 2004:xxi). So the question "Who is the entrepreneur?" is the wrong question. How then does one test whether a person is likely to be a successful entrepreneur?

## **3.4 ASSESSMENT TESTS FOR SELECTING ENTREPRENEURS**

Personality testing forms part of psychometric tests, which aim to find out something about an individual's mental structure through the completion of a specific series of questions. Whether a test is suitable for selecting entrepreneurs would depend on its

validity. “The commonest definition of validity is epitomized by the question: Are we measuring what we think we are measuring?” (Kerlinger 1986:417). This gives rise to the questions: What do we intend to measure? Is the personality test able to identify from a group of individuals those who will be successful entrepreneurs, who will be able to start and grow a business? Wickham (2004:17) maintains that for the test to have value as a predictive tool, it must confirm that the way the entrepreneur responds to the test matches up with the way he or she actually behaves in the real world. How does a trait as measured in a personality test relate to behaviour in the real world?

In addition, Wickham (2004:80) identified several other criteria with which a test that aims at testing an entrepreneur’s personality should comply:

- The questions asked must be relevant in revealing specific aspects of personality, which is subject to the psychological school of thought on personality (different schools of psychological thinking are discussed in sec 3.3.1.1).
- The responses must be correlated to particular personality factors with regard to proper statistical methods.
- The subject being tested must give honest answers to the questions and not what he or she believes an entrepreneur should answer.
- The aspects of personality that are revealed must be stable over time. Is the same trait expressed in the same way in all situations?

The results of personality tests are of particular value to two different groups, namely:

- (1) researchers who are interested in exploring the link between personality and entrepreneurial inclination
- (2) investors who are interested in predicting the likely performance of the entrepreneur who is seeking finance

A number of tests have been developed for testing entrepreneurs, and a selection of these are discussed in the next sections.

#### **3.4.1 The General Enterprising Tendency (GET) test**

The first test to be discussed is the GET because this test is currently being used by the SAB KickStart Programme to winnow applicants unlikely to succeed as entrepreneurs, thus reducing the large number of applicants to a manageable size.



The GET test, developed and copyrighted by the Durham University Business School (DUBS), is an assessment tool used to evaluate the enterprising tendencies of the prospective or existing entrepreneur. It tests a cluster of five relevant entrepreneurial traits: need for achievement (12 items), need for autonomy (6 items), creative tendencies (12 items), moderated/calculated risks (12 items), and internal locus of control (also described as drive and determination) (12 items). The assessment consists of 54 statements with which the aspiring entrepreneur has to either agree or disagree. There is no time limit. A maximum score on the test is 54 while the average is 36. The test has to be scored by a psychometrist.

The GET is a comprehensive, accessible, easy to administer and score test with criterion and convergent validity and sound internal consistency (Caird 1991; Cromie & Callaghan 1997; Cromie & O'Donoghue 1992, in Cromie 2000:22), but further research is needed to confirm the validity and reliability of the test. Statistical scores obtained by these researchers appear in appendix A to assist in the ongoing validation of the instrument.

Stormer, Kline and Goldenberg (1999:47) explored the validity of criteria used in the GET test and assessed its general reliability. Participants (128) drawn from new businesses in retail, service and manufacturing sectors in the USA, completed the GET test and answered questions about the success and expected progress of their businesses. The researchers concluded that the GET test is poor at predicting business success. If this is the case, then the SAB KickStart Programme should rather consider using other tests.

#### **3.4.2 The Thematic Apperception Test (TAT)**

The TAT was originally used to establish the relationship between entrepreneurship and the need for achievement. This projective test consists of 20 black and white pictures and has to be administered and scored by a registered psychologist. Roberts (1991, in Bolton & Thompson 2004:19) used the TAT to test existing entrepreneurs in high-technology businesses and found that, on average, technical entrepreneurs had only a "moderate" need for achievement. However, when he related his results to company performance, he found that almost 80 per cent of the high-growth companies were run by entrepreneurs with a "high" need for achievement. Can the TAT be used to predict whether a person will become an entrepreneur? Hansemark (2000:634-654) conducted a longitudinal study spanning 11 years, to test the predictive validity of the TAT on the entrepreneurial activity of starting a new business. The psychological measurement of the need for achievement was conducted by means of the TAT before the entrepreneurial decision was made. The results indicated that the TAT does not have any predictive validity.

### **3.4.3 The Cesarec-Markes Personal Scheme (CMPS)**

The CMPS includes 11 subscales (each with 15 questions) of which achievement is one. Scoring is done according to a manual and takes into account age, gender and the norm group to which the person belongs. Hansemark (2000:634-654) conducted a longitudinal study spanning 11 years, to test the predictive validity of the CMPS on the entrepreneurial activity of starting a new business. The measurement of the need for achievement was conducted before the entrepreneurial decision was made. The results indicated that the CMPS has modest predictive validity.

### **3.4.4 The Proactive Personality Disposition (PPD) test**

Proactivity, which is defined as the extent to which individuals take action to control their environments, is measured by asking subjects how they would react in a variety of situations. The underlying assumption of the PPD test is that the more proactive a person is, the more likely he or she is to seek out and pursue an entrepreneurial career. Grant (1996, in Wickham 2004: 81) found that proactivity correlated positively with the intention to start a business. Note that a correlation between proactivity and actually starting a business was not calculated.

### **3.4.5 The Entrepreneurial Orientation (EO) scale**

The EO scale, developed by Covin and Slevin (1989:79, in George 2006:2), measures three dimensions: innovation, proactiveness and risk-taking. The authors theorise that these dimensions act together to "comprise a basic, unidimensional strategic orientation". The scale probes the entrepreneur's strategic outlook, rather than personality, and can be applied to both enterprises and individuals.

Although this scale has been widely used, some researchers have raised concerns about the dimensionality of the measure (Knight 1997; Lumpkin & Dess 1996; Zahra 1993, in George 2006:4) and the interdependence of the subdimensions (Dess, Lumpkin & McGee 1999; Lumpkin & Dess 1996, in George 2006:4). Lumpkin and Dess (1996) argue that two additional dimensions, autonomy and competitive aggressiveness, should be considered. The question that arises is whether these dimensions co-vary or vary independently.

Wiklund and Shepherd (2005 in George 2006:3) found that empirical support for a positive relationship between EO and venture performance has been inconsistent.

#### **3.4.6 Michael Kirton's Adaption-Innovation (KAI) inventory**

Adaption-Innovation (A-I) Theory (Nieuwenhuizen & Groenewald 2006:75) accepts that although everyone solves problems and is creative, the cognitive styles of creativity, problem solving and decision making differ. Styles range from high adaptation to high innovation and are normally distributed along a continuum. Individuals who adopt an adaptive style prefer to solve problems using a structure on which consensus has been reached, while individuals who are more innovative are comfortable solving problems using little structure, and they are not concerned with consensus. The A-I Theory addresses personality attributes, such as risk-taking, dogmatism, tolerance of ambiguity, extroversion, conservatism and flexibility. With Kirton's Adaption-Innovation (KAI) inventory it is possible to measure a variety of personality attributes. The KAI test may only be administered by a trained and certified KAI practitioner, registered with the Occupational Research Centre, and a licence fee is payable for the test.

#### **3.4.7 The Torrance Tests of Creative Thinking (TTCT) (Paul E Torrance)**

The TTCT address seven skills, namely inventiveness, creativity, imagination, originality, flexibility, decision-making ability and courage. The test scores show a significant relation between creativity scores and actual achievement (Nieuwenhuizen & Groenewald 2006:76). The TTCT has been used in more than 2 000 studies and has been translated into more than 32 languages, and may only be administered by a registered Torrance practitioner.

#### **3.4.8 Schein's Career Anchors Inventory for evaluating entrepreneurs**

Schein (1994:80 and 1985:39, in Nieuwenhuizen & Groenewald 2006:76) describes a career anchor as a person's self-concept consisting of self-perceived talents and abilities, basic values and an evolved sense of motives and needs pertaining to the career. Most careers permit multiple anchors. An anchor is a value and motive that an individual will not give up when forced to make a choice, and is found among one of the following eight categories of anchors: autonomy/independence, security/stability, technical/functional competence, general management competence, entrepreneurial creativity, service or dedication to a cause, pure challenge and lifestyle. Schein's Career Anchors Inventory tests eight career anchors, namely entrepreneurship, autonomy, lifestyle, service, challenge, security, managerial and technical skills. It evaluates a person's entrepreneurial orientation on the following two types of scales:

- (1) On a continuum ranging from “centrally important” to “of no importance”, persons are rated on statements, such as: “To be able to create or build something that is entirely my own product or idea ...”; “Building a new enterprise is ....”; et cetera.
- (2) On a continuum ranging from “not at all true” to “completely true”, persons are rated on statements, such as: “I am always on the lookout for ideas that would permit me to start and build my own enterprise”; “Entrepreneurial activities are the central part of my career”; “I have always wanted to start and build up a business of my own”; et cetera.

Schein’s Career Anchors Inventory has been validated and anyone may administer it.

#### **3.4.9 The Neethling Brain Instrument (NBI)**

Grounded in the brain profile theory, which divides the brain into four quadrants, each exhibiting a specific cognitive style, the NBI is used to determine an individual’s thinking preferences. The four quadrants are Right 1, Right 2, Left 1 and Left 2. Although individuals use all four quadrants when thinking, some quadrants tend to be more dominant than others. The thinking preference impacts on the individual’s behaviour. The instrument has been scientifically scored and validated. The instrument, developed by a South African, may be administered by a registered NBI practitioner (Nieuwenhuizen & Groenewald 2006:78). The individual being tested ranks the given answers to the questions from one to four. Each of the four answers relates to a specific brain quadrant and its thinking preference. Nieuwenhuizen and Groenewald (2006:87) tested the thinking preference of established South African entrepreneurs and found a significant preference for R1 quadrant thinking, and secondly, for L1 thinking. R1 thinking includes searching for alternatives, preference for the big picture, idea-intuition, strategy, synthesis, integration, risk, restlessness, becoming bored quickly, experimenting, diversity, comfortable with chaos, fantasy, surprise and association. L1 thinking includes accuracy, precision, exactness, focused approach, factual reasoning, analytical thinking, objectivity, realism, concrete information, criticism, correctness, performance-driven, authoritarianism, external discipline and little scope for feelings. The researchers conclude that established entrepreneurs have a tendency to both think creatively and strategically and to analyse and conduct research in order to ascertain levels of risk.

#### **3.4.10 The E-EP Measurement Tool**

The E-EP is a scientifically verified tool that measures entrepreneurial attitudes and personality traits that are typically associated with entrepreneurs (E-EP 2006:1-10). This easy-to-use software program was developed to test pupils at secondary level in Austria.

The measurement tool consists of two parts: a measurement tool for pupils and a data analysis tool for teachers. The pupil version provides a personal analysis of the results and recommendations for improvements. The teacher version provides accumulated analysis and convenient comparison of various groups. The test is in German.

### **3.4.11 Problems with instruments with a trait approach**

A number of the above instruments to select entrepreneurs are centred in a trait approach. Cromie (2000:24-25) identified several problems with trait approaches to understanding the entrepreneur:

- Lack of consensus on a definition of entrepreneurship makes comparisons between studies difficult, even if they use the same instruments.
- Lack of “objective” personality inventories exists because test designers compile questions on the basis of their assumptions about the association between behaviours and inferred personality (Hampson 1988, in Cromie 2000:24-25). These assumptions are influenced by their perceptions and are judgemental.
- The context of behaviour in many test instruments refers to behaviour in general life and not specific in entrepreneurial situations (Chen, Greene & Crick 1998, in Cromie 2000:24-25).
- Different categories of entrepreneurs, such as opportunists, craftsmen and inventors (Smith 1967; Miner, Smith & Bracker 1992, in Cromie 2000:24-25), exist and trait descriptors and their associated behaviours should be developed for each category, while balancing the specificity and generativeness of tests.
- Tests often fail to distinguish between entrepreneurs and other groups, such as managers. Chen et al (1998, in Cromie 2000:24-25) argue that entrepreneurial self-efficacy (ESE) is more appropriate than the need for achievement and internal locus of control to identify entrepreneurs. They define ESE as the strength of an individual’s belief that he or she is capable of successfully performing the key tasks of an entrepreneur, which involve innovation, risk taking, management, marketing and financial control (a combination of traits and skills).
- The process of becoming an entrepreneur is complex and is driven by several variables. Although personal attributes play a role they are not the all-pervading determinants of behaviour. In addition, a propensity to act entrepreneurially and entrepreneurial potential are required, although the latter is latent until activated by a precipitating event. The conversion of intentions to actions may be blocked by a range of intervening variables, such as perceived appeal of the event, perceived self-efficacy, the propensity to act and the perceived difficulty in acquiring resources.

In selecting entrepreneurs for a support programme, many different factors should be taken into consideration because the entrepreneur is a multifaceted individual.

#### **3.4.12 General comments on the tests**

Mixed results have emerged from studies using the PPD and the EO scale. No test has consistently and robustly demonstrated a clear link between personality and entrepreneurial behaviour. Nevertheless, many venture capitalists insist that prospective entrepreneurs undergo personality test before investment funding is awarded.

With regard to intelligence quotient (IQ) and other tests, Timmons and Spinelli (2004:70) are concerned about the skills and capacities that these tests do not measure, such as leadership skills, interpersonal skills, team building and team playing, creativity, motivation, learning skills (versus knowledge), persistence and determination, values, ethics, honesty and integrity, goal-setting orientation, self-discipline, frugality, resourcefulness, resiliency and capacity to handle adversity, ability to seek, listen and use feedback, reliability, dependability and sense of humour.

According to Timmons and Spinelli (2004:63), studies have shown that an entrepreneur does not need specific inherent traits, but a set of acquired skills instead. "Along these lines, a shift from examining entrepreneurial traits to leveraging entrepreneurs' resources could be profound and holds considerable promise" (Zahra 2005:264).

### **3.5 TRAINING AND SKILLS DEVELOPMENT OF ENTREPRENEURIAL SMMEs**

Factors which may inhibit potential entrepreneurs from pursuing entrepreneurship are a lack of training for entrepreneurs, the risks posed by the business environment, a lack of suitable human resources and legal restrictions on business activity (Wickham 2004: 167). However, to eliminate these inhibitors, entrepreneurs can access a range of support initiatives, such as funding, mentoring, networking, incubation space, start-up training, development training, third-level facilities (institutions), and third-level expertise (De Faoite, Henry, Johnston & van der Sijde 2004:443). Before the content of a training programme can be discussed, consideration should be given to whether training enhances new venture performance.

### 3.5.1 The effect of training on entrepreneurial performance

Is there a relationship between business education and success? Some critics, such as Bhidé (2000, in Butler 2004:49), state that success is related to guts, timing, luck and determination. Researchers, such as Kennedy and Drennan (2000:165, in Watson 2004:4), found that the performance of new ventures improves for those entrepreneurs who have higher levels of education, previous entrepreneurial experience and experience in similar businesses. According to Timmons and Spinelli (2004:64), “successful entrepreneurs possess not only creative and innovative flair, but also solid general management skills, business know-how, and sufficient contacts”.

Research conducted by De Faoite et al (2004:445-447) examined the experiences of entrepreneurs in both Ireland and The Netherlands with regard to structured entrepreneurship supports, specifically entrepreneurship training. They found that although the majority of the entrepreneurs in the survey were mostly positive about the benefits of entrepreneurship training, they were not impressed with the training they had encountered – some programmes were considered to be overly structured and too inflexible for busy practising entrepreneurs. With regard to the content and delivery of the programmes, entrepreneurs said that the promised support never materialised – partly owing to the academic background of the providers.

Can knowledge obtained by individuals through non-technical university programmes be used as a resource to gain advantage over competition? D’Souza and Kemelger (2006:44) researched this question and explained that by non-technical knowledge they mean “the training (via workshops, seminars etc) in the areas of management, marketing, sales, accounting, etc, that individuals who are about to start a business could potentially receive from a university”. The responses from Small Business Development Center clients across the USA revealed that ventures that make use of university knowledge financially outperform ventures in a similar industry and similar economy that have not acquired such knowledge. In addition, ventures that utilise university services do increase employment to a greater extent than ventures that do not utilise such resources.

In the discussion of entrepreneurial success in chapter 2 it was indicated in figure 2.7 that entrepreneurial performance results from a combination of factors, such as industry knowledge, general management skills, people skills and personal motivation. In addition, the financial and strategic performance of the enterprise (in fig 2.8), together with the expectations and resource management of the entrepreneur, contributes to entrepreneurial success. Through an entrepreneurial training programme it is possible to

enhance some of the skills required by the entrepreneur, especially general and resource management skills and people skills.

### **3.5.2 Content of entrepreneurship training programmes**

From the systems perspective of a business (fig 1.1), the SMME owner should have the necessary knowledge and skills to acquire and manage the inputs, namely the financial, human, physical and information resources, for and during the transformation process of inputs into satisfactory outputs (products and services). To accomplish this, SMME owners should preferably boast both entrepreneurial and business skills. Entrepreneurship is therefore interdisciplinary and the content of an entrepreneurial training programme should reflect this.

Business skills which enhance entrepreneurial performance are divided into two groups, namely general management and people management skills. General management skills refer to strategy skills, planning skills, marketing skills, financial skills, project management skills and time management skills. People management skills include leadership, motivation, delegation, communication, interpersonal/teamwork, coaching, conflict management, negotiation, problem solving, planning, and decision-making skills (Wickham 2004:152-154; Timmons & Spinelli 2004:281-285). In addition, the entrepreneur should have the ability to manage outside professionals – identify, manage and guide appropriate legal, financial, banking, accounting, consulting, and other necessary outside advisors.

On completion of entrepreneurial training the entrepreneur should be skilled to (consolidated from the content of the following books on entrepreneurship, new venture and small business management from internationally recognised authors: Timmons & Spinelli 2004; Kuratko & Hodgetts 2004; Longenecker et al 2003; Scarborough & Zimmerer 2003; Wickham 2004):

- demystify entrepreneurship and the entrepreneurial mind in thought and action
- develop creativity and practise innovation
- create, shape, recognise and seize an opportunity, including analysing the gap for the new business, scanning for opportunities, positioning the new venture, analysing the opportunity and gaining commitment
- screen venture opportunities, compile feasibility studies and gain financial support
- explore new venture options, such as start-up, buy-out, franchise and family business



- plan and review strategies: define the vision and mission, and complete environmental assessments
- conduct marketing research and design marketing strategies for customer service, products, pricing, promotion, sales management, distribution, location and new product/service and sustain competitiveness
- structure the operational process: manage the manufacturing; schedule workflow and production or service delivery; implement quality and project management; practice inventory and cost control; develop purchasing policies; and negotiate contracts with suppliers
- understand and marshal resources
- lead and build management teams and manage the human resources: recruit and select personnel; compensate employees; train and develop employees; adhere to labour laws; and analyse worker productivity
- understand the legal structures for new business ventures and legal issues related to operating the business – equity, labour, tax and other laws
- apply financial management: prepare financial statements; complete ratio and break-even analysis; identify sources of capital; raise venture and growth capital; manage cash flow and the venture's assets, risk and insurance; and pay taxes
- manage rapid growth and development of the new venture, beyond start-up; and form strategic alliances
- deal with social and ethical issues
- structure the organisation; and constitute a board of directors
- draw up and review the business plan

### 3.5.3 Classification of knowledge required by entrepreneurs

Vesper (2004:19) classified the knowledge included in entrepreneurship courses offered by business schools into four categories:

**Category 1: business-general knowledge** applies to businesses in general, both new and established firms and includes such subjects as basics of accounting, marketing, business law, finance, operations and human resources.

**Category 2: venture-general knowledge** is distinct from the above but general to ventures:

- What is venture capital and how does it work?
- How do entrepreneurs find opportunities and ideas for new ventures?

- What is a venture plan, who finds it useful and how, where does information for it come from and what is the difference between a mediocre and a good one?
- How is developing initial customers for a start-up different from developing customers for an established business, and how do founders cope with the problem more rather than less effectively?
- How should founders best find partners and recruit talent?
- How may defence of intellectual property be special for entrepreneurs, and how should they decide what to do about it?
- How do the headwaters of great success get built into a new company and in what stage of its development?

**Category 3: opportunity-specific knowledge** is about the existence of an unserved market and where physical resources to serve it might be obtained.

**Category 4: venture-specific knowledge** pertains to how to produce a particular product or service.

Vesper (2004:19) is of the opinion that the last two types of knowledge are generally the most important for start-up success, but are rarely available, at only extremely high cost. Nevertheless, the offering of the first two types of knowledge is of real value to entrepreneurs to improve the management and the success rates of their ventures.

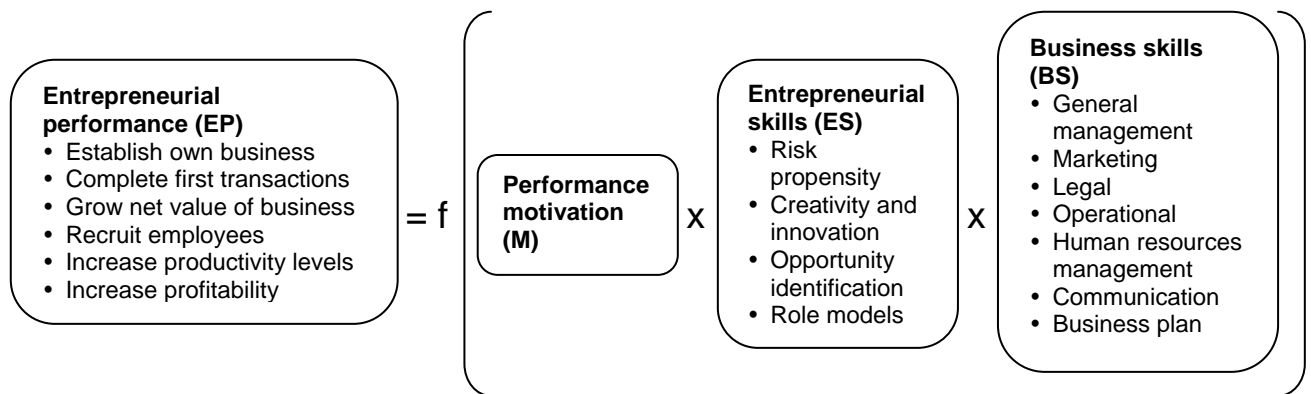
#### 3.5.4 An entrepreneurship training model

An entrepreneurship training model, developed by Van Vuuren (1997 in Antonites 2003:15), postulates that entrepreneurial performance (EP) is a function (f) of performance motivation (M), entrepreneurial skills (ES) (risk propensity, creativity and innovation, opportunity identification and role models) and business skills (BS) (general management, marketing, legal, operations management, human resources management, communication and business planning skills). The model is demonstrated in figure 3.6 and written mathematically as follows:

$$EP = f [M(ES \times BS)]$$

Some of the performance outcomes in the entrepreneurship training model are similar to the outcomes in the integrative model of entrepreneurial inputs and outputs (fig 2.6 in ch 2).

**Figure 3.6 An entrepreneurship training model**

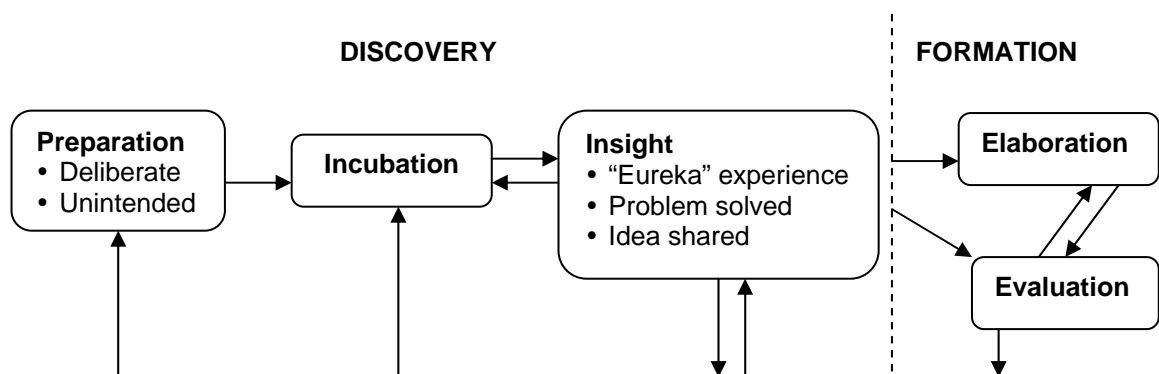


**Source:** Adapted from Antonites (2003:15)

### 3.5.5 Model of entrepreneurial opportunity recognition

Can opportunity recognition be taught? Lumpkin, Hills and Shrader (2004:74-76) introduced a model of opportunity recognition (illustrated in figure 3.7), based on the creativity theory that opportunity recognition is a process involving iterations of creative thinking (McMullen 1984; Christensen, Madsen & Peterson 1994; Bhave 1994; Hills 1995, in Lumpkin et al 2004:75). After years of research into creativity, five basic elements of creativity emerged, namely preparation, incubation, insight, elaboration and evaluation (Csikszentmihalyi 1996, in Lumpkin et al 2004:75). These elements translate into five steps grouped into two phases of opportunity recognition by Shane and Venkataraman (2000, in Lumpkin et al 2004:75), namely discovery and formation.

**Figure 3.7 Creativity-based model of entrepreneurial opportunity recognition**



**Source:** Hills, Shrader & Lumpkin (1999, in Lumpkin et al 2004:75)

The first phase, discovery, consists of preparation (prior experience and knowledge), incubation (thinking about an idea) and insight (conscious realisation of an opportunity),

while the second phase, formation, consists of elaboration (actualisation) and evaluation (feedback and testing).

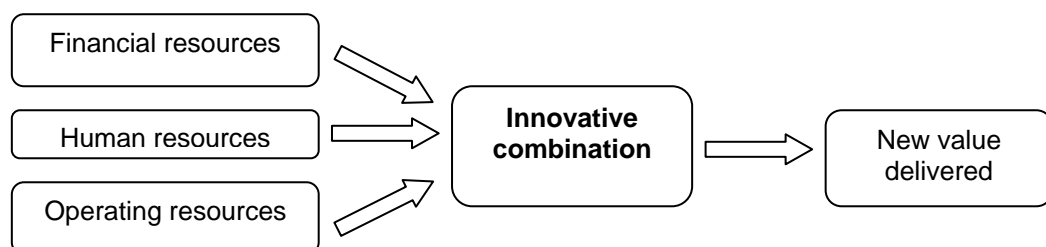
Lumpkin et al (2004:76-89) used this model and researched the question: "How does the entrepreneurs' perception of the nature and importance of opportunity recognition inform us about how to teach this topic to entrepreneurship students and improve the practices of entrepreneurs?" The findings confirmed that opportunity recognition is inherently a creative process, which involves experimentation, where high levels of domain knowledge enhance opportunity recognition, and good ideas must be formed into viable business opportunities. The implications for entrepreneurship education are that opportunity is not business or industry specific but is problem and/or customer specific; teaching creativity skills can enhance opportunity recognition; experimentation and learning are essential to opportunity recognition; and finally, networking enhances the opportunity recognition process.

### 3.5.6 Innovation and resource management training

In the early stages of training, the question of innovation and exploiting an opportunity should be explored because innovation does not only refer to the development of new products or new services, but also to processing and management in the entrepreneurial enterprise, such as new production techniques, new operating practices, new ways of delivering the product or services to the customer, new means of informing the customer about the product, new ways of managing relationships within the organisation, and new ways of managing relationships between organisations (Wickham 2004:186). The entrepreneur is not restricted to one type of innovation but may combine any of the ones mentioned.

The entrepreneur innovatively employs different types of resources to pursue his or her goals and deliver new value, as indicated in chapter 1, figure 1.1, and also illustrated in figure 3.8.

**Figure 3.8 Entrepreneurship and the combination of resources**



**Source:** Wickham (2004:201)

Financial resources include cash-in-hand, overdraft facilities, loans, outstanding debtors, investment capital and investment in other businesses. Human resources include productive labour, technical expertise, provision of business services, functional organisation skills, communication skills and strategic and leadership skills. Operating resources include premises, transport vehicles, production machinery and equipment, raw materials, processed materials, storage facilities and office equipment (Wickham 2004:201-206). Investing in resources carries risk and the risk-return investment relationship for investment in an entrepreneurial venture is complex because it is a function of the dynamics of the market for capital. How to stretch and leverage resources is of particular importance to the entrepreneur.

### **3.5.7 Lifelong learning by entrepreneurs: continuous training and development**

Do entrepreneurship training programmes provide “added value”? Sullivan (2000:172) expresses concern that such programmes tend to “teach” about issues that are mostly of shorter-term benefit or not of immediate relevance to the participants, and fail to develop skills, attributes and behaviours that provide added value to the entrepreneurs, in terms of personal development and improving their ability to learn. It is, however, true that the provision of up-front, prescribed training costs less than the provision of mentoring at regular intervals. The cost-effectiveness of alternative support mechanisms should be considered and even the possibility of the participant entrepreneur paying for such support, at some stage in the programme.

Johnson (2003:4) reviewed training and development activities in SMEs in South Africa and suggests that it is important to recognise the existence of good practise in SMEs and to build on this. Furthermore, support agencies should recognise the value of informal approaches to learning in the SME sector and develop programmes and approaches that build on such activities. He points out that, under some circumstances, improved skill development can lead to better business performance of some SMEs – in particular, skill development initiatives need to be linked to wider programmes to assist SMEs to improve their performance. This would require greater collaboration between skill development agencies and business development organisations.

## **3.6 ASSESSING THE VENTURE**

Instead of selecting entrepreneurial ventures for investment based on the personality profiles of the entrepreneurs, criteria related to the venture opportunity can be evaluated. SMME performance is that aspect that examines how small, micro and medium-sized

enterprises perform in both financial and wider terms over time and in comparison to other business organisations. How can this performance potential be assessed?

The attractiveness of a potential or existing venture opportunity can be ranked on a scale from high to low. The criteria developed by Timmons and Spinelli (2004:92-100) (in appendix B) provide “some quantitative method in which an entrepreneur or an investor can make judgements about the industry and market issues, competitive advantage issues, economic and harvest issues, management team issues, and fatal flaw issues and whether these add up to a compelling opportunity”. Business opportunities with the greatest potential will possess many of the high potential criteria, or will dominate in one or a few areas for which the competition cannot come close.

A number of critical factors are important in new venture assessment, in particular during the prestart-up phase when the entrepreneur has the idea and progresses to opening the business, and the start-up phase when he or she starts selling and delivering products/services (Kuratko & Welsch 2004:166-170):

- the relative uniqueness of the venture – new products/services, new markets, new processes/technology and new geographic area
- the relative investment size at start-up – the amount of investment needed and the timing thereof, the financial reserves of the principle entrepreneur and risk attached to the investment
- the expected growth of sales and/of profits as the venture moves through its start-up phase – the anticipated growth rate in sales and profits over a multi-year period
- the availability of products/services – research, development and testing have been completed
- the availability of customers – customer profile and buying habits have been analysed

According to Timmons (1971, 1979, 1980, in Landström 2005:146) a high potential, growth-oriented venture is characterised by a talented lead entrepreneur with a balanced team, a technically sound and marketable idea, a thorough venture analysis and complete business plan, and appropriate financing of the venture.

A well-written business plan provides information from which the viability of the new venture can be assessed. The business plan is outlined in the next section.

### 3.7 BUSINESS PLANS

The business plan is a tool that communicates to stakeholders and other interested parties, such as competition organisers and development organisations, the potential of the venture. It is a written document that details the current status, expected needs and projected results of a new or existing venture.

#### 3.7.1 Business plan components

A business plan should contain the following elements (consolidated from Kuratko & Hodgetts 2004:305; Timmons & Spinelli 2004:397-441; Wickham 2004:319-340; Kuratko & Welsch 2004:249; Longenecker et al 2003:191-363, Scarborough & Zimmerer 2003:36-508; Business Partners 2006):

**Table 3.1 Typical content of a business plan**

<b>THE BUSINESS PLAN</b>	
	Title page
	Table of contents
<b>1</b>	<b>Executive summary</b>
1.1	Description of the business concept and the business
1.2	Opportunity and strategy
1.3	Target market and projection
1.4	Competitive advantages
1.5	Costs
1.6	Economics, profitability and harvest potential
1.7	The team
1.8	The offering – the financing needed and the rate of return offered
<b>2</b>	<b>Business/company description</b>
2.1	General description of the business – the company history and the concept
2.2	Industry analyses
2.3	Goals and potential of the business and milestones
2.4	Product or service – uniqueness, strategy to differentiate, entry and growth strategy
<b>3</b>	<b>Marketing plan</b>
3.1	Research and analysis
3.1.1	Target market (customers) identified (gap and need analyses)
3.1.2	Market size and trends
3.1.3	Competitive analyses – competition and competitive edges
3.1.4	Estimated market share and sales projections
3.2	Marketing plan/marketing strategy
3.2.1	Product or service strategy; new products/services or improvement
3.2.2	Sales projections
3.2.3	Pricing; credit policies
3.2.4	Distribution
3.2.5	Promotions, including advertising and sales tactics
3.2.6	Marketing relations; networking
<b>4</b>	<b>Operations plan</b>
4.1	Identify location – advantages, zoning, taxes, proximity to suppliers, access to

	transportation
4.2	Operating cycle and operating processes
4.3	Resource requirements – human, physical (facilities and improvements), informational
4.4	Regulatory and legal issues
<b>5</b>	<b>Management plan</b>
5.1	Management team – key personnel (critical skills and experience), compensation and ownership
5.2	Legal structure – stock agreement, employment agreements, ownership
5.3	Board of directors, investors, shareholders
5.4	Professional advisors and consultants
5.5	Skills requirements and availability
<b>6</b>	<b>Financial forecast</b>
6.1	Income statement/profit and loss statement – actual and pro forma
6.2	Cash flow statement
6.3	Balance sheet
6.4	Break-even analysis
6.5	Cost control
6.6	Ratio analyses
6.7	Budgeting plans
6.8	Financial requirements – desired financing, offering, capitalisation, use of funds, investor's returns
<b>7</b>	<b>Critical risks</b>
7.1	Potential problems and assumptions
7.2	Obstacles and risks
7.3	Alternative courses of action
<b>8</b>	<b>Harvest strategy</b>
8.1	Transfer of assets
8.2	Continuity of business strategy
8.3	Identify successor
<b>9</b>	<b>Milestone schedule</b>
9.1	Timing and objectives
9.2	Deadlines and milestones
9.3	Relationship of events
10	<b>Appendices (supporting documents) for example</b> résumés of management team members, product specifications and photos, architectural drawings, lists of references, suppliers of critical components or services, licenses, copies of critical regulatory approval

### 3.7.2 Evaluation of business plans

The business plan assists the funding source to evaluate the business opportunity. A system to evaluate a business plan has been developed by Kuratko and Hodgetts and is set out in appendix C.

#### 3.7.2.1 What to look for in a business plan

Sahlman (Kuratko & Welsch 2004:255-264) states that the business plan should systematically assess four interdependent factors critical to every new venture, namely:



- (1) the people – the entrepreneur or entrepreneurial team starting and managing the venture, and the providers of key services or important resources
- (2) the opportunity – the business itself, what it will sell and to whom, how fast the business will grow, the economics thereof, and who and what stands in its way
- (3) the context – the environment (discussed in ch 2), for example, economic, regulatory, technological and social factors that change but cannot be controlled by the entrepreneur
- (4) risk and reward – an assessment of everything that can go wrong and right, and how the entrepreneurial team will respond to them

A somewhat different approach is adopted by lenders and investors who use the five Cs of credit to evaluate the creditworthiness of entrepreneurs seeking financing (Scarborough & Zimmerer 2004:177-178):

- (1) **Character.** The lenders/investors must have confidence in the character of the business owner with regard to honesty, competence, polish, determination, intelligence and ability.
- (2) **Capital.** The business must have a stable capital base. Entrepreneurs are expected to invest enough of their own money in their business to survive the start-up period.
- (3) **Capacity/cash flow.** The business must be able to meet its regular financial obligations and repay the loan. The business must pass the liquidity test, especially for short-term loans.
- (4) **Collateral.** Collateral includes assets (personal and business assets) an entrepreneur pledges to a lender as security for repayment of the loan. A willingness to pledge collateral is deemed an indication of the dedication of the entrepreneur to making the venture a success.
- (5) **Conditions.** Conditions relating to the business operation, such as potential growth in the market, competition, location, form of ownership, and loan purpose, and the shape of the overall economy (interest and inflation rates, demand for money) are taken into consideration by lenders, even though these factors are beyond the control of the entrepreneur.

Not only should the entrepreneur identify the key drivers of the venture's success, but also complete a break-even analysis and calculate when the cash flow will turn positive.

### 3.7.2.2 What is wrong with business plans?

The problem with business plans is that the figures are usually wildly optimistic and the projections padded. Cassar (2006:8) researched the rationality of nascent entrepreneurs during start-up and found that nascent entrepreneurs “overestimate the probability of their nascent activity in an operating venture” and “overestimate the future one-year sales and employment of the venture, suggesting that nascent entrepreneurs are both optimistic in regard to their success of nascent venturing and the actual performance of their operating ventures”. Further evidence from this longitudinal study suggests that “nascent entrepreneurs who actively investigated market opportunities, by talking with potential customers or getting information about competitors, exhibit lower optimism in regard the probability of achieving an operating venture”. Cassar (2006:8) draws the following conclusion:

The adoption of plans and scenarios, in particular, financial projections significantly exacerbates tendencies for individuals to make financial forecasts that are too optimistic. This suggests that the same management activities that are advocated by academics and adopted by individuals to cope with the future are resulting in nascent entrepreneurs having irrational expectations. Giving the importance of venture creation and venture growth, and the expectations that underlie them, the findings from this study have important implications for both theory and practice.

Furthermore, the business is likely to develop differently from the business plan (Sullivan 2000:171) and the latter must therefore be seen as a working document that should be adapted to the changing environment. Gibb (2000:204) reminds us that a business plan is not an “entrepreneur’s natural invention; it comes from the accountants, bankers and bureaucrats whose need is to make sense of things from their perspective and cultures”. He cites the example of the Malaysian government, which developed a national programme for enterprise development that focused on training and counselling indigenous Malays to produce business plans. Out of 20 000 business plans produced over a period of several years, only a very small number of businesses actually emerged.

In the SAB KickStart Programme the participants do not only have to submit their business plans to the adjudicating panels, but also have to present their business to the adjudicators. Would presentation skills affect the likelihood of the entrepreneurial SMME owner being selected to participate in the programme or to receive a grant or national prize?

### 3.8 PRESENTATION SKILLS

Entrepreneurial SMMEs who apply to take part in the SAB KickStart Programme are expected to present themselves and their business plans to panels of adjudicators during the different phases of the programme, as illustrated in figure 3.1: firstly (at regional level), to be selected for the programme; secondly (at regional level), to qualify for a grant; thirdly (at regional level), to be selected as a regional finalist; and finally (at national level), to win prize money. A question to examine is whether, during the selection process, selection is based on hard evidence or possibly on subjective factors, such as personality or presentation skills.

Investment decision making has mostly been viewed by investors and academics as a rational process or at least based on a “hard evidence oriented, substance-based process” (Clark 2006:3). For many investors the best way of evaluating the risks and returns of an entrepreneur seeking investment is by

detailed appraisal of the financial facts and figures of the entrepreneur’s company and via other similarly tangible and verifiable factors, such as the company’s products, evidence of marketplace acceptance and patent protection, the size and accessibility of the market, the strength of the competition, and the skills, experience and composition of the company’s executive management team (Clark 2006:3).

Clark mentions that overviews and research on these evaluation criteria can be found in Tyebee and Bruno (1984), MacMillan, Siegel and Subba Narisma (1985), Sanberg, Schweiger and Hofer (1988), Hall and Hofer (1993), Fried and Hisrich (1994), and Zacharakis and Meyer (1995, 1998).

However, a small but growing body of research is revealing that subjective factors, such as the personal attributes, social competencies and communication skills of the entrepreneurs themselves, also influence investors’ decisions. MacMillan et al (1985 in Clark 2006:3) found that three of the top 10 criteria employed US venture capitalists when evaluating a venture are about the entrepreneur, namely his or her “personality” (capable of making a sustained intense effort), he or she “evaluates and reacts to risks well” and they are “articulate in discussing their business venture”. Fried and Hisrich (1994, in Clark 2000:3) noted that venture capitalists expected finance seeking entrepreneurs to display high levels of “personal integrity”, “realism” and “flexibility”. Feeney, Haines and Riding (1999, in Clark 2006:4) found that attributes of the entrepreneur, such as openness,

honesty, realism and integrity, tend to be valued more than attributes of the entrepreneur's venture.

Some selection decisions are based on the personal preferences of the investors with regard to the geographical location of an entrepreneur's business and other issues relating to investor fit. In the case of the SAB KickStart Programme, the five regions would obviously only consider entrepreneurial ventures in their geographical area. From discussions with members of the SAB KickStart selection panels it seems that, at regional level, consideration is also given to the fit of the products and services of the entrepreneurial businesses with South African Breweries' needs.

Clark (2006:1-12) found in his study of business angels' decision making that the higher the entrepreneur's overall presentation score the greater the likelihood that the business angel will be interested in pursuing that entrepreneur's investment opportunity, even though the business angels were reluctant to admit to this. Business angels are "individuals with the means and desire to invest directly in small companies" (Stokes & Wilson 2006:404). They are a source of equity capital for new and nascent businesses and form part of the informal venture capital market. In Clark's (2006:1-12) study the comments from the business angels on the presentations focused on the clarity/understandability and structure of the presentation, the level of information that was provided, the personal characteristics of the entrepreneurs, and the entrepreneurs' ability to sell themselves or their investment opportunity – in summary, the entrepreneurs, personal attributes, social competencies and communication skills.

### **3.9 GRANTS/FINANCING OF NEW VENTURES**

Two forces impel an individual to become an entrepreneur – those that pull (entrepreneurship is attractive) and those that push (conventional employment is less attractive). One of the pull factors is the financial rewards of entrepreneurship. The financial attractiveness, however, is moderated by inhibitors (factors preventing a potential entrepreneur from following an entrepreneurial path in spite of its attractiveness), such as an inability to secure start-up capital and the high cost of start-up capital (Wickham 2004:167). Nevertheless, entrepreneurs exhibit fund-raising ingenuity, finding novel ways to finance businesses that create economic wealth, even in not-so-novel product markets (Mahoney & Michael 2005:43).

Audretsch (interviewed by Landström 2005:230) suggested that "having financial support – not necessarily venture capital, because most small businesses don't use venture capital – but to have the kind of institutions that provide loans to small business seems to

be very important". The SAB KickStart Programme attempts to make it easier for small businesses to start, grow, survive and prosper by offering financial support.

### 3.9.1 Criteria used by venture capitalists to evaluate venture proposals

Although SAB is not a venture capitalist, there are some commonalities: both make financing available to entrepreneurs and have an interest in the companies they support. Venture capitalists, however, have a vested interest. It may be of some relevance to investigate what criteria venture capitalists use when evaluating venture proposals. MacMillan, Siegel and SubbaNarasimba (1985, 1986, in Landström 2005:313) researched this question and found that the quality of the entrepreneur – his or her experience and personality – determines whether or not the venture capitalists will invest. MacMillan et al found that business plans have a "credibility window" of values that venture capitalists find acceptable. Credibility is lost by excessively optimistic performance forecasts because it reveals business naïveté on the part of the entrepreneur, while business plans predicting performance levels below the lower threshold of this window are not worth the risk to the venture capitalist. Furthermore, the business plan should show a balance between key functions of marketing, finance, management and operations. If any of these functions have either too much or too little influence, the business plan is not likely to be funded. On the basis of the business plan, the venture capitalist can judge whether the entrepreneur and the entrepreneurial team are familiar with the target market, fit the business (the product and the market environment), have a track record, which may indicate that they have staying power, and react well to risk. The researchers found that venture capitalists evaluate ventures in terms of six risk categories:

- (1) **Competitive risk.** There is little threat of competition and an existing clearly competitively insulated market is in place.
- (2) **Bail-out risk.** The venture capitalist is unable to bail out if necessary.
- (3) **Risk of losing the entire investment.** This is possible whether or not the venture is run by a meticulous entrepreneur with a sound track record.
- (4) **Risk of management failure.** This is minimised if the entrepreneur is capable of intense sustained effort and knows the market thoroughly.
- (5) **Risk of failure to implement the venture idea.** This is reduced if the entrepreneur has a clear idea of what he or she is doing and if the product has demonstrated market potential.
- (6) **Risk of leadership failure.** This is avoided if the entrepreneur has leadership qualities.

Do these criteria actually distinguish between successful and unsuccessful ventures? MacMillan et al (1987, in Landström 2005:314) conducted further research to determine which criteria are useful predictors of performance and identified four clusters of successful ventures:

- (1) The high-tech certainty sells high-tech products and has a strong entrepreneurial team.
- (2) The distribution player markets distinctly low-tech products with well-established distribution channels.
- (3) The market maker employs articulateness and perseverance to create a market that could subsequently be defended against competitive attacks.
- (4) The lucky dilettante has a poor entrepreneurial team and low market acceptance, but has high product protection.

MacMillan et al (1987, in Landström 2005:314) distinguish between necessary and sufficient conditions for success. The right quality entrepreneurial team, subject to the nature of the venture, is a necessity to obtain finance, whereas the predictors of success are twofold: the extent to which the venture is initially insulated from competition, and the degree to which there is demonstrated market acceptance of the product.

### **3.9.2 Value-added by the suppliers of capital**

Apart from capital, what other critical knowledge and experience do the suppliers of capital impart to the entrepreneur?

“Classic” venture capitalists providing seed, start-up and early growth finance often deal with talented but inexperienced teams (Bygrave & Timmons 1992; Reynolds et al 2002 in Maula, Autio & Murray 2005:103). Being able to impart critical knowledge and experience in addition to finance, may be instrumental in the survival and success of the portfolio firm (Gorman & Sahlman 1989; Hellman & Puri 2002; MacMillan et al 1989; Sapienza 1992; Sapienza et al 1994; and Sapienza et al 1996, in Maula et al 2005:103). MacMillan et al (1989 in Maula et al 2005:104) reported that activities that attracted the highest degree of venture capitalist involvement are: “serving as a sounding board to the entrepreneur team, helping the firm obtain alternative further sources of equity financing, interfacing with the investor group, monitoring financial performance, monitoring operating performance, and helping their portfolio firms attract alternative sources of debt financing.” Gorman and Sahlman (1989, in Maula et al 2005:104) found similar results: “help with the obtaining of additional financing, strategic planning, management recruitment, operational planning, introduction to potential customers and suppliers, and

resolving compensation issues”. In their research comparing value added by independent venture capitalists with corporate venture capitalists, Maula et al (2005:116-117) found that independent venture capitalists seem to be better at satisfying the needs of entrepreneurs when assisting with arranging finance, recruiting key employees, advising on competition and developing the organisational resources of the growing enterprise. Corporate venture capitalists seem to be more effective in attracting new domestic and foreign customers and helping start-ups develop their technologies.

From the above it seems that to ensure success, the provider of finance should be involved in a range of additional activities that border on mentoring.

### **3.10 MENTORING OF ENTREPRENEURIAL SMEs**

Hisrich and Peters (2002:74), entrepreneurship authors, are of the opinion that “a mentor-protégé relationship is an excellent avenue of securing needed professional advice, as well as providing an additional source of moral support”. Corroborating this statement is research which established the importance of the trainer-motivator whose qualifications and experience were found to be vital to the success of the Indian Entrepreneurial Development Program (Awasthi & Sebastian 1996:153, in Watson 2004:5).

#### **3.10.1 Mentoring defined**

A universally accepted definition of mentoring does not yet exist. Nevertheless, it is generally accepted that during mentoring, a more experienced person guides a person of lesser experience. Collin’s (1979, in Sullivan 2000:169) definition is best suited to the mentor in the context of support to new entrepreneurs, that being “a protected relationship in which learning and experimentation can occur, potential skills can be developed, and in which results can be measured in terms of competencies gained, rather than curricular territory covered”. It implies a long-term relationship between the mentor and the protégé(e) (protégé refers to the male while protégée refers to the female), allowing time for experimentation and reflection, and for collaboration and advice (Graham & O’Neil 1997, in Bisk 2002:263).

#### **3.10.2 The role of the mentor**

Business Partners, a South African company that invests in SMEs, offers mentoring services to entrepreneurs. It defines the role of the mentor as follows (Business Partners 2006):

The mentor fulfils the role of a business counsellor to the entrepreneur, which implies that the full spectrum of functions of managing a business will be covered, depending on the nature and size of the business and the expertise of the mentor. Apart from advising on and assisting with basic and practical functions of management, the mentor will be involved in problem diagnosis, investigations, formulating solutions, recommendations, appropriate actions, coaching, implementation and follow-up.

From longitudinal research on mentoring in the corporate environment, conducted by Kram (HBE 2004:77), it emerged that mentoring addresses the whole person and his or her career. In order to accomplish this, the mentor has to adopt different roles with regard to career functions and psychosocial personal functions, summarised in table 3.2.

Career functions refer to aspects of the relationship that would increase the protégé(e)'s task effectiveness and prepare him or her for advancement in the organisation, up the hierarchy. Psychosocial personal functions are those aspects of the relationship that would enhance the protégé(e)'s sense of competence, clarity of identity, and effectiveness in a professional role – building his or her self-worth.

**Table 3.2 Mentor roles**

<b>Mentor roles</b>	
<b>Career functions</b>	
Sponsorship	The mentor opens doors that would otherwise be closed.
Coaching	The mentor teaches, provides feedback, and gives advice and direction.
Protection	The mentor supports the protégé/protégée and/or acts as a buffer.
Challenge	The mentor encourages new ways of thinking and acting, and pushes the protégé/protégée to stretch his or her capabilities.
Exposure and visibility	The mentor steers the protégé/protégée into assignments that make him or her known to top management.
<b>Psychosocial functions</b>	
Role modelling	The mentor demonstrates the kinds of behaviours, attitudes and values that lead to success in the organisation.
Counselling	The mentor helps the protégé/protégée deal with difficult professional dilemmas. It involves active listening and acting as a sounding board rather than the expert.
Acceptance and confirmation	The mentor supports the protégé/protégée and shows respect.
Friendship	The mentor demonstrates personal caring that goes beyond business requirements.

**Source:** HBE (2004:77, adapted from Kram 1988)

In the entrepreneurial context, career-related support refers to direct management or business operations advice and access to the mentor's networks. Waters, McCabe,



Kiellerup and Kiellerup (2001, in Bisk 2002:267) investigated the role of career-related support and psychosocial support in a formal mentoring programme designed to assist new business start-ups in Australia. The researchers found that the entrepreneurs received greater psychosocial support from their mentors than career-related support.

### 3.10.3 Phases of mentoring

Bisk (2002:264) compared formal and informal mentoring of entrepreneurs in Ireland and identified various elements and stages of the entrepreneurial mentoring process, summarised in table 3.3. In formal mentoring, a mentor and a protégé(e) are matched by a third party, such as a company, institution or agency, while informal mentoring occurs when the entrepreneur selects his or her own mentor. The initial findings suggest that mentors need not have experience in the industry of their protégé(e) for the latter to benefit from the interaction.

**Table 3.3 Elements or stages of the entrepreneurial mentoring process**

<b>Elements or stages of the entrepreneurial mentoring process</b>			
<b>Stage</b>	<b>Function</b>	<b>Informal mentoring</b>	<b>Formal mentoring</b>
<b>First</b>	<i>Awareness</i>	Felt need for advice	Felt need for advice and/or seeking assistance
	<i>Initiation</i>	Approach network	Approach third party agency
<b>Second</b>	<i>Contact</i>	Network referral	Third party selected
	<i>Engagement</i>	Informal	Formal meetings
<b>Third</b>	<i>Frequency</i>	Random, as needed	Fixed and random
	<i>Term</i>	Indefinite (two to ten years)	Definite (third-party funded)
	<i>Comfort level</i>	Immediate	Evolving
	<i>Expectations</i>	Stress relief, encouragement	Grant aid, loan(s)
	<i>Termination</i>	Outgrow mentor	End of engagement

**Source:** Adapted from Bisk (2002:264)

Similarities exist between the stages in entrepreneurial mentoring and mentoring relationships in an organisation. The latter comprises four phases – the initiation phase, cultivation phase, separation phase and the redefinition phase (agreed to by several authors, although the terminology may differ slightly, namely Kram 1988, HBE 2004, Lenhardt 2004, and Meyer & Fourie 2004). Kram (1988:48) envisaged the following happening during these phases:

- **Initiation phase.** The relationship is started and the different expectations and ground rules are agreed upon.

- **Cultivation phase.** The range of career and psychosocial functions (tab 3.2) provided expands to a maximum.
- **Separation phase.** This is almost as important a phase as the initiation phase; separation anxiety can exist, influencing both the protégé(e) and the mentor.
- **Redefinition phase.** The relationship is redefined and the mentor and protégé(e) become professional colleagues and/or friends.

#### 3.10.4 Timing mentoring to the life cycle phases of the entrepreneur

To know what mentoring to provide when, would require an understanding of the life cycle of an entrepreneurial venture. In the Churchill Phases of Management model (Sullivan 2000:164) the small business is portrayed as moving through a life cycle. During each phase, the managerial needs, challenges and the support required differ as demonstrated in table 3.4.

**Table 3.4 Phases of management in an entrepreneurial venture**

Phases of management in an entrepreneurial venture					
Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Conception	Survival	Stabilisation	Growth orientation	Rapid growth	Resource maturity
Develop viable product/ Service	Sufficient sales for break-even	Maintain customer base and market niche	Developing resources and sales growth	Maintain adequate cash flow and establish expense controls	Control financial gain from growth and eliminate inefficiencies
Deliver product/ Service	Generate cash to grow, pay expenses, survive in business	Eliminate problems draining cash	Develop management and internal systems to growth	Increasing customer base and market share	Professiona-lising management, finance, budgets, etc
Develop an adequate customer base	Continue business development within niche	Company can stay here barring environmental/ other changes	If cash flow outstrips growth, firm may "drop back" to earlier phase or go bankrupt	Professional managers may replace original owner	Well-developed financial resources

**Source:** Sullivan (2000:164, adapted from Churchill & Lewis 1983)

To meet such challenges, Churchill's research identified the top 10 management and leadership skills that entrepreneurs perceived as being the most critical during each particular phase. These are listed in table 3.5.

Although there is substantial overlap of skills from one phase to the next, the importance ranking of the skills differs from phase to phase. From table 3.3 the mentor can determine

in which management phase the entrepreneurial venture finds itself, while from table 3.4, he or she can decide on the type of support that would be appropriate.

In line with these findings, Hisrich and Peter (2002:73-74) state that “an entrepreneur needs a strong support and advisory system in every phase of the new venture” – the mentor provides both professional and moral support which enhances performance. In addition, the mentor endeavours to impact positively on the entrepreneurial experience and to enhance the new business (Miller 2002:24).

**Table 3.5 Management and leadership skills per phase, ranked by entrepreneurs**

Management and leadership skills per phase, ranked by entrepreneurs					
Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Conception	Survival	Stabilisation	Growth orientation	Rapid growth	Resource maturity
<ul style="list-style-type: none"> <li>• Communication</li> <li>• Administration</li> <li>• Vision</li> <li>• Time management</li> <li>• Planning/goal setting</li> <li>• Human resources</li> <li>• Business and technical knowledge</li> <li>• Financial management</li> <li>• Problem solving/decision making</li> <li>• Leadership/management skills</li> </ul>	<ul style="list-style-type: none"> <li>• Financial management</li> <li>• Communication</li> <li>• Marketing</li> <li>• Vision</li> <li>• Motivating others</li> <li>• Planning/goal setting</li> <li>• Customer/vendor relations</li> <li>• Employee development</li> <li>• Problem solving/decision making</li> <li>• Business and technical knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Financial management</li> <li>• Vision</li> <li>• Planning/goal setting</li> <li>• Communication</li> <li>• Motivating others</li> <li>• Relationship building</li> <li>• Problem solving/decision making</li> <li>• Employee development</li> <li>• Marketing</li> <li>• Business and technical knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Motivating others</li> <li>• Financial management</li> <li>• Vision</li> <li>• Planning/goal setting</li> <li>• Relationship building</li> <li>• Business and technical knowledge</li> <li>• Problem solving/decision making</li> <li>• Leadership/management skills</li> <li>• Human resources</li> </ul>	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Vision</li> <li>• Planning/goal setting</li> <li>• Financial management</li> <li>• Problem solving/decision making</li> <li>• Relationship building</li> <li>• Motivating self</li> <li>• Leadership/management skills</li> <li>• Human resources</li> </ul>	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Motivating others</li> <li>• Financial management</li> <li>• Planning and goal setting</li> <li>• Problem solving/decision making</li> <li>• Customer/vendor relations</li> <li>• Ethics and culture</li> <li>• Motivating self</li> <li>• Leadership/management skills</li> </ul>

**Source:** Sullivan (2000:165, adapted from Churchill & Lewis 1983)

### 3.10.5 Mentoring adapted to entrepreneurial learning styles

The question arises whether it would not be more efficient and effective to combine mentoring support at specific times during entrepreneurial development when the entrepreneur needs it most, rather than volume driven up-front prescriptive training where some of the material covered may not be relevant to some of the programme participants. Research conducted by Sullivan under the auspices of Paisley Enterprise Research Centre (Sullivan 2000:160), addressed this question, but he first had to answer the question: How do entrepreneurs learn?

Learning is the acquisition of skills, knowledge, habits and attitudes and results in the modification of behaviour. Accepting that learning on a continuous basis is a key determinant of competitive success (Williams 1998; Senge 1990; Argyris 1992; Wilkinson 1999, in Sullivan 2000:161) and that much of the learning is experiential (learning by doing – Kolb 1984, in Sullivan 2000:161), consideration should be given to adopting a “just-in-time” approach, where specific assistance is offered in response to critical incidents.

Sullivan (2000:163) defines the role of the mentor as that of a facilitator who “enables the entrepreneur to dissect, reflect and learn from ... critical incidents”; and supported by research by Deakins and Freel (1996) and Williams (1998). Choueke and Armstrong found that 95 per cent of their research sample claimed that past experience was most influential in their personal development, followed by learning from colleagues (61%) and self-learning (54%) (1992 in Sullivan 2000:163). Based on these findings, the mentor has to be able to assist and encourage the entrepreneur to reflect on any learning from critical incidents, that is, double-loop learning needs to be facilitated. The entrepreneur learns to process information, adjust strategy and make decisions (Deakins, Graham, Sullivan & Whittam 1997:154). To accomplish this, the background, attitude and skills of the mentor becomes critical. Whereas an expert consultant imposes prescribed solutions, the mentor helps the entrepreneur to learn to cope with extreme difficulties and to learn from adversity – “a key attribute of these successful entrepreneurs” (finding of Cox & Jennings 1995 in Sullivan 2000:168).

### **3.10.6 Matching the mentor and the entrepreneur (protégé(e))**

Matching the mentor and the entrepreneur should take into consideration the specific needs of the entrepreneur as determined by the management phases in table 3.3 and the corresponding management and leadership skills (tab 3.4) required by the entrepreneur. Several other factors should also be considered, such as the mentor’s sectoral experience (Deakins et al 1997, in Sullivan 2000:170) and the learning styles of the mentor and the entrepreneur. Mumford (1995, in Sullivan 2000:170) identified four learning styles, namely activist, reflector, theorist and pragmatist, each associated with stages in the learning cycle, namely having an experience, reviewing the experience, concluding from the experience and planning the next steps. Entrepreneurs are by definition “activists” and would therefore require a mentor that could assist them to review their experiences, conclude from the experiences and plan the next steps. An activist mentor would be more inclined to offer a solution rather than allowing the entrepreneur to learn from the experience and formulate his or her own solution. Entrepreneurs (activists)

may thus not be the best mentors, unless they are trained in the type of skills needed to be an effective mentor, acting rather as guides than as directors.

Research conducted by De Faoite et al (2004:445-446) found that the role of the mentor was generally perceived to be positive, especially when the mentor is a specialist in a particular field, for example, an accountant. However, sometimes mentors were experienced as inauthentic and their advice inappropriate.

It seems therefore that in the selection of mentors, consideration should not only be given to their general understanding of entrepreneurial ventures but also their interpersonal skills and attitudes (Moran & Sear 1997, in Sullivan 2000:166). It would be “most useful to the entrepreneur if knowledge, skills and reflective learning could be facilitated as and when required by the entrepreneur” (Sullivan 2000:172). Another question that surfaces is whether the participant entrepreneur should be allowed to select a mentor of his or her choice.

### **3.10.7 Networks of mentors**

A mentor with an extensive network can expose the entrepreneur to his or her network, which would have definite advantages to the entrepreneur. Stuart and Sorenson (2005:237) posit that when nascent entrepreneurs have rich social networks they accomplish some critical tasks with greater success, namely attracting financial capital, recruiting skilled labour and accessing tacit knowledge – in other words, resource mobilisation is facilitated.

The investor who invests in an entrepreneur with a rich social network has access to information about the entrepreneur which would otherwise have been difficult to obtain, for example, regarding his or her reliability and integrity. Cohesive social networks, connecting potential investors and entrepreneurs, offer greater financial protection of the investor's interest:

- A close relationship between the investor and the entrepreneur increases the ease with which the investor can monitor the entrepreneur's business on a regular basis.
- Through mutual contacts, the investor may be alerted to problems that the entrepreneur is experiencing and can assist the entrepreneur.
- Where enforcement is required, the investor can call on mutual contacts to assist in influencing the entrepreneur.

From his research, Sullivan (2000:172) concluded that mentors provide added value interventions that are likely to effect long-term benefits for entrepreneurs.

### **3.10.8 Business incubation**

Definitions vary according to the usage of business incubators. The US National Business Incubation Association (USNBIA) defines a business incubator as “an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services” (UN 2000:5). This definition is all encompassing and could include different types of institutions, such as the following:

- Classic business incubators provide small start-up firms with premises, infrastructure, and a range of services that can improve their ability to initiate and run their operations during the early development period.
- Virtual business incubators render services in cyberspace – connect companies with one another, customers, suppliers, partners, and operating management through Internet and electronic data interchange, video conference capabilities, et cetera.
- Clustering (geographical and sectoral) and networking for SMMEs are offered to access skilled and educated labour and pool business services, including business incubation services.
- Industrial estates are developed for regional economic development.
- Export processing zones are established for developing foreign trade potential.
- Science/technology parks are created for commercialising research.

The major purposes/goals of business incubators are job creation, the establishment of start-up businesses, the transfer of technology, helping women, minorities or immigrants, the economic growth of a region, diversification of the regional economic structure, an increase in the region’s economic activity, the promotion of technology-based start-up enterprises, the diffusion and application of new technologies and increased profit and the multiplication of the sponsor’s investment.

The range of services offered by business incubators varies greatly and may include any of the following (UN 2000:65-85):

- Physical infrastructure offers affordable quality office or workshop space.

- Business services include secretarial services, telecommunications and information technology, meeting/conference rooms, advertising and marketing, market research, financial advice, bookkeeping, utilities, cleaning, maintenance and waste disposal.
- Formalised business education, training and business plan development can be presented by educational institutions or appropriate professional organisations.
- Mentoring and business counselling services involve on-going and in-depth counselling with immediate feedback to avoid costly erroneous decisions.
- Access to capital is facilitated. Capital is needed for both the business incubator and its clients, the SMEs, through developing relationships with banking institutions, venture capitalists, foundations, micro-enterprise loan institutions and sponsors.
- Legal assistance in setting up the business, and complying with labour and tax laws, et cetera, is provided.
- Technical consultation and analysis are made available.
- Network services entail providing links to other organisations – local, regional, national and global networking or technical and human networking; creation of partnerships and alliances; and process management.
- Security services are tendered to avoid burglaries and thefts, Internet hacking and industrial espionage.
- Aftercare services are recommended after the incubation period.

From a best-practice meeting of the United Nations Economic Commission for Europe (UN/ECE) (UN 2000:17-22) and an analysis of the best practices in the USA (UN 2000:40-43) the following guidelines emerged:

- The decision to start a business incubator follows from the vision of a group of forward-thinking businesspeople and/or governmental economic development officers who have a commitment to supporting SMEs in their community, based on objective analysis. This requires careful planning and preparation.
- A network of alliances, partners and sponsors provides a wealth of varied skills and abilities to support the needs of the incubator and its clients, the SMMEs. The management team or advisory board of the business incubator should have members representing local government, local private business organisations, community organisations, SMME agencies, foundations and educational institutions – about 10 people. Financial support from all these agencies will contribute to the sustainability of the incubator. The incubator director should be familiar with entrepreneurship and business development.

- The business incubator team decides on entry criteria for SMMEs, for example, the level of innovation, quality of the business plan, the quality of the product or service, and the way in which production is based on research and development.
- The business incubator team should have knowledge about the market and macro environment of the region, and in particular, about the different forms of resources (physical, human, information, financial – including donation funds and sponsors), in order to provide the entrepreneur with useful information and networking.
- Start-up support of SMMEs should last for at least three to five years for optimal sustainability.
- Start-up enterprises and existing companies should be mixed because this encourages mutual learning and provides a stimulating environment for beginning enterprises.
- The effectiveness of business incubators should be evaluated on the basis of the number of successful companies that reach maturity and continue doing business outside the nurturing premises.

An example of successful business incubation can be found at the University of Texas (UT) at Austin. The Austin Technology Incubator was established by IC<sup>2</sup> in 1989 to create wealth, generate jobs and diversify Austin's economy, and to act as a learning laboratory for UT faculty, students and staff. It incubated incubators in Silicon Valley, Houston, Texas and Charleston, South Carolina, and developed an international reputation by recruiting start-ups from Brazil, Israel, Canada, Austria and Japan ([www.ic2.org](http://www.ic2.org)). The model brings together the theory and best practices of new ventures and the overall entrepreneurial process and stresses the importance of merging theory and practice. The start-up process, or the renewal and growth process, benefits from the know-how network within the disciplines of accounting, finance, management, MSIS and marketing (Butler 2004:52).

Although the SAB KickStart Programme is not a business incubator, it offers some of the services mentioned above. Business incubation to establish and grow businesses is an option that could well be considered by the SAB KickStart Programme.

### **3.11 ENTREPRENEURIAL GROWTH**

To determine whether the SAB KickStart Programme is effective, the growth of the participating entrepreneurial SMMEs should be measured. A distinguishing feature of the entrepreneurial venture is its potential for growth and this differentiates it from small businesses.



### 3.11.1 Perspectives of growth

Growth is a dynamic, multi-faceted process that can be viewed from at least four interdependent perspectives (Wickham 2004:476):

- (1) Financial growth measures the additional value that the enterprise creates for distribution to its stakeholders. Measurements include increases in turnover, profits and assets. These figures are obtained from the profit and loss account and the balance sheet. Both the absolute figures and the ratio analyses should be considered. Performance ratios, financial status ratios, liquidity ratios and stock market ratios for listed companies are relevant.
- (2) Strategic growth reflects the sustainable competitive advantages acquired by the enterprise.
- (3) Structural growth relates to the changes in the organisation of the enterprise's internal systems, such as managerial roles and responsibilities.
- (4) Organisational growth incorporates the organisation's processes, culture and attitude.

### 3.11.2 Entrepreneurial growth: indicators and predictors

How does one measure entrepreneurial growth? Indicators of enterprise growth are an increase in sales, increase in the number of employees and an increase in total assets (Liao 2004:118). These indicators should be measured objectively. Liao (2004:118) points out that new business ventures often do not exhibit monotonic sales growth; single-year sales or employment growth figures may show aberrations, which result in not representing the true health of the firms.

How does one predict entrepreneurial growth? With regard to the predictors of entrepreneurial growth, several streams of research have emerged – the macro-structural predictors of growth (environments, managerial processes, planning and control, network resources and alliances, accessibility of capital, interactions), and the micro-behavioural predictors of venture growth (demographics, firm age, personal attributes).

## 3.12 SUMMARY

In this chapter the theoretical base for the different interventions employed by SAB in its SAB KickStart Programme was explored.

To select from a group of business owners (established ventures) or prospective business owners (start-up ventures), those who are more likely to succeed in establishing and growing the business opportunity require knowledge of the profile of the entrepreneur, the venture and the environment.

The different approaches to describing a profile of an entrepreneur were investigated and no single profile emerged. Many factors need to be taken into consideration.

Assessing the venture is somewhat easier if the content of the business plan is used as a framework for evaluating the venture, provided that one is aware of the typical errors that can surface in a business plan.

Can training, education and mentoring be tailored to meet the needs of individual entrepreneurs' development? This would depend on several variables, such as the "availability of resources, entrepreneurial experience, experience of working in that or related fields, the question of whether the experience is defined by quantity (time) or quality (number of or importance of a given event(s)), and the specific skill and knowledge requirements of that industrial sector or opportunity" (Sullivan 2000:164).

Business incubation was discussed as a possible option for future consideration by the SAB KickStart Programme. Finally, different forms of measuring entrepreneurial growth were highlighted.

The deliberations in this chapter have reiterated the fact that entrepreneurship is a complex and multifaceted phenomenon.

In the next chapter, the different phases of the SAB KickStart Programme are described in detail. Since this programme is one of those sponsored by SAB's corporate social investment, it is appropriate to place corporate social investment in context. The trends in corporate social investment in small business are investigated, followed by an assessment of SAB's alignment with these trends.

## **CHAPTER 4      SAB KICKSTART PROGRAMME AND CORPORATE SOCIAL INVESTMENT**

### **4.1      INTRODUCTION**

In the first chapter, the rationale for the research was debated by taking into consideration the importance of small, micro and medium-sized businesses to the economy of South Africa, the level of entrepreneurial activity in South Africa, the environment of the entrepreneurial SMME in South Africa, and the failure rates of small businesses, in particular. These issues were further debated in the second chapter and factors that contribute to entrepreneurial SMME survival were investigated.

Firstly, in this chapter, the South African Breweries KickStart Programme, which was outlined in chapter 1, is described in detail, with reference to the four interventions utilised to increase the effectiveness of the programme. The theoretical underpinning of the four interventions, summarised in figures 3.1 and 4.1, was examined in chapter 3.

Secondly, the contribution of the SAB KickStart Programme as part of SAB's corporate social investment (CSI) to earn corporate governance points in the South African business environment is debated. CSI is placed in context and the trends in it explored. From the debate the fact emerges that corporate social investment in the South African business environment is no longer an option. The chapter concludes with an analysis of how SAB's CSI complies with the recent trends in CSI.

### **4.2      WHY SAB?**

Two questions arise: Why focus on SAB? Why study the SAB KickStart programme?

To answer the first question, it was pointed out in chapter 1 that SAB Ltd forms part of a global conglomerate SABMiller. SAB Ltd, with a turnover of US\$4 204 million and EBITA of US\$1 062 million in 2006, is the largest subsidiary of SABMiller plc which has an annual turnover of US\$15 307 million (SABMiller Annual Report 2006). SABMiller plc is the second largest brewer by volume in the world, present in over 40 countries in Europe, North, Central and South America, Asia and Africa. In South Africa, SAB operates seven breweries, has several beer brands and fruit alcoholic beverages. It is the primary contributor to the South African fiscus – R6 billion in taxes and excise duty in 2004 – more than all the mining companies put together (SABMiller Annual Report 2005).

Apart from its financial achievements, SAB is a highly respected company in the South African business community. In a 2005 survey (Rademeyer 2005:52) among directors and the management of Johannesburg Stock Exchange-listed companies to find the most respected company in South Africa, SAB emerged as the most respected company with regard to trade mark, financial management, leadership, competence, reliability and social responsibility.

SABMiller's board, its committees and executive committee are "devoted to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business of the group" (SABMiller Annual Report 2005:38). SABMiller considers the growing integration of corporate social responsibility (CSR) into the way it operates, critical to its success. Key areas that the board attend to are the support of local suppliers, the reduction of the company's environmental footprint (reducing water consumption, greenhouse gas emissions and waste), the enhancement of the health and well-being, development and training of its staff, encouragement of responsible drinking, engagement with stakeholders and investment in communities (eg training of young entrepreneurs).

To answer the second question, SAB is a strong contender when it comes to its contribution to entrepreneurial development. In a 2007 survey on the perceptions of companies' peers in development (fellow corporate grantmakers) and the implementation agencies (non-profit organisations – NPOs) found that with regard to its contribution to development, SAB is perceived by corporate grantmakers and non-profit organisations to be significantly ahead of other companies in the food and beverage sector, reflected in figure 1.3 (De Wet 2007:337). Concerning the "strongest contribution to job creation and entrepreneurial development" in all sectors, SAB is ranked among the top four. The company invests in several entrepreneurial programmes (sec 4.2.1) of which the SAB KickStart Programme has become one of the largest entrepreneurial development projects undertaken by a private sector company in South Africa, and is aimed at both start-ups and existing businesses. Since 1995, SAB has invested more than R36 million in this programme to equip more than 22 500 young entrepreneurs.

An investigation into the effectiveness of the different interventions utilised by the SAB KickStart Programme in advancing youth entrepreneurial ventures in South Africa, with a view to improving the current programme, would be of substantial benefit to future participants in the programme and the replication of the programme in the rest of Africa and other parts of the world.

#### **4.2.1 SAB investment in entrepreneurial programmes**

SAB considers investment in corporate social investment (CSI) and broad-based black economic empowerment (B-BBEE) as crucial to business success. SAB's B-BBEE strategy involves alignment with the Department of Trade and Industry (DTI) B-BBEE Scorecard and the Empowerment Act, focusing on four main areas, namely shareholding, internal empowerment (including employment equity), external empowerment (including procurement, commercial equity and joint ventures) and social investment. In its 2006 financial year, SAB had contracts with 4 104 black businesses with a total value of some R1.48 billion to ensure commercial equity. SAB is involved in several CSI and BEE entrepreneurial programmes, which are briefly described (SAB Sustainability Report 2006) in the next sections.

##### **4.2.1.1 Barley farmers**

One of SAB's key BEE projects is the development of barley farmers from whom SAB purchases the barley used in beer-brewing. Since inception in 1994, the number of barley farmers in the Taung area increased to 161 in 2006, harvesting 9 000 tons of barley a year. The average farmer earns R50 000 per annum from crops. SAB invested R21 million in this project. A summer crop of maize enables farmers to double their income. SAB's Enterprise Development Department assists with mentoring farmers and funding of crops (SAB Sustainability Report 2006).

##### **4.2.1.2 Owner drivers**

By the end of 2006, SAB had invested more than R2.5 billion in the owner-driver project following its inception in 1987, to enable company employees to become independent business owners while ensuring high levels of customer service and productivity. The programme consists of two phases, the development phase and the asset acquisition phase. The ultimate goal is that the drivers own their vehicles and are able to run sustainable businesses. In 2006, 235 owner drivers operating 268 vehicles were responsible for 58 per cent of total delivered sales volume to 40 depots nationwide. Each owner driver owns an asset (truck) worth about R700 000 and the average turnover is R600 000 per annum (SABMiller Corporate Accountability Report 2005; SAB Sustainability Report 2006).

#### **4.2.1.3 Distributor operators**

Early in 2006, a new phase of owner drivers was launched, allowing them to operate fleets of their own (not just driving one truck). High potential candidates are selected from the owner driver ranks. At this stage, 60 former owner drivers operate more than one truck, effectively making them distributor operators. Earnings are estimated to reach about R200 000 net per vehicle per annum (SABMiller Corporate Accountability Report 2005; SAB Sustainability Report 2006).

#### **4.2.1.4 Customised delivery service programme**

The pilot stage of the customised delivery service programme began in April 2004 as an opportunity for entrepreneurs with a proven track record in business and the experience to run a fleet of trucks profitably to service smaller clients in the on-premise beer market in urban areas. Initially, the entrepreneurs are sourced from within SAB's ranks, drawing from existing drivers and owner drivers who have decided to move in a new direction. Each fleet owner registers his company as a closed corporation and purchases his trucks with the help of SAB (SABMiller Corporate Accountability Report 2005; SAB Sustainability Report 2006).

#### **4.2.1.5 HoneyBEE franchised distribution centres**

Distribution is at the heart of SAB's strategic advantage and delivers to some 23 000 outlets. Launched in November 2005, HoneyBEE creates franchised distribution centres in line with the DTI's Small and Medium Enterprise Development Programme. The owners are sourced from within SAB's ranks. Immediate ownership of 25 per cent is offered, growing to 95 per cent within a short space of time. The first centre opened in Westonaria, Gauteng and the second in Madadeni, KwaZulu-Natal. The combined turnover of the two operations is more than R300 million a year (SAB Sustainability Report 2006).

#### **4.2.1.6 Retail normalisation: the Mahlasedi Training Programme**

In 2005, 74 per cent of South African liquor retailers were unlicensed. This is the most critical liquor industry issue, requiring urgent attention. Of all liquor outlets 54 per cent are owned by black women. True economic transformation in the liquor industry can only be achieved through the licensing of retailers. SAB has developed a four-pronged approach to address normalisation through licensing officers and licensing workshops, lobbying for provincial legislation, business skills training for taverner owners, and securing funding.

The Mahlasedi Training Programme was piloted in 2003, and in 2005, SAB invested R18 million in the project and trained 5 000 taverners during a five-day course. The course material is aligned to SETA (Sector Education and Training Authority) unit standards. The Tourism, Hospitality and Sport Education and Training Authority (THETA), recognising the importance of this project, pledged an additional R5 million, and in 2006, SAB committed a further R100 million to Mahlasedi over five years (SAB Sustainability Report 2006).

The training of the taverners has made a significant impact on the sustainability of taverners with regard to improved financial sustainability, average turnover increased by 30.52 per cent, outstanding debtors decreased by 28.78 per cent, outstanding creditors increased by 12.11 per cent because cash flow improved, stock levels increased by 37.73 per cent and stockouts were significantly reduced and savings and investments increased by 40.54 per cent (which allowed taverners to buy more stock, increase turnover and increase profit). Investment in infrastructure also increased – for instance, of a sample of 2 846 temporary licensees in Eastern Cape, 37 per cent had invested in additional capital infrastructure for their businesses – ranging from R10 000 to R15 000 (SABMiller Corporate Accountability Report 2005).

Funding for the taverners to invest in infrastructure in order to apply for a licence, has been arranged between SAB and ABSA Bank, and enables shebeen owners to become tavern owners in partnership with SAB (SABMiller Corporate Accountability Report 2005).

#### **4.2.1.7 Coleus Packaging: SAB's largest black empowerment project**

In 2003 South African Breweries purchased the company Rheem that produces more than 90 per cent of the metal bottle crowns used in South Africa, from Highveld Steel. The company, now called Coleus Packaging, supplies SAB and a large number of beverage producers around the country. SAB committed itself to significant plant improvements and to a 40 per cent black empowerment ownership – a deal has been struck with a BEE partner, Nokusa Consortium, led by Nokusa Investments (SAB Sustainability Report 2006).

#### **4.2.1.8 The SAB KickStart Programme**

The SAB KickStart Programme is one of South African Breweries' key corporate social investment (CSI) projects, and this programme is described in detail in the next section.

### 4.3 THE SAB KICKSTART PROGRAMME

The SAB KickStart Programme is a national initiative designed to assist previously disadvantaged youth (blacks, coloureds and Asians) in developing their own businesses. Since the launch of the programme in May 1995, SAB has invested more than R36 million to equip more than 22 500 young adults (18-35 years of age) with business skills, and provided many of them with seed capital to set up their own businesses. Over 3 200 businesses have been launched in South Africa. Many of these fledgling enterprises have grown into multi-million rand concerns, employing scores of people. The SAB KickStart Programme has become one of the largest entrepreneurial development projects undertaken by a private sector company in South Africa and is aimed at both start-up and existing businesses (SABMiller Corporate Accountability Report 2005; SAB Sustainability Report 2006).

The SAB KickStart Programme evolved from a numbers-driven approach, focusing on poverty alleviation, to a quality-driven and well-monitored intervention at the small, micro and medium-sized enterprise (SMME) level. In 2001, the focus of the SAB KickStart Programme shifted and is now firmly centred on entrepreneurship development and the creation of sustainable enterprises by selecting entrepreneurs at a more advanced level (eg technical university graduates with promising ideas or inventions), smaller classes, larger grants and greater emphasis on post-training mentorship and assistance during the setting up stages to enable these businesses to grow and compete in a global marketplace. The successes achieved over the first three years of the new approach, compiled in 2005, are reflected in table 4.1.

**Table 4.1 SAB KickStart Programme successes: three-year review**

<b>SAB KickStart Programme successes: three-year review</b>				
	<b>Class of 2001</b>	<b>Class of 2002</b>	<b>Class of 2003</b>	<b>Consolidated</b>
Percentage grant winners now in business	78.40%	91.43%	100.00%	89.94%
Increase in grant winners' total turnover	R3 863 598	R14 651 507	R3 572 494	R22 087 599
Increase in jobs	18	74	54	146
Value of grant winners' contracts signed	R1 082 500	R4 266 100	R1 098 499	R6 447 099

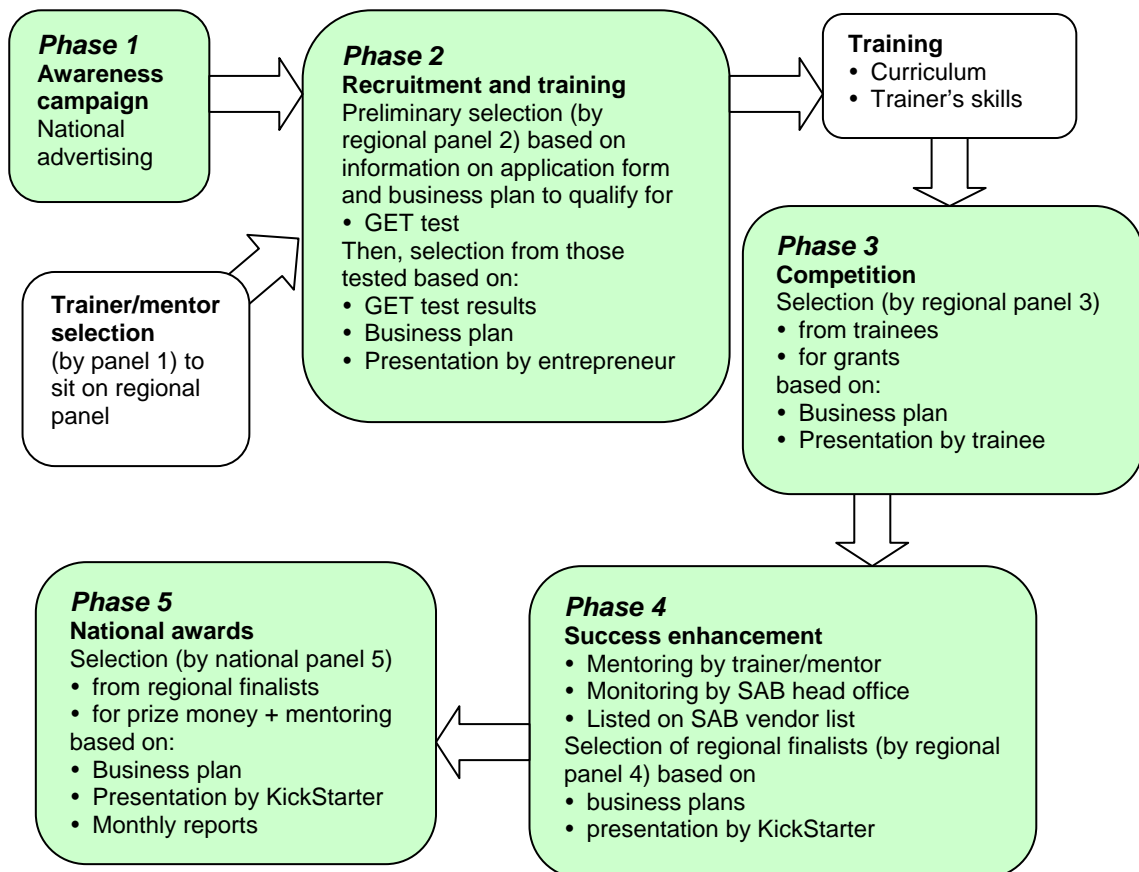
**Source:** SAB (SAB Sustainability Report 2006)



### 4.3.1 Phases in the SAB KickStart Programme

The SAB KickStart Programme runs concurrently in SAB's five operating regions covering the whole of South Africa – Egoli, North region, Cape region, East Coast region (KwaZulu-Natal) and Central region. According to SAB, the programme comprises five phases, described below and summarised in figure 4.1:

**Figure 4.1 Phases of and interventions used by the SAB KickStart Programme**



#### Phase 1: awareness campaign

The SAB KickStart Programme begins in April of each year with a strong recruitment drive through the national press and small business agencies, inviting interested individuals from previously disadvantaged backgrounds (blacks, coloureds and Asians) between the ages of 18 and 35 to apply. Application forms are available from SAB's five regional offices or from their website, and the due date for the submission of applications is 2 June. Typically, about 7 000 responses are received nationally.

The following information is requested on the application form (appendix D): the demographic information of the applicant, information about the business/management team, financial and employment data of the business, and the owner's monetary contribution to the business, as well as, a description of the type of business, the business concept, location of the business, its market and its vision. The applicant has to attach a business plan, the curriculum vitae of business team members, the latest annual financial statements and management accounts, the latter only if the business is already operating. All incomplete applications are summarily eliminated.

In May, while the applications are streaming in, the selection of trainers/mentors (from outside SAB) to be involved in the SAB KickStart Programme takes place. In each of the five regions, SAB invites individuals with the appropriate qualification(s), training/lecturing experience, a strong SMME development background and relevant entrepreneurial experience (they must have owned a business) to present their skills to the regional SAB panel (panel 1 in figure 4.1), who appoint the SAB KickStart trainer/mentor for their region. The responsibilities of the SAB KickStart trainer/mentor include serving on the regional panel that selects the SAB KickStarters for training, facilitating the two-week in-house training of about 20 SAB KickStarters, assisting the latter with compiling their business plan, serving on the panel that selects the grant winners, mentoring the grant recipients (about five to eight) for about eight months, and should any of the national prize winners reside in his/her region, mentor them for another six months. The trainer/mentor's involvement with the programme spans a period of about 15 months. The trainers/mentors sign a contract with SAB, which pays each of them a monthly retainer.

In 2006, some positive changes in the selection of trainers/mentors were implemented. Firstly, it was decided that every year, all trainers/mentors had to apply anew for the position even though some trainers/mentors had been involved with the programme for up to five years. The reasoning behind this decision was to ensure that the best SAB KickStart trainers/mentors are selected, that the trainers/mentors maintain a high standard of training and mentoring, and that they do not become lackadaisical after several years of involvement with the programme. Secondly, it was decided that a trainer/mentor would be responsible for the SAB KickStarters in one region only. Previously some of the trainers were responsible for more than one region – even as many as three regions in one case. This new ruling ensures that the SAB KickStarters in all regions have equal access to their trainer/mentor.

## **Phase 2: recruitment and training**

Fully completed application forms with the required attachments (business plan, curriculum vitae of business team members, the latest annual financial statements and management accounts for existing ventures) are screened in each region according to a predetermined weighting of selected criteria, such as business maturity, type of experience, qualifications, status of current balance sheet, business concept feasibility and the motives of the applicant (the allocation of the weighting appears in appendix E). Those who do not comply with the parameters are immediately eliminated.

After the preliminary screening, a SAB regional panel (panel 2 in fig 4.1) consisting of the regional corporate CSI coordinator, corporate affairs manager, SAB KickStart trainer/mentor and the national business development manager select the top 40 applicants to complete the General Enterprising Tendency (GET 2005:1) test, administered by a registered psychologist. The selection of these applicants is based on the criteria listed in the previous paragraph.

The GET test, developed by Durham University, “is an assessment tool used to assist in evaluating potential entrepreneurial tendencies. It measures the following dimensions: Need for achievement; Need for autonomy; Creative tendencies; Moderated/calculated risks; and Drive and determination” (GET 2005:2). The psychologists discuss the results with the regional coordinators. The appropriateness of the GET test and other tests were discussed in detail in section 3.4.1.

Feedback on the GET test results is given to the tested applicants when they present their business plans to the regional adjudicating panel, during a 30-minute interview. The panel selects up to 20 candidates for training. At this stage, serious consideration is given to selecting entrepreneurs whose businesses could become potential commercial equity suppliers to SAB and to those who have a definite competitive advantage.

Successful candidates are notified by letter to attend a two-week “live-in” business skills training course at a SAB Training Institute in their region during August/September. On arrival at the training centre candidates sign an indemnity form emphasising the fact that SAB is acting in an advisory capacity only. The course material, supplied by SAB Head Office, is presented by the SAB KickStart trainers/mentors. The KickStart Training Manual was upgraded for 2006 and covers the following topics: entrepreneurship, production, marketing, human resource management, financial management and the business plan. The content detail of the KickStart Training Manual is listed in appendix F. An evaluation

of the training programme as experienced by the SAB KickStarters appears in chapter 6, while the content is compared with similar training in international literature in chapter 7.

### **Phase 3: competition**

On completion of the two-week business skills training, the candidates are given one month in which to draw up a business plan on their preferred business idea and they may call on the trainer/mentor for assistance. The business plans, together with a judging/scoring sheet are distributed in advance (about September) to the regional panel of adjudicators (panel 3) who are typically selected from the SME financing divisions of banks, organisations involved with financing and development of SMEs, successful entrepreneurs and tertiary educational institutions. Several SAB representatives join the panel. Candidates each have 30 minutes in which to present their business to the panel. Thereafter, the panel deliberates and selects grant recipients. At a regional award and certification ceremony (October to December) all participants who completed the business skills training and the business plan receive a KickStart Training Certificate. The training course is not accredited by the South African Qualifications Authority and does not carry any credits.

Each region allocates discretionary grants from its R300 000 budget to “kick-start” five to eight of the most promising business opportunities. The “seed capital” ranges between R50 000 to R120 000 per business but is not given in the form of cash. The grant may only be used to acquire fixed and operating assets for the business, and may not be used for working capital. To obtain the financing, the SAB KickStart grant, the recipient has to submit three quotes for the required assets to SAB, which first checks whether any of their existing vendors, including KickStarters from previous years, could supply the assets. If none of the existing vendors registered with SAB can supply the assets, the new supplier must first register as a vendor on the SAB system. In order to do this a supplier has to submit a completed Vendor Creation Form, a completed Vendor BEE Ownership Control Questionnaire, an original company letterhead and an original letter from the bank at which the company account is held. Once SAB has approved a supplier, payment is made directly to him or her. The purpose of this procedure is to ensure that the grant is applied to establish or expand the enterprise, and not for any other purposes.

On the allocation of the grant, the winner enters into a contract with SAB whereby he or she agrees to submit monthly progress reports and management accounts to the mentor by the 10<sup>th</sup> of every month and to meet with the mentor monthly.

#### Phase 4: success enhancement

Each SAB KickStart grant recipient is supposed to receive intensive and highly interactive mentoring and monitoring from the regional KickStart trainer/mentor for a period of eight months, to help him or her start or expand the business. Typically the KickStart trainer/mentor assists with setting up business control systems, extracting information for financial statements, setting up asset registers, compiling tax returns, establishing networks and new markets and training in business activities/functions.

All the grant recipients are listed as SAB vendors and the regional offices try to use their services or products at every possible opportunity. For example, for the organisation of the Egoli regional awards dinner, the services and products of new candidates and KickStarters from previous years are utilised, such as the printing of invitations, menus and programmes, catering, entertainment and evening wear design. A media presentation of the businesses of each of the candidates is screened and they are allowed to market their products and services at the dinner by distributing business cards or product samples.

The regions are expected to provide direct support to the KickStarters through high-level networking to stimulate business development and to help the small, micro and medium-sized businesses gain public relations exposure.

Up to 2004/2005, regions competed for accolades, such as “Best KickStart region of the year” and “Most improved KickStart region” and the regions were judged on the performance of the KickStart businesses and their growth over time. Unfortunately, this excellent custom has been discontinued.

The KickStart trainers/mentors submit monthly reports (detailed in appendix G) on the progress of each grant recipient to the Enterprise Development Department at SAB Head Office in Sandton. A standardised form covering the following topics is used:

- **Owner’s report.** The report covers key achievements, major problems experienced and goals.
- **Statistical data.** The data include information on job creation by gender and race, financial results (income statement – budget compared to actual) and trading status.
- **Mentor’s report.** The mentor provides comments on the business and an overall impression. He or she rates the business activities on a five-point scale with regard to the following activities: its professionalism, business planning, production

management, marketing management, human resources management, financial and administration management, general management, PAYE (pay as you earn) submissions, UIF (Unemployment Insurance Fund) submissions, RSC (Regional Services Council) levy payments, VAT (value-added tax) return timeously completed and the submission of the monthly financial statements. He or she also advises on the training needs of the KickStarter.

These monthly reports are supposed to be analysed by the Business Development Specialist for the SAB KickStart Programme so that constructive feedback on marketing, operational and financial issues of the enterprise can be given. It is the responsibility of the KickStart trainer/mentor to discuss any issues of concern with the KickStarter and to guide the latter where necessary.

Should a grant recipient renege on the contract, SAB may exercise the option to withdraw the remainder of the grant and repossess the business assets purchased with grant money. To prevent this, a meeting focusing on corrective action is scheduled.

The monthly reports are used in the selection of regional finalists and the percentage growth of the business in terms of employment, sales and profit are supposed to be deciding factors. A regional adjudicating panel (panel 4), constituted in the same way as panel 3 (see phase 3), selects the three best-performing KickStarters to represent the region in the national competition.

#### **Phase 5: national awards**

The regional finalists are flown to Johannesburg to present their business to a national panel of adjudicators (panel 5) to select the top three winners and the winners in the developing category. Selection is supposed to be based on the performance of the business, the use of the original grant money, the impact that the SAB KickStart training and grant has had on the business, and the sustainability of the business. About a month after the adjudication, the regional finalists and their spouses are flown to Johannesburg to attend the National SAB KickStart Awards Ceremony, a gala dinner. The winners take a share of R700 000 in prize money and qualify for a further six months of business mentorship and support from the KickStart trainer/mentor in the winner's region.

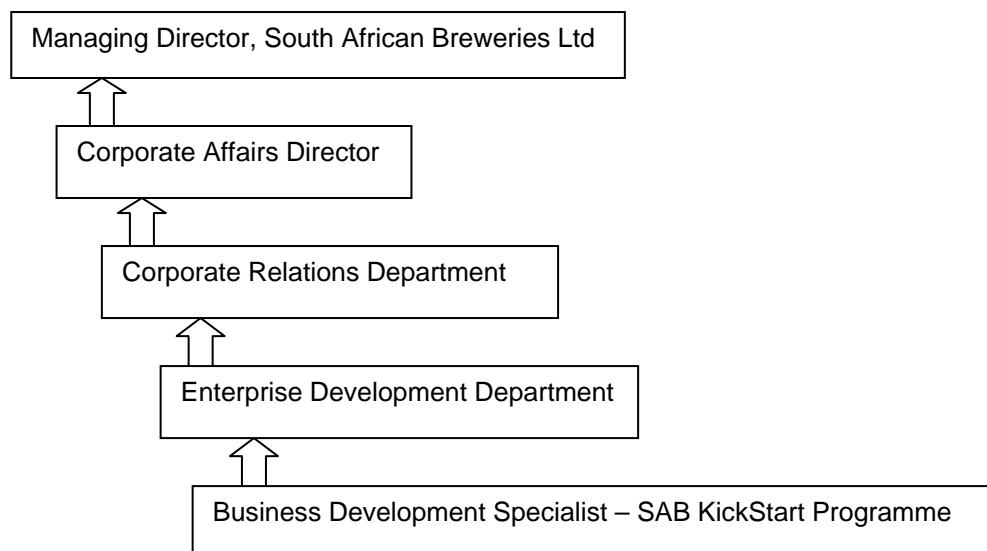
Each cycle (phases 1 to 5) of the SAB KickStart Programme lasts about 17 months, from the launch until the prize winners have completed their mentoring period.

#### 4.3.2 The administration of the SAB KickStart Programme

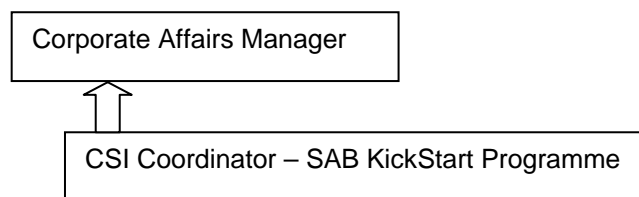
As the SAB KickStart Programme resorts under SAB's corporate social investment projects, the administration thereof is embedded in the corporate affairs directorate. At the SAB Head Office, it is managed on a day-to-day basis by the Enterprise Development Department which has allocated the responsibility to a Business Development Specialist. At the five regional offices, the Corporate Affairs Departments assume responsibility, while daily management is the task of the regional CSI coordinator. The reporting lines are set out in figure 4.2.

**Figure 4.2 Administration of the SAB KickStart Programme**

##### ***At South African Breweries Head Office – Sandton***



##### ***At the five regional offices of SAB:***



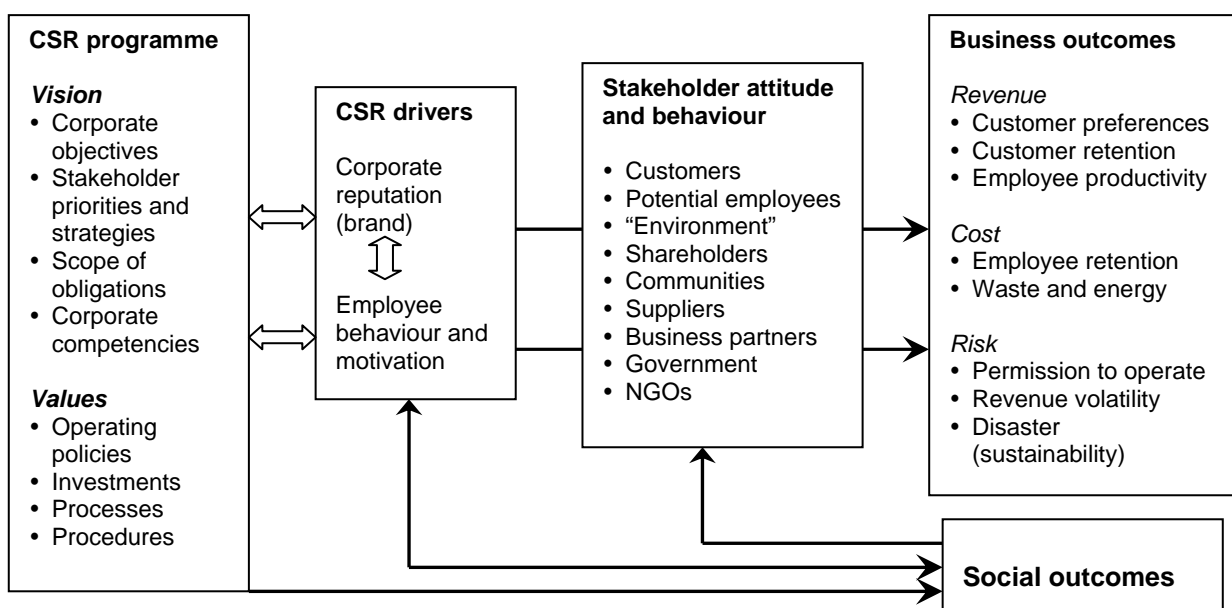
The above descriptions of the SAB KickStart Programme and SAB's other entrepreneurial programmes are but a brief indication of the extent of SAB's involvement with social responsibility. What would be the benefits to SAB of such involvement in corporate social investment? In the next section, corporate social investment will be placed in the context of corporate citizenship and the benefits of corporate social investment to corporations argued.

#### 4.4 CORPORATE SOCIAL RESPONSIBILITY (CSR): NO LONGER AN OPTION

Corporate social responsibility involves the “conduct of business so that it is economically profitable, law abiding, ethical and socially supportive”, in that order (Carroll 1983:608, in Visser 2006:32). The term “socially supportive” means that firms contribute resources to community development, also known as “corporate social investment” (CSI) (Rockey 2004:1). The increasing concern of corporations to be seen to be operating socially responsibly is linked to the fact that the number of investors focusing on socially responsible investing (SRI) has grown dramatically in recent years. Such investors base their investment decision making in a socially and environmentally responsible context. SRI is defined as the “process of integrating values, societal concerns and/or institutional mission into investment decision making” (Schueth 2003:2). These investors would choose to invest in profitable companies that make positive contributions to society and the environment, and would avoid those companies perceived to be harmful to society and the environment. To ensure favourable consideration by potential investors who have become better informed and more demanding, it has become of strategic importance for companies to be seen to be good corporate citizens, and one aspect thereof is corporate social investment.

Two researchers, Knox and Maklan (2006:23-35), developed a framework linking CSR with business and social outcomes from a content analysis of CSR and customer and reputation management literature, combined with data from interviews with six multinational companies. The framework is illustrated in figure 4.3.

**Figure 4.3 Framework linking CSR with business outcomes and social outcomes**



Source: Knox & Maklan (2006:28)



With regard to CSR policy, the researchers found that companies feel responsible for communities impacted by their core business operations; companies are clear on their most important stakeholders but are less able to set priorities among the rest; and social outcomes need more formal assessment. They found that most companies' CSR are determined by their vision and values (items listed in the far left block in fig 4.3). An exception is Diageo, a distiller, which adopts a shareholder value approach to its CSR policies and practices, that is, its programmes focus on business and social outcomes (items listed in the far right block in fig 4.3). To Diageo, responsible alcohol consumption is central to its CSR programme and its central corporate citizenship group manages a number of global initiatives, such as providing seed capital and management expertise to local business units – this approach to CSR is similar to that of SABMiller. The External Affairs function at Diageo has been able to positively correlate its evolving CSR programme with a year-on-year reduction in weighted-average risk facing the company (Knox & Maklan 2006:30-32).

How does corporate social investment relate to concepts, such as corporate social responsibility, corporate governance, corporate citizenship, integrated sustainability reporting and triple-bottom-line?

## **4.5 CORPORATE SOCIAL INVESTMENT IN CONTEXT**

Terms such as “corporate social responsibility” (defined in sec 4.4), “corporate citizenship” (emerged in mid 1990s) and “corporate governance” tend to be used interchangeably owing to their inclusive nature, as can be seen from the definition of these concepts.

### **4.5.1 Clarification of concepts**

The essence of corporate governance is “to ensure that a company is managed in an ethical and responsible way, according to the fundamental principles of fairness, accountability and transparency” (Freemantle 2005:20). “Corporate governance is concerned with holding the balance between economic and social goals, and between individual and communal goals. The aim is to align as nearly as possible the interest of individuals, corporations and society” (Cadbury, in Tustin 2004:1). In South Africa, good corporate governance has been institutionalised through the King I (1994) and King II (2002) reports on corporate governance.

Sustainable development can be defined as “economic development that meets the needs of the present without compromising the ability of future generations to meet their

needs” (Freemantle & Rockey 2004:7). A global CEO survey conducted in 2003 by PriceWaterhouseCoopers in conjunction with the World Economic Forum, found that 79 per cent of more than 1 000 chief executives in 33 countries agreed that sustainability is vital to the profitability of any company (Tustin 2004:11).

Corporate citizenship, in its narrow sense, involves compliance with the laws of the land. The corporate citizen takes its “rightful place in society next to other citizens with whom the corporation forms a community” (Waddell 2000, in Crane & Matten 2004:62). An extended view of corporate citizenship defines it as the “corporate function for administering citizenship rights for individuals” (Crane & Matten 2004:69), in particular three rights: the corporation provides social rights, the corporation enables civil rights and the corporation channels political rights.

Good corporate citizenship is “understanding and managing a company’s wider influences on society for the benefit of the company and society as a whole (Marsden & Andriof 1998 in Andriof & McIntosh 2001:14) and is synonymous with corporate social responsibility. Corporate citizenship covers the company’s impact on relationships with and responsibilities to society as a whole as demonstrated in figure 4.4. Business plays a role beyond realising profits. Every activity of a company has an effect on three broad overlapping areas, namely the environment, the economy and social issues (Andriof & McIntosh 2001:15) and the areas related to these three categories.

**Figure 4.4 A company’s impact on the society as a whole**

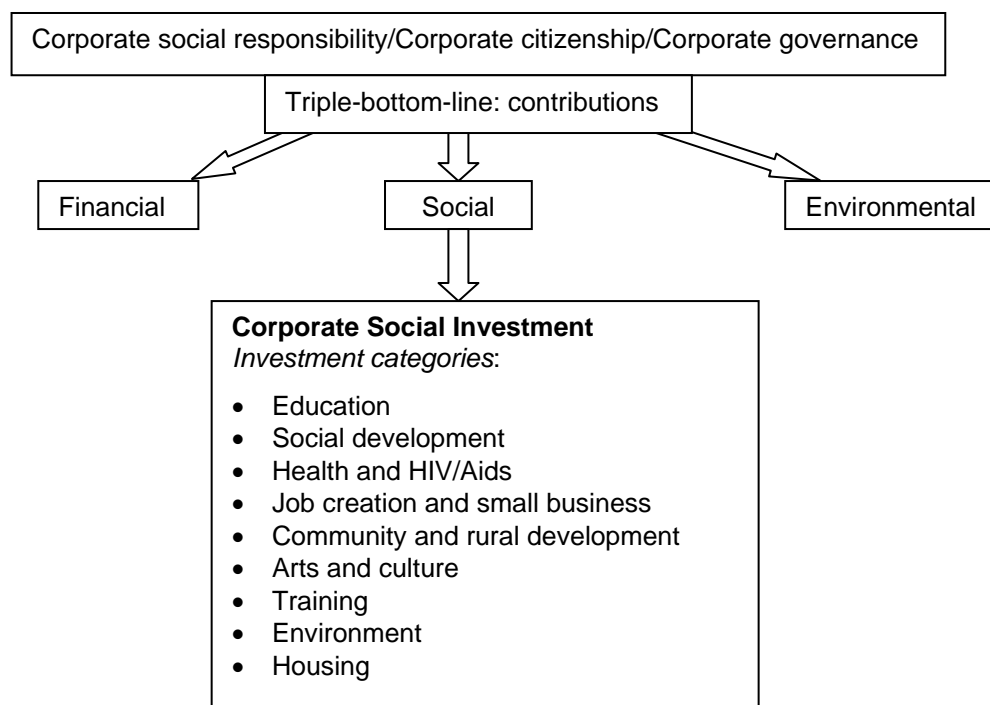


**Source:** Andriof & McIntosh (2001:15)

According to Carroll's "Four-part model of corporate social responsibility", CSR/corporate citizenship is a multi-layered concept, which can be differentiated into four interrelated dimensions – economic, legal, ethical and philanthropic/discretionary dimensions (Crane & Matten 2004:43). Carroll (1979, in Clarkson 1995:95-96) noted that "discretionary responsibilities of business are volitional or philanthropic in nature, and, as such, are also difficult to ascertain and evaluate" and the processes of social responsiveness are reactive, defensive, accommodative or proactive.

When sustainable development is paramount, corporate citizenship is not only concerned with the economic contribution the company makes, but also with its social and environmental impact as reflected in the triple-bottom-line reporting – the financial, social and environmental contributions of the company – reflected in figure 4.5.

**Figure 4.5 Corporate social investment (CSI) in context**



The triple-bottom-line is a simple but powerful tool to encourage executives to not only focus on the financial returns of the company but also on the social and environmental impact of the company. Freemantle (2005:18) warns that reducing sustainability to three elements has limitations such as the following:

- Some elements of good corporate citizenship span more than one dimension.

- Placing social and environmental elements in separate categories creates the impression that they are distinct from regular business – even peripheral.

To summarise, corporate citizenship encompasses activities (Tustin 2004:9) such as, corporate governance, sustainability, corporate social responsibility (CSR), socially responsible investment (SRI), corporate social investment (CSI) and cause related marketing (CRM). Why is there such concern about corporate citizenship? Corporate citizenship practices form an integral part of conducting business.

#### **4.5.2 Reasons for the emphasis on corporate citizenship**

The different stakeholders (listed in fig 4.3), such as shareholders, consumers and employees have become well informed about the challenges facing the world and the impact of corporations on the economic, social and physical environment. Owing to a lack of faith in governments' ability to improve matters, stakeholders acknowledge the corporation as the most powerful and influential social construct of the present era. They are willing to reward corporations that are responsive to their concerns (Andriof & McIntosh 2001:17; Crane & Matten 2004:57).

The extent of the involvement with social responsibility is evident from the financial investment in developmental programmes. It is estimated that in 2004/2005 South African companies contributed R2.65 billion to development through CSI (Rockey 2005:92). This amount increased by 10.4 per cent over the R2.4 billion expenditure in 2003/2004 and the increase is well above the average inflation rate (CPIX – consumer price index) of 3.6 per cent for the equivalent period. The increased contribution to CSI could have several contributory factors, such as a realisation by companies of the strategic value of social investment, the pressure exerted on companies by industry charters or improved reporting of CSI as required by industry charters and other regulatory bodies.

While the measurement of corporate success has traditionally been limited to the creation of wealth for only one group of stakeholders, namely the shareholders, the pursuit of this single measure is self-defeating. "The economic and social purpose of the corporation is to create and distribute increased wealth and value to all its primary stakeholder groups" (Clarkson 1995:112). The moment corporations and their managers enter this arena, the principles of fairness, justice and truth together with profit become their concerns and the management of these becomes a matter of strategic importance.

What guidelines and standards can corporations follow to ensure sustainability and good corporate citizenship?

### **4.5.3 Guidelines on and standards for corporate citizenship**

Corporate citizenship has been the “result either of a voluntary, self-interest driven corporate initiative, or of a compulsory, public pressure driven corporate reaction (Crane & Matten 2004:9). However, proponents of corporate citizenship see it as a far-reaching creative response by business to new challenges. In this new era businesses need to “redefine their role and mission and to change their ways of operating” (Henderson 2005:31). To steer corporate citizenship along a sustainable path, eight prominent guidelines and standards have been formulated, namely the King II Report on Corporate Governance for South Africa, the Global Reporting Initiative (GRI), the Global Compact, the AA1000 Series, Social Accountability 8000, ISO 14001 Environmental Standard, and the ISO 9000 Quality Management System.

Only two of these guidelines address the issue of corporate social investment, and the essence of these guidelines is highlighted below.

#### **4.5.3.1 King II Report on Corporate Governance for South Africa (2002)**

The King II Report applies to all companies listed on the South African Johannesburg Stock Exchange (JSE), to banks and financial entities in the financial services sector, and to various types of public sector enterprises. Its recommendations are not bound by law, but JSE-listed companies are required to adhere to it and if not, to explain any omissions.

The aim of the King II Report is to encourage companies to pursue a range of ethical operating and good governance practices – relating to companies’ financial affairs and also to non-financial and environmental issues. The managers of a company have a fiduciary relationship with shareholders to act in their interest. The King II Report addresses the following six sections:

- Section 1: Boards and directors – role and function of the board, the chairperson, the CEO, executive and non-executive directors, and board committees
- Section 2: Risk management – responsibility for, and management of corporate risk
- Section 3: Internal audit – scope, role and function of internal audit function
- Section 4: Integrated sustainability reporting – stakeholder relations, ethics, safety, health and environment, transformation and human capital
- Section 5: Accounting and auditing – external and internal auditing and audit committees
- Section 6: Compliance with and enforcement of legal mechanisms, enforcing existing remedies, principles of disclosure and shareholder activism

With specific regard to corporate social investment, section 4 recommends that the company reports at least annually on the nature and extent of social, transformational, ethical, safety, health and environmental management policies and practices.

#### **4.5.3.2 The Global Reporting Initiative (GRI)**

The aim of the GRI (2002) is to create a relevant framework for triple-bottom-line or sustainability reporting. The GRI is valuable as it serves as an “internal tool for evaluating the consistency between corporate sustainability policy and strategy on the one hand, and actual performance on the other” (McIntosh, Thomas, Leipziger & Coleman 2003:109). The 2002 guidelines identified five sections for a sustainability reporting structure:

- Section 1: Vision and strategy – including a statement from the CEO describing key elements of the report
- Section 2: Profile – an organisational profile and reporting scope
- Section 3: Governance and management systems – systems in place to manage sustainability
- Section 4: GRI content index – a table identifying the location of each GRI element
- Section 5: Performance indicators – categorised in economic, social and environmental terms

In section 5 of the GRI, the issues around corporate social investment are addressed.

The fact that these guidelines address the issue of corporate social investment has contributed to the institutionalisation of corporate social investment. An additional contributor has been the Johannesburg Stock Exchange (JSE) Social Responsibility Investment Index (SRII), launched in July 2004, requiring triple-bottom-line reporting with the emphasis on the implementation of corporate social responsibility.

Corporate citizenship seems to embody the notion that environmental and social progress is dependent on the setting of more stringent and uniform norms and standards, which may “pave the way for various forms of over-regulation, from which the costs to people are in general greater than the benefits” (Henderson 2005:32).

Nevertheless, it is the opinion of many that a company that follows the guidelines for sustainability would balance the requirements for short-term competitiveness and financial return with the need for long-term survival and growth of the business itself, as

well as the societies and environment in which it operates. Not only will the societies and the environment benefit, but the company itself stands to benefit.

#### **4.5.4 The business benefits of corporate citizenship**

Companies that are genuinely entrenching good corporate citizenship may look forward to benefits from the process (Freemantle 2005:5; Andriof & McIntosh 2001:18; Crane & Matten 2004:41-42; and McIntosh et al 2003:97), such as the following:

- Draw and keep good employees; and enhance employee morale.
- Deepen market penetration; attract new and retain more satisfied customers; and boost reputation.
- Charge a premium for products/services.
- Generate operating efficiencies in the long run.
- Improve relations with regulators; voluntarily commit to social actions and programmes to forestall legislation; and ensure greater corporate independence from government.
- Secure the “licence to operate”.
- Qualify as a socially responsible investment. “McKinsey’s global and country-level surveys, conducted over the last few years, consistently indicate that 70 to 80 per cent of investors are prepared to pay a premium for a well-governed company. For foreign investors in many regions governance is of equal importance to financial performance” (Freemantle 2005:21).
- Identify non-financial risks and opportunities early as a result of engaging with suppliers, customers and other stakeholders – giving management time to respond.
- Invest in a safer, better-educated and more equitable community, thus contributing to the creation of an improved and stable context in which to conduct business.
- Reduce legal bills.

More than 84 per cent of global institutional investors (representing more than US\$3 trillion assets) indicated a willingness to pay a premium for shares of well-governed companies compared to one considered poorly governed but with a comparable financial record, according to the McKinsey 2000 Investors Opinion Survey (Tustin 2004:7). UK investors will pay 18 per cent more for shares of a well-governed company than for the shares of a company with a similar financial performance but poorer governance practices. Since the launch of the Dow Jones Sustainability Index (DJSI) in 1999, the

leading sustainability-driven companies worldwide have consistently outperformed the Dow Jones Global Index (DJGI) World (Holliday, Schmidheiny & Watts 2002:30).

A 2002 survey of 350 major companies in Europe, commissioned by the UK-based *Business in the Community*, found that 78 per cent of the executives agreed that integrating responsible business practices makes a company more competitive (Tustin 2004:11).

To take advantage of all these benefits, a company that displays good corporate citizenship would have comprehensive policies and practices in place to guide decision making so that operations are conducted profitably, ethically, legally and with consideration for society, communities and the environment.

In spite of all the advantages, Henderson (2005:32) points out that the adoption of corporate citizenship can increase costs and impair performance. The task of managers is expanded because they have to formulate a wider range of goals, and involve themselves in new processes of multiple stakeholder engagement. New systems of accounting, auditing and monitoring are required. Furthermore, the adoption of more exacting environmental and social standards is liable to add to costs. Additional monitoring is necessitated when corporations insist on the observance of these same standards by their partners, suppliers and contractors and even their customers.

Of all the different responsibilities to demonstrate good corporate citizenship, only corporate social investment is of particular relevance to the study.

#### **4.5.5 Corporate social investment: no longer an option**

Corporate social investment, as can be seen from figure 4.5, is an activity that contributes to corporate citizenship in so far as it addresses one of the three responsibilities of good corporate citizenship, namely the society and community extraneous to a company's normal business activities. Corporate social investment can be allocated to any one or more of nine categories, namely education, social development, health and HIV/Aids, job creation and small business development, community and rural development, arts and culture, training, environment and housing.

Whereas CSI was once voluntary in South Africa, a shift has occurred making it less voluntary. This shift has been influenced by a range of external developments (Freemantle 2005:43):



- government impatience with corporate transformation efforts
- government's broad-based black economic empowerment (B-BBEE) scorecard
- corporate "licence to operate" obligations
- a host of new industry charters

CSI programmes of companies are being scrutinised by external parties who focus on ascertaining whether the spending contributes to development. The result is that CSI programmes are being "elevated to a more strategic level, are being aligned more closely with core business, and are viewed as a way to support and integrate other transformation imperatives" (Freemantle 2005:43).

Deriving value for the business while channelling and leveraging the CSI funds for optimal developmental impact, is complex and requires management of the key challenges (Freemantle 2005:43) listed in table 4.2 in the left column. A brief description of the way in which SAB masters these challenges appears in the column on the right.

**Table 4.2 CSI management challenges and SAB's responses**

<b>CSI: key management challenges</b>	<b>SAB's ways of managing the challenges</b>
<ul style="list-style-type: none"> <li>• Balancing the corporate agenda, citizenship imperatives and developmental outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• SAB balances the corporate agenda, citizenship imperatives and developmental outcomes (SABMiller Annual Report 2006).</li> </ul>
<ul style="list-style-type: none"> <li>• Identifying lasting projects and ensuring sustainability after initial funding</li> </ul>	<ul style="list-style-type: none"> <li>• SAB identifies lasting projects and ensures sustainability after initial funding through mentoring and continued support, eg SAB KickStart and other projects listed in section 4.2.1.</li> </ul>
<ul style="list-style-type: none"> <li>• Securing appropriate development expertise in the company and in development service providers</li> </ul>	<ul style="list-style-type: none"> <li>• SAB has employed staff with appropriate development expertise in the company and is working closely with THETA.</li> </ul>
<ul style="list-style-type: none"> <li>• Providing adequate project governance, whilst controlling the costs of administration</li> </ul>	<ul style="list-style-type: none"> <li>• SAB has adequate project governance, both at Head Office and at the regions (fig 4.2); budgets are allocated per annum for controlling the costs of administration</li> </ul>
<ul style="list-style-type: none"> <li>• Reviewing developmental methods, identifying weaknesses and changing the approach</li> </ul>	<ul style="list-style-type: none"> <li>• SAB reviewed the SAB KickStart programme and changed the approach in 2001. The study is another review exercise.</li> </ul>
<ul style="list-style-type: none"> <li>• Building and working in developmental partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• SAB builds and works in developmental partnerships, eg trainers/mentors experienced in SME development are contracted for SAB KickStart programme.</li> </ul>
<ul style="list-style-type: none"> <li>• Measuring impact, particularly when benefits are long term or in the case of partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• SAB measures impact – see details of the programmes in section 4.2.1 and table 4.1.</li> </ul>
<ul style="list-style-type: none"> <li>• Replicating projects and converting project experience to policy-level influence</li> </ul>	<ul style="list-style-type: none"> <li>• The SAB KickStart Programme is now being replicated in Colombia.</li> </ul>

From table 4.2 it is obvious that SAB is managing these CSI challenges and continuously addresses these challenges. Most of the challenges have been attended to in the management and structure of the SAB KickStart Programme.

The changing nature of CSI involvement and programmes in South Africa is investigated in the next section.

#### **4.6 THE CHANGING NATURE OF CSI IN SOUTH AFRICA**

During the past 20 years, accusations by both governments and civil society of environmental pollution, human rights abuses and exploitation of labour in supply chains, have resulted in a radical change in the relationship between business and society. Key drivers of this change have been the globalisation of trade, the increased size and influence of companies, the repositioning of government and the rise in strategic importance of stakeholder relationships, knowledge and brand reputation (Timmins 2002:2).

##### **4.6.1 CSI prior to democracy in South Africa**

In 1972, Meyer Feldberg, then professor of business at the University of Cape Town in South Africa, exhorted business leaders to become involved in the communities in which they were operating and to which they were selling products and from whence their employees came, claiming that this was fundamental to the long-term growth, prosperity and profitability of companies (Rockey 2004:2). In 1977, the Sullivan Principles, a code of conduct applied to US companies operating in the rest of the world (including South Africa), required that such companies contribute a percentage of payroll to charitable causes, as a means to justify the continued presence of these companies in countries that were in breach of international human rights standards (Rockey 2004:3). The Sullivan Principles consisted of eight values to promote social, economic and political justice. Around this time, several prominent South African companies established charitable trusts and foundations, such as the Anglo American and De Beers Chairman's Fund, the Gencor Development Trust, Gold Fields Foundation and the Liberty Foundation.

In the early days, CSI programmes focused more on inputs (whether their funds were spent as intended) than on outputs (achievements in development) and were characterised by the following:

- CSI programmes donated cash to intermediaries, such as non-governmental organisation (NGOs) and non-profit organisations (NPOs) in support of worthy causes.
- A wide range of projects were supported and the selection depended on the funding applications received, but welfare-based projects were favoured.
- Formal education received preferential treatment because any funds donated to education were tax deductible.
- CSI programmes were operated separately from business operations.
- Companies maintained a low marketing profile about their CSI programmes.

The impact of the CSI programmes was minimised owing to a lack of clear CSI policies and strategic direction which resulted in wastage of resources and fundamental mistakes. Companies involved in CSI did not consult adequately with beneficiary companies and thus provided only partial or inappropriate solutions. The donor companies did not share their lessons with other donor companies. In the 1990s, a shift towards CSI occurred when more companies realised that being seen as a socially responsible citizen could contribute to a favourable corporate reputation.

#### **4.6.2 CSI since democracy in South Africa**

In 1994, democracy in South Africa added an additional dimension to CSI – it became possible to work alongside government rather than parallel to government from a development perspective.

The time had come to lift CSI to a professional status and hence The Southern African Grantmakers' Association (SAGA) was launched in 1994. The membership of this voluntary non-profit association consists of organisations and individuals involved in development funding – in 2004 it had a membership of 105. In 1999, SAGA, in consultation with its members, developed *Guidelines for good grantmakers* to advance the relevance, efficiency and impact of grants, as well as to further ethical and professional funding practices (Rockey 2004:10).

The management of corporate social investment has been taking on such serious proportions that some companies have even outsourced the management thereof. For example, Tshikululu Social Investment (TSI), a non-profit management consultancy was established in 1998, tasked with managing the CSI activities and funds for Anglo American, Anglo Platinum, De Beers, Anglo-Gold Ashanti, First-Rand Group and the Ernest Oppenheimer Memorial Trust.

In the new democracy, public-private-partnerships (PPP) became an important part of successful CSI and development. Through the Business Trust – a partnership between business and government – co-operative relationships became possible in three areas: education (at school and technical college level), job creation (through stimulating tourism) and crime prevention (through improving efficiencies in the criminal justices system). The mandate of the Business Trust has been extended to 2010 “with the objective of combining corporate (about 145 companies) and government resources in further areas of common interest – particularly around enterprise development, the unemployed and communities in need of rehabilitation” (Rockey 2004:11). Companies became more interested in forming meaningful developmental partnerships with non-governmental organisations, other companies and government. They became concerned about “best practices”, proper programme management systems and measurement of project outputs. In addition, it became acceptable to seek indirect corporate gain from CSI. It seemed that if companies aligned their CSI with their core business they would achieve more for development and the business itself.

Many companies with entrenched CSI programmes have formed legally constituted foundations, separate from the business, to manage their CSI while others have CSI departments that function in isolation. The trend is now to find ways for CSI to be more integrated with the business itself by establishing committees whose members are drawn from core business divisions to encourage broader participation not only in the CSI decision making process but also in the CSI activities, such as volunteerism and matching-grant schemes.

The CSI focus that companies have adopted since democracy can be summarised as follows (Rockey 2004:15):

- Companies align CSI to core business.
- Companies fund projects that have a logical “fit” with the company.
- Companies are more proactive.
- Companies are drawing on employee volunteerism.
- Senior management are involved with CSI programmes.
- Companies are eliminating basic mistakes.
- Companies establish and support flagship projects.
- Companies set measurable “output based” objectives.
- Companies measure and evaluate processes in line with the size and scope of the project.
- Companies adapt the approach based on ongoing assessment.

- Companies enter into multi-sector partnerships with clearly defined roles and exit plans.

Companies have tended to invest in fewer but larger projects. These projects, and in particular the “flagship” projects, are carefully selected to ensure that they match the company’s CSI objectives. These projects are carefully monitored and progress is thoroughly evaluated to determine measurable results. “Flagship” projects allow for strong branding and business alignment opportunities.

Another trend in CSI programmes has been the increase in employee community involvement (ECI) programmes where employees act as ambassadors of the company and assist in the execution of developmental projects in the surrounding communities that improve the lives of the communities serving the company’s operations. “Primary research undertaken with 100 corporate grantmakers in 2003 indicated two-thirds of CSI funding is being channelled directly to communities in which the business has a vested interest” (research by Trialogue, in Rockey 2004:15).

In 2000, the tax laws on tax deductibility of social investment were changed. Prior to this date, only investment in recognised education projects qualified for tax deductibility, but now-a-days investment in registered public benefit organisations (PBOs) involved in a range of developmental projects also qualify.

It seems that three terms are used interchangeably in the literature, namely “public benefit organisations (PBOs)”, “non-governmental organisations (NGO’s)” and “non-profit organisations (NPOs)”. The latter term will be used and will imply the other two forms of organisations.

In the past, NPOs have been the major beneficiaries of CSI funding and this is still the case but the parameters have changed. Gone are the days of unconnected NPOs competing for the same funds without any cohesive strategies and being allowed to administer the funds as they see fit. Today the relationship between the company and the NPO is more a project partnership, with the company actively involved in driving the project execution.

These best-practice and strategic approaches have been embraced by the more enlightened leading-edge CSI programmes but for many others the CSI department remains marginalised. The extent, to which SAB has adopted these approaches in their current CSI programmes, including the SAB KickStart Programme, is described in section 4.7.

For all companies, what factors would impact on the future trends in CSI? This question is answered in the next section.

#### 4.6.3 CSI in future South Africa: transformation

CSI as an integral part of corporate citizenship (see fig 4.5), will be subject to the same scrutiny as all the other elements of corporate citizenship which is a multidimensional concept, including many aspects of the business, ranging from the supply chain to the social and biophysical environments in which the business operates. Thirteen distinct (but related) elements of corporate citizenship have been identified (Freemantle 2005:97):

- (1) **Black ownership and control.** This implies meaningful equity ownership and genuine participation by black partners.
- (2) **Corporate governance and ethics.** This means having in place an appropriate board and committees, and the maintenance of ethical practices and risk management for financial and non-financial issues.
- (3) **Employment equity.** This constitutes equitable, non-discriminatory recruitment and employment practices, and sets employment equity targets and measures of progress.
- (4) **Employee relations and support.** This requires progressive human resources policies, fair labour practices and workplace conditions, and representative workplace forums.
- (5) **Employee skills development.** This focuses on job-specific, vocational and broad-based training, mentorship and career development programmes.
- (6) **Health and safety.** This necessitates workplace conditions that ensure employees' safety, health, welfare and satisfaction.
- (7) **HIV and Aids.** This entails prevalence testing, prevention measures, clinical and medical support, and business risk and impact assessment.
- (8) **Preferential procurement and enterprise support.** This calls for financial and non-financial support for previously disadvantaged businesses and procuring services from them.
- (9) **Supply chain compliance.** This refers to the extent to which the company ensures that supply chain partners are themselves responsible corporate citizens.
- (10) **Product development.** This endorses products and services that address the needs of society, especially previously under-served sectors or individuals.
- (11) **Marketplace stewardship.** This promotes responsible advertising and brand management, and monitoring and mitigating the impact of company's products and services.

- (12) **Corporate social investment (CSI).** This has to do with investing in communities around operations and in the broader society.
- (13) **Environmental impact of operations.** This supports protecting the environment, and monitoring and mitigating operational impacts beyond legislative compliance

Corporate social investment is one of these elements and to the extent that the other elements will be evaluated in future, CSI will be under scrutiny by internal (employees) and external stakeholders (see fig 4.3).

It is expected that the predominant CSI style of the near future will be an integrated approach to CSI that (Rockey 2004:19)

- provides an integrated framework for internal management and reporting
- uses formula-based CSI budget determination, often based on meeting charter requirements
- aligns CSI with the business, and provides defined business benefit
- puts concrete development objectives in place that are “output-based”
- focuses on high-profile industry-specific projects that are corporate driven
- offers transparency of achievements, lessons, definitions and amounts spent
- uses partnerships over longer periods, with terms dictated by companies

In South Africa, we have entered into the era of industry transformation charters which have to be harmonised with the Department of Trade and Industry’s broad-based black economic empowerment scorecard and codes of good practice. The targets for ownership, management, skills development, BEE procurement, enterprise development, facilitation of finance for B-BBEE, and corporate social investment of the finalised charters are compared in table 4.3 (Jack, in Freemantle 2005:196). With the exception of one, all these charters acknowledge the importance of CSI. Other industry charters which are currently being negotiated are advertising, AgrBEE, building and construction, fishing, forestry, gambling and gaming, healthcare, liquor, professions, property, transport, freight and logistics, and wine. The liquor charter would be of particular importance to South African Breweries.

Since most industry charter scorecards require the exposure of CSI, those companies that have not developed CSI programmes could now be forced to explore CSI in accordance with the prescriptions of the relevant charter.

**Table 4.3 Finalised charters: comparative targets**

<b>Finalised charters: comparative targets</b>						
	<b>Liquid fuels charter</b>	<b>Mining charter</b>	<b>Financial sector charter</b>	<b>ICT charter</b>	<b>Maritime charter</b>	<b>Tourism charter</b>
Ownership	25%	26%	10% + 15%	30%	25.1%	35%
Management	No target	40%	20% – 50%	60% blacks in governing body	40%	25% - 50%
Skills development	No target	1 200-1 500 learnerships	1.5% of pay-roll in addition to skills development levy; 4.5% learnership	2% of pay-roll in addition to skills development levy; 5% learnership	5% in 3 years (all people)	3% of payroll (75% of which on black employees)
BEE procurement	No target	Increase – no target	50% - 70%	80%	30%	50%
Enterprise development	No target	No target	Measured ito procurement spent, investment, skills development and infrastructure	5% of eligible procurement spent	25.1% direct investments in BEE companies	1% of post-tax profits + management time
Facilitation of finance for BEE	No	R100 billion	R75 billion	–	–	–
Corporate social Investment (CSI)	No	Yes	0.5%	1% of pre-tax profit to ICT provision; 0.5% of pre-tax profit to general CSI	Increase – no target	1% of post-tax profit

**Source:** Jack (Freemantle 2005:196) and Rockey (2004:19)

Triple-bottom-line reporting or sustainability reporting would require that companies divulge the extent and effectiveness of their corporate social investment. This would provide further impetus for the need for professionalism in CSI in the near future.

#### **4.7 COMPLIANCE OF THE SAB KICKSTART PROGRAMME WITH CSI TRENDS**

From the description of the SAB CSI programmes and the SAB KickStart Programme in particular, SAB seems to have followed the CSI trends detailed above in so far as it is complying with the following:

- SAB's core business is the brewing, bottling and distribution of beer. Several of the SAB entrepreneurial programmes are aligned with their core business, for example, the barley farmers provide barley for beer brewing, the owner drivers and distribution operators deliver the beer to the depots, while customised delivery service providers deliver beer to smaller outlets in urban areas. The SAB's beer outlets themselves are being franchised as HoneyBEE franchised distribution centres. Coleus Packaging provides the beer bottle crowns to SAB.



- All the companies mentioned under the previous point “fit” logically to SAB. In addition, the tavern owners who sell all forms of alcohol, including beer, also tie in with SAB.
- SAB has been exceptionally proactive in arranging the Taverner Training Programme, involving THETA, in preparation for the 2010 World Soccer Cup. The SAB KickStart Programme focusing on increasing entrepreneurship and the number of commercial equity suppliers is another example of being proactive.
- The senior management at SAB are involved with the CSI programmes and in particular with the SAB KickStart Programme.
- The SAB KickStart Programme is a flagship project, and SAB receives substantial publicity from the success of this programme. The success stories of the KickStarters are published in a wide range of newspapers and magazines.
- SAB certainly eliminated basic mistakes made during the early years of the KickStart programme, when smaller grants were given to larger numbers of applicants without the same amount of control, and without any training or mentoring.
- The mere fact that SAB has radically changed the SAB KickStart Programme since 2001 is evidence that it evaluates project processes and adapt its approaches on the basis of ongoing assessment. This current study is part of such an assessment.
- SAB has set measurable “output-based” objectives for each of the grant recipients of the SAB KickStart Programme and these entrepreneurial enterprises are continually monitored.
- SAB measures and evaluates, in line with the size and scope of the project, the success of each of its CSI projects with regard to BEE, job creation and an increase in turnover and profit, and other relevant criteria.
- SAB entered into multi-sector partnerships with the Taverner Training Programme, by aligning the training with the SETA unit standards and obtaining additional funding from THETA. The roles of each are clearly defined.

In conclusion, SAB does indeed derive value for its business while channelling and leveraging the CSI funds for optimal developmental impact.

#### **4.8 SUMMARY**

The SAB KickStart Programme was described in detail in this chapter. The evaluation of the appropriateness and the effectiveness of the interventions utilised in this programme will be discussed in chapter 6.

Corporate social investment was defined in the context of corporate citizenship, and past, present and future trends in CSI in South Africa were discussed. The conclusion is that SAB has been following the most recent trends in CSI and that its communities are benefiting from its CSI programmes.

The methodology of the research will be explained in the next chapter.

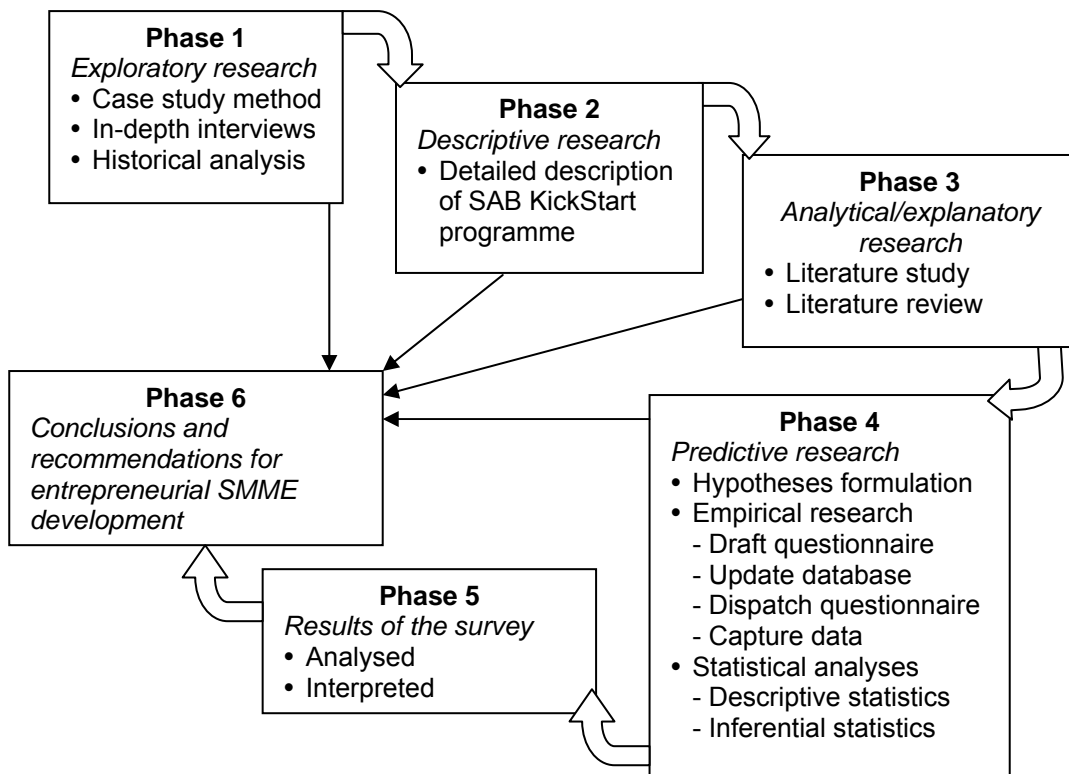
## CHAPTER 5 RESEARCH METHODOLOGY

### 5.1 INTRODUCTION

Research is defined as a “systematic process of collecting, analysing, and interpreting information (data) in order to increase our understanding of the phenomenon about which we are interested or concerned” (Leedy & Ormrod 2005:2). In this chapter, the systematic process of collecting and analysing the data on the effectiveness of the SAB KickStart Programme for young entrepreneurs is outlined.

Firstly, the purpose and the objectives of the research, as defined in chapter 1, are repeated. The different research types, namely, exploratory research, descriptive research, analytical/explanatory research and predictive research utilised during the first four phases of the study are then explained. These phases are set out in figure 5.1.

**Figure 5.1 The phases of the study**



This is followed by a description of the two research paradigms (positivistic and phenomenological) and the two research approaches (quantitative and qualitative). Triangulation is also explored. The population is demarcated and the data collection process explained.

The design of the questionnaire is justified and the despatching of the questionnaires detailed. The coding of the open-ended questions is set out. Possible reasons are advanced for failure to return questionnaires. The issues of anonymity and confidentiality are also addressed.

Finally, the statistical concepts and techniques utilised to analyse the data are discussed, in particular, the Likert scale of measurement, types of frequency tables, the Chi-squared test, Monte Carlo simulations and regression analysis. The concepts of validity and reliability are also dealt with.

## **5.2 THE PURPOSE OF THE RESEARCH: PROBLEM FORMULATION**

Research may have one or more of the following seven purposes: to review and synthesise existing knowledge; to investigate some existing situation or problem; to provide solutions to a problem; to explore and analyse more general issues; to construct or create a new procedure or system; to explain a new phenomenon; or to generate new knowledge (Hussey & Hussey 1997:2). The first three purposes are germane to the study of the SAB KickStart Programme. The primary purpose of the study is to investigate an existing situation, namely the effectiveness of the interventions used by the SAB KickStart Programme to establish and grow entrepreneurial SMMEs. However, in order to determine the effectiveness of the programme, the data collection had to be preceded by a review and synthesis of the existing knowledge on entrepreneurship, in particular, in relation to the four interventions (techniques to select potential entrepreneurs, training, funding and mentoring of such entrepreneurs). With this theoretical underpinning, the effectiveness of the SAB KickStart Programme could be investigated, followed by the identification of solutions to the problem of establishing and growing entrepreneurs – solutions that would increase its effectiveness.

### **5.2.1 Primary objective**

The primary objective is to evaluate the interventions used by the SAB KickStart Programme to establish and grow entrepreneurial SMMEs (from sec 1.5.1). This would require evaluating the interventions at the different phases of the programme, which translates into the secondary objectives set out below.

### **5.2.2 Secondary objectives**

The following secondary objectives (from sec 1.5.2) flow from the primary objective:

- (1) Compile a demographic profile of the participants of the SAB KickStart Programme.
- (2) Evaluate the selection of participants of the SAB KickStart Programme:
  - Determine the aptness of the criteria used for screening the applicants.
  - Assess the General Enterprising Tendency (GET) test for appropriateness.
  - Examine the composition of the regional adjudicating panels.
- (3) Evaluate the training course offered by the SAB KickStart Programme:
  - Compare the content of the two-week training course with internationally acceptable training requirements for entrepreneurial small and medium-sized businesses owners.Based on the experience and perceptions of the participants:
  - Assess the impact of the SAB KickStart training on the businesses of the participants.
  - Validate the benefit of the different areas of training for the participants.
  - Gauge the proficiency of the SAB KickStart trainers presenting the course.
  - Elicit any additional training needs of the participants.
- (4) Evaluate the business plan competition and the impact of the funding:
  - Ascertain the appropriateness of the criteria used to judge the business plans.
  - Verify that the funding contributed to business growth.
- (5) Evaluate the mentoring from the point of view of the participants:
  - Examine the type of mentoring provided.
  - Identify the mentoring needs of the participants.
  - Ascertain the participants' level of satisfaction with the mentoring received.
- (6) Evaluate the selection process of regional finalists and national winners:
  - Determine the type of criteria used to select regional finalists and national winners as perceived by the participants, and the relevance of these criteria.
  - Examine the composition of the panel of national adjudicators.
- (7) Determine whether the businesses of the participants who received grants and mentoring, in addition to training, performed better than the businesses of the participants who received only training.

- (8) Determine whether any relationship exists between the demographic profiles of the participants (the entrepreneurial SMME owners) and the level of performance of their businesses.

### **5.3 RESEARCH DESIGN**

The study started off as exploratory research followed by descriptive research, progressing to analytical/explanatory and predictive research. Hussey and Hussey (1997:13) confirm that this is possible, especially in a long-term project, where the researcher moves from exploratory and descriptive research to analytical and predictive research. Should new questions arise following the predictive research, the cycle can start again with exploratory research. The sections below deal with the research types that were utilised.

#### **5.3.1 Exploratory research**

Exploratory research “is conducted into a research problem or issue when there are very few or no earlier studies to which we can refer for information about the issue or problem” (Hussey & Hussey 1997:10). An earlier study on the effectiveness of a private enterprise programme for the establishment and development of entrepreneurs in South Africa could not be located. Prior and subsequent to the writing of the research proposal, the case study method was utilised to explore the nature and structure of the SAB KickStart Programme. Interviews were conducted with the national and regional administrators of the programme. In-depth interviews were conducted with the independent trainers/mentors subcontracted by SAB. Some of these trainers/mentors have been involved with the SAB KickStart Programme for several years. (The SAB KickStart Programme is summarised in ch 1 and described in detail in ch 4.)

Subsequently, a historical analysis of archived documentation of the SAB KickStart Programme was completed. In particular, the monthly progress reports submitted by the grant winners were investigated with regard to the quality of the content and the feedback (or lack thereof) on these reports from the Enterprise Development Department at SAB head office.

The aim of the exploratory research was to search for patterns, ideas and hypotheses, and contributed to the formulation of the problem statement and hypotheses (ch 1).

### 5.3.2 Descriptive research

In line with Cooper and Schindler's (2001:12) definition of descriptive research, the study "tries to discover answers to the questions *who, what, when, and where*". These authors point out that descriptive investigation has a broad appeal to the administrator and policy analyst for planning, monitoring and evaluating – in such a context, *how* questions address issues such as efficiency, effectiveness and adequacy. During descriptive research the whole process is described, which, in turn, is of value for replication by other companies.

The SAB KickStart Programme was described in detail in chapter 4 of the study and this is of value for other companies to replicate. Furthermore, the study obtained information on its pertinent characteristics and endeavoured to answer questions such as the following:

- "How effective is the selection process to select entrepreneurial participants for the SAB KickStart Programme?"
- "How effective is the training offered to the participants of the SAB KickStart Programme to start or develop their enterprises?"
- "How effective is the mentoring provided for the grant holders of the SAB KickStart Programme to establish and/or grow their enterprises?"
- "What are the perceptions/experiences of the participants in the SAB KickStart Programme with regard to the programme's value to establish or grow their enterprises?"

A questionnaire was used to obtain the appropriate information and statistical techniques were used to summarise the information. (The questionnaire is discussed in sec 5.7, while the statistical techniques utilised are explained in section 5.8).

### 5.3.3 Analytical/explanatory research

Analytical/explanatory research extends beyond the mere description of the characteristics observed during the descriptive research. It attempts to explain the reasons (why and how) of the phenomenon by discovering and measuring causal relations among variables (Cooper & Schindler 2001:13; Hussey & Hussey 1997:11).

In the research into the SAB KickStart Programme, an attempt was made to explain the following questions:

- “How can the effectiveness of the training offered by the SAB KickStart Programme be enhanced?”
- “How can the adequacy of the entire SAB KickStart Programme be raised?”

Explanatory research is rooted in theory and is used to answer “how” and “why” questions. The theory underpinning the study is set out in chapters 1, 2 and 3 of the study.

The ability to explain the critical variables and causal links is an essential element of explanatory research in order to identify or control the variables. A variable “is an attribute of an entity that can change and take different values which can be observed and/or measured” (Hussey & Hussey 1997:11). For the research into the SAB KickStart Programme, several of the variables took on different values which could be observed, variables such as the status of the business (“start-up” versus “existing”), the extent of support received from the SAB KickStart Programme (“training only” versus “training plus funding and mentoring”), level of education, level of business management experience, level of prior industry experience, the gender of the KickStarter, et cetera. Owing to the interventions of the programme, some variables may be considered to be controlled, for instance, all the KickStarters received training but only about a quarter of these received a grant including mentoring, and of these about a third received a national prize with additional mentoring. The allocation of a grant-cum-mentoring would thus constitute an independent variable. Differences between these groups can be analysed by means of inferential statistics.

#### **5.3.4 Predictive research**

Whereas explanatory research explains what happens in a particular situation, predictive research (equally rooted in theory) “aims to generalise from the analysis by predicting certain phenomena on the basis of hypothesized, general relationships” (Hussey & Hussey 1997:13); it provides “how”, “why” and “where” answers to current events and to similar events in the future. Predictive research is used for forecasting.

For the research into the SAB KickStart Programme, the following hypotheses were examined:

- “Is there a difference in business performance between the SAB KickStart Programme participants who received funding and mentoring in addition to training and those who received only training?”
- “Do successful SAB KickStarters exhibit a specific demographic profile?”



### 5.3.5 Experimental design

With regard to the variable of “receiving funding and mentoring”, a static group comparison was used to show that “change occurs following, but only following, a particular treatment” (Leedy & Ormrod 2005:236). In the study, all respondents had received training, but only a selected number had received funding and mentoring. The pre-experimental design of this variable is illustrated in table 5.1.

**Table 5.1 Pre-experimental design: static group comparison**

<b>Pre-experimental design – static group comparison</b>			
<b>Group</b>	<b>Time →</b>		
SAB KickStart participants	Baseline treatment	Funding (regional grant) and mentoring	Additional funding (national prize) and mentoring
Group 1	Trained $T_{xa}$		
Group 2	Trained $T_{xa}$	Funded & mentored $T_{xb}$	
Group 3	Trained $T_{xa}$	Funded & mentored $T_{xb}$	Funded & mentored $T_{xc}$

Although the original intention was to compare the three groups, it was not possible because the number of respondents in group 3 was too small. Groups 2 and 3 were collapsed into one group of respondents who had been funded and mentored. A limitation of the pre-experimental design is that it fails to determine the pre-treatment equivalence of the groups.

Determining whether a specific demographic profile exists for performing SAB KickStart participants may be possible with a one-shot experimental case study, as illustrated in table 5.2. Such an experimental design cannot show a cause-and-effect relationship. Nevertheless an attempt will be made to see if a typical success profile emerges.

**Table 5.2 Pre-experimental design: one-shot experimental case study**

<b>Pre-experimental design – one-shot experimental case study</b>		
Group: SAB KickStart participants	Time →	
Group 1	Trained $T_x$	Observation

## 5.4 RESEARCH PARADIGMS AND APPROACHES

Two different research paradigms (positivistic and phenomenological) and two different approaches (qualitative and quantitative) to research exist and were utilised in the study.

#### 5.4.1 Positivistic and phenomenological paradigms

A researcher can adopt one of two research paradigms, either the positivistic/experimental paradigm or the phenomenological/interpretive/constructivist paradigm. These paradigms form the extreme points on a continuum. The features of the two paradigms are summarised in table 5.3.

Both these research paradigms, positivistic and phenomenological, were utilised in the study on the SAB KickStart Programme. Most of the data collected were highly specific and precise while some were rich and subjective because a number of open-ended questions were included in the questionnaire.

**Table 5.3 Features of the two main research paradigms**

<b>Features of the two main research paradigms</b>	
<b>Positivistic paradigm</b>	<b>Phenomenological paradigm</b>
Quantitative data tend to be produced.	Qualitative data tend to be produced.
Large samples are used.	Small samples are used.
The concern is with hypothesis testing.	The concern is with generating theories.
Data are highly specific and precise.	Data are rich and subjective.
The location is artificial.	The location is natural.
Reliability is high.	Reliability is low.
Validity is low.	Validity is high.
Generalisation is from sample to population.	Generalisation is from one setting to another.

**Source:** Hussey & Hussey (1997:54)

Thus, corresponding to the features of a positivistic paradigm, the study collected quantitative data from a medium-sized sample (143) to test several hypotheses for which the data were highly specific, in order to generalise from the sample of SAB KickStarters to the population of SAB KickStarters.

From the phenomenological/interpretive paradigm, the study collected qualitative data from the respondents, and is concerned with generating theory about developmental programmes for South African entrepreneurial SMMEs from data which are rich and subjective. The objective is to generalise from past administrations of the programme to the future administrations thereof, with the view to increasing its effectiveness.

#### 5.4.2 Qualitative and quantitative approaches

Leedy and Ormrod (2005:94-95) point out that it is possible to combine the qualitative and quantitative approaches in a research project because they answer different types of

questions. Both these approaches were adopted in the study. The quantitative approach allows the researcher to “answer questions about relationships among measurable variables with the purpose of explaining, predicting and controlling phenomena” (Leedy & Ormrod 2005:94). Thus, from a quantitative perspective, the objective of the study is to validate relationships between variables in order to develop generalisations that contribute to the theory on training and developing entrepreneurs. The qualitative approach allows the researcher to answer questions about the complex nature of the phenomenon of “kickstarting” entrepreneurs. Whereas the outcome of quantitative research is the acceptance or rejection, of the hypothesis that was tested, the qualitative research is likely to result in tentative answers or hypotheses rooted in emerging patterns and themes, which may require further research.

Subsequent to perusing the theory on entrepreneurship and SMME development, and to scrutinising the nature of the SAB KickStart Programme, the variables to be researched were identified, hypotheses were formulated and methods of measurement selected. Data specific to these variables were collected by means of a self-administered questionnaire. Attention was given to the validity and reliability of the measurement instruments, which objectively measure the variables identified. Objectivity during data analysis was ensured through the use of predetermined statistical procedures which typically reduce the data to means, medians, correlations and other summarising statistics. Mainly deductive reasoning will be used to draw logical conclusions from the norm of the SAB KickStarters’ performance.

From a qualitative perspective, the objective was to seek a better understanding of the complex phenomenon of offering and managing a programme to establish and develop entrepreneurs. The researcher entered the research domain with an open mind and where possible interacted with the SAB KickStart participants through face-to-face, telephonic or e-mail conversations regarding the SAB KickStart Programme. Dialogue between these participants and the researcher was further effected through a number of open-ended questions in the questionnaire. From the interaction it was possible to obtain “context-bound” information (Leedy & Ormrod 2005:95) and recognise patterns and/or theories that shed light on the phenomenon of “kickstarting” entrepreneurs. Using inductive reasoning, inferences are drawn from the specific observations about the larger phenomenon. The narratives that accompanied the data contributed to a greater insight into the complexity of the current effectiveness of the entrepreneurial development programme, as well as how to intensify its effectiveness. Some of the perspectives of the participants are included in the discussion of the results.

### **5.4.3 Triangulation**

Triangulation is defined as “the combination of methodologies in the study of the same phenomenon” (Denzin 1970:297, in Hussey & Hussey 1997:74). Easterby-Smith, Thorpe and Lowe (1991, in Hussey & Hussey 1997:740) identified four types of triangulation, namely, data triangulation, investigator triangulation, methodological triangulation and triangulation of theories. Data triangulation and methodological triangulation were used to overcome potential biases and the sterility of a single-method approach.

In data triangulation, data are collected from multiple sources in search of common themes to ensure that the information converges to support a particular hypothesis or theory (Leedy & Ormrod 2005:99-100), and support the validity of the findings. In the study, information was obtained from the Enterprise Development Specialist for the SAB KickStart Programme, from the regional CSI co-ordinators of the programme, from present and past trainers/mentors, from the KickStarters themselves and from archived documents.

The study incorporated methodological triangulation “where both quantitative and qualitative methods of data collection are used” (Hussey & Hussey 1997:74), as explained in section 5.4.2. Because only one researcher was involved in the collection of data, investigator triangulation (in which several researchers participate) was not possible.

To some extent, triangulation of theories, in which a theory from one discipline is used to explain a phenomenon in another discipline, is evident in a study of entrepreneurship owing to the fact that entrepreneurship incorporates aspects of various disciplines such as business management, social sciences, economics, psychology and education (eg learning theories).

## **5.5 POPULATION AND SAMPLE**

A population is “any precisely defined set of people or collection of items which is under consideration” (Hussey & Hussey 1997:55), while a sample is defined as “a subset of a population and should represent the interest of the study” (Hussey & Hussey 1997:55).

### **5.5.1 Population**

The SAB KickStart Programme was launched in 1995. In the early years of the programme, grants were allocated to likely entrepreneurs. However, in 2000, the

effectiveness of the programme was reviewed and a new programme developed with effect from 2001. The new programme included training in entrepreneurship and small business management, as well as grants and mentoring for the most promising entrepreneurs. Thus, the population for the study consists of all the entrepreneurs selected for training by the SAB KickStart Programme since 2001. This resembles the definition above. Based on the names provided by SAB, the population totalled 502.

The population, broken down by SAB operating region, is set out in table 5.4. Every region is allowed to train up to 20 candidates per annum. The Eastern Cape and Western Cape regions used to be separate regions but were merged in 2007. From 2001 to 2003 Egoli consisted of two regions – Chamdor and Isando – which were subsequently merged. The table reflects the merged data. The data for 2001 seem to be incomplete for most of the regions. SAB does not maintain the database.

**Table 5.4 Population of the SAB KickStart Programme**

<b>Population of the SAB KickStart Programme</b>							
<b>SAB region – trainees</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total</b>
Central	5*	18	18	0	17	16	74
Eastern & Western Cape	11*	23	28	34	28	32	156
Egoli	12	21	26	23	16	20	118
KZN (East coast)	8*	19	11	13	14	13	78
North	15	13	10	14	10	14	76
<b>Total</b>	<b>51</b>	<b>94</b>	<b>93</b>	<b>84</b>	<b>85</b>	<b>95</b>	<b>502</b>

\* Data only contain the names of the grant winners.

**Source:** SAB Head Office and regional offices

The number of KickStarters who have received grants and mentoring appears in table 5.5. Of the given database consisting of 502 KickStarters, 37 per cent have received grants and mentoring.

**Table 5.5 Grant winners of the SAB KickStart Programme**

<b>Grant winners of the SAB KickStart Programme</b>							
<b>SAB region – grant winners</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total</b>
Central	5	9	5	0	4	5	28
Eastern & Western Cape	11	9	10	13	10	9	62
Egoli	6	9	8	8	4	4	39
KZN (East coast)	8	6	4	4	4	5	31
North	5	4	4	4	3	4	24
<b>Total</b>	<b>35</b>	<b>37</b>	<b>31</b>	<b>29</b>	<b>25</b>	<b>27</b>	<b>184</b>

**Source:** SAB Head Office and regional offices

### **5.5.2 Sample**

Owing to the limited size of the population, a sample was not drawn; instead a serious and prolonged attempt was made to contact every person in the population of KickStarters. Every KickStarter whose name appeared on the lists made available by SAB was contacted. A total of 143 questionnaires was eventually returned, 28.5 per cent of 502.

Since a sample from the population was not drawn, the question whether the sample is representative of the population is not relevant. Respondent bias, however, is a concern. Did only a certain type of person respond to the questionnaire? The distribution of the respondents by year (tab 6.1 & fig 6.1), by SAB region (fig 6.2) and by gender (tab 6.4) is similar to the SAB KickStart population distribution. Did any of the high performing KickStarters respond to the questionnaire? The percentage of grant winners among the respondents (45% from tab 6.3) is eight per cent higher than for the SAB KickStart population (37% from tabs 5.4 & 5.5: 184/502).

## **5.6 DATA COLLECTION**

### **5.6.1 Database**

The researcher was initially led to believe that a fairly well updated database of contact details of SAB KickStarters existed. This turned out not to be the case. No consolidated updated database of contact details of SAB KickStarters who have participated since 2001, existed.

Some lists of KickStarters who had received training from 2001 were obtained from the SAB Enterprise Development Department at SAB head office, while others were elicited from the various SAB regions, in particular from the Corporate Social Investment (CSI) co-ordinators responsible for the SAB KickStart Programme.

It transpired that at most of the regional offices, SAB KickStart data are not retained on completion of a cycle. One of the reasons is that no further monitoring of KickStarters occurs after a cycle has been completed. Another contributing factor is the high staff turnover in CSI co-ordinators at the regions. Newly appointed CSI co-ordinators claim not to have any detail on KickStarters from prior years. In such instances, the regional trainers/mentors were approached for the contact details of KickStarters. Several trainers/mentors had been replaced in 2007, but it was possible to trace trainers/mentors

from previous years. Some of these could oblige with the names of KickStarters. Collecting the lists of names for the SAB KickStart database took about a month.

### **5.6.2 Contacting the respondents**

Contacting the SAB KickStarters to request their participation in the research and to check or elicit addresses from them proved to be a great deal more difficult and time consuming than planned. The contact details obtained from the various SAB sources consisted mostly of a name and a cellular phone number. Some lists, however, did contain the telephone number, postal or physical address, facsimile number or e-mail address. Since most of the contact details had not been recently updated, it was necessary to phone every KickStarter to check the correctness of the addresses (postal, e-mail or facsimile numbers). This process demanded more than two months of daily phoning, from 07:00 to 19:00 – even on Saturdays. Some of the phone numbers (Telkom numbers and cellular phone numbers) were no longer in operation. Several candidates could not be contacted because their cellular phone repeatedly responded with the message: “The subscriber you have dialled is not available. Please dial later.” Such numbers were dialled up to 10 times on different days and at different times, in the majority of the cases, without success. Alternately, in some instances the cellular phone service provider offered to send the caller’s telephone number to the subscriber. Only a few of the KickStarters responded to a message requesting them to call a cellular phone number, with which they were not familiar. In rare cases it was possible to leave a message on the KickStarter’s phone, but few responded. The implication of all this is that the researcher was forced to spend months phoning repeatedly until enough KickStarters could be traced and contact details verified.

Sixty KickStarters could not be traced at all – no response telephonically and no other contact details. A possible reason for not being able to contact these KickStarters on cellular phone numbers is that a tendency exists to replace stolen or lost phones with new numbers – according to one of the mentors who has been involved with the programme for several years. Where it was impossible to contact a KickStarter telephonically but a postal address or e-mail address appeared on the list, the questionnaires were despatched to him or her. Of the questionnaires posted to respondents, 15 were returned by the Post Office as undelivered. Of the e-mails 27 were undelivered. Of the facsimiles, 10 did not transmit. In total, therefore, 99 KickStarters were untraceable (20% of the population). Whether these 99 KickStarters still operate an enterprise is impossible to say. Of the 403 KickStarters who were contacted, 143 (35%) returned the questionnaires before the due date.

## **5.7 THE INSTRUMENT USED TO COLLECT DATA: THE QUESTIONNAIRE**

The participants in the SAB KickStart Programme are spread over all the provinces in South Africa, mostly in the major cities but also in rural areas. In addition, these KickStarters are entrepreneurs whose time and availability are at a premium. It would therefore have been extremely difficult to conduct personal interviews with the participants. It was decided to develop a questionnaire that could be e-mailed, faxed or posted to the respondents to complete in their own time, within the time-frame of the study.

The eight-page questionnaire (see appendix H) is a paper-pencil questionnaire. Compiled in MicroSoft Word (in Rich Text Format – .rtf) the questionnaire could be completed electronically in MicroSoft Word or was available on hardcopy. Some respondents requested the questionnaire in .pdf format.

### **5.7.1 The design of the questionnaire**

After an extensive entrepreneurship literature study, the questionnaire was compiled addressing different factors that could contribute to entrepreneurial performance. Questions relating to demographic factors and the experiences of respondents during the different interventions utilised in the SAB KickStart Programme were included and categorised into eight parts, adhering to a logical flow in the layout:

- Part 1: SAB KickStart participant demography – 16 questions
- Part 2: Application and selection phase of the SAB KickStart Programme – three questions with subsections
- Part 3: Training phase of the SAB KickStart Programme – seven questions with subsections; three open-ended questions
- Part 4: Information about the KickStarter's enterprise – five questions
- Part 5: Funding from the SAB KickStart Programme – regional grants (seed money), national prize money – two questions with subsections
- Part 6: Mentoring provided by the SAB KickStart Programme – three questions with subsections; two open-ended questions
- Part 7: National awards of the SAB KickStart Programme – six questions with subsections; four open-ended questions
- Part 8: Expectations of KickStarters on completion of the SAB KickStart Programme – three questions with subsections; one open-ended question



The questionnaire contained 45 questions (some with subsections) of which 35 were closed questions. For these questions, the respondent merely had to select the appropriate answer from a number of predetermined alternatives and mark it with a cross. This substantially reduced the time required to complete the questionnaire. Ten of the questions were open-ended questions which elicited the opinions of the respondents, and in some instances, their reasons and justifications, to add value to the research. Parts 1, 2, 3, 4 and 8 applied to all the respondents, while parts 5, 6 and 7 had to be completed by KickStarters who had received a regional grant and a national prize.

The questionnaire appears professional with regard to language, editing, fonts and layout (Pellisier 2007:72). The instructions are clear and simple to follow. Questions are simple and easy to understand. The questions were checked for unwarranted assumptions implicit therein (Leedy & Ormrod 2005:190). In addition, questions were worded in a way that did not give clues about preferred responses. The respondent's task was kept simple (make a cross). In the open-ended questions, enough space was provided for respondents to use.

In the accompanying letter (appendix I), the respondents were motivated to complete the questionnaire and the purpose of the research was outlined, namely to improve the SAB KickStart Programme in order to make it more effective. A self-addressed envelope with return postage was included with the questionnaires posted to respondents.

### **5.7.2 Types of questions**

Except for the demographic information about the respondents and their businesses, all the questions relate to the experiences and perceptions of the respondents regarding the four interventions which constitute the SAB KickStart Programme.

Two types of questions were asked: closed and open-ended questions. The answers to demographic questions were either nominal or ordinal. Most of the questions required the respondent to select an appropriate option from a range of options on a Likert scale. With such a scale, it is possible to derive quantitative data from primarily qualitative data on an ordinal scale.

The Likert scale is the most widely used scale in survey research, and often used in questionnaires. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement. For example, to measure the ability of the KickStart trainer to give business examples, the respondent had to select one of four options to the statement, namely never, sometimes, usually or always. Numerical rankings (1, 2, 3 & 4

respectively) were assigned to the range of responses. Only the four-point Likert scale was used. Thus, a forced choice method was in operation since the middle option of "neither agree nor disagree" was not available. This results in the Likert scaling being a bipolar scaling method, measuring either a positive or negative response to a statement. (The Likert scale is explained in detail in sec 5.8.2.)

The answers to questions about the company's age, turnover, profit and number of employees are on a ratio scale.

### **5.7.3 Questions addressing the secondary objectives**

The questionnaire addresses the secondary objectives as indicated in brackets – question numbers refer to the SAB KickStarter questionnaire (in appendix H).

- (1) Compile a demographic profile of the participants of the SAB KickStart Programme (all the questions in part 1 of the questionnaire).
- (2) Evaluate the selection of participants of the SAB KickStart Programme:
  - Determine the aptness of the criteria used for screening the applicants (question 2.2.2).
  - Assess the General Enterprising Tendency (GET) test for appropriateness (question 2.2.2).
  - Examine the composition of the regional adjudicating panels (interviews with CSI co-ordinators).
- (3) Evaluate the training course offered by the SAB KickStart Programme:
  - Compare the content of the two-week training course with internationally acceptable training requirements for entrepreneurial small and medium-sized businesses owners (literature study).

Based on the experience and perceptions of the participants –

  - Assess the impact of the SAB KickStart training on the businesses of the participants (questions 3.3.1 – 3.3.6; 3.7.1).
  - Validate the benefit of the different areas of training to the participants (question 3.6).
  - Gauge the proficiency of the KickStart trainers presenting the course (questions 3.2 & 3.4).
  - Elicit any additional training needs of the participants (question 3.5).

- (4) Evaluate the business plan competition and the impact of the funding:
  - Ascertain the appropriateness of the criteria used to judge the business plans (question 3.7.2).
  - Verify that the funding contributed to business growth (question 5.1.1).
- (5) Evaluate the mentoring from the point of view of the participants:
  - Examine the type of mentoring provided (question 6.3).
  - Identify the mentoring needs of the participants (question 6.4).
  - Ascertain the participants' level of satisfaction with the mentoring received (question 6.5).
- (6) Evaluate the selection process of regional finalists and national winners:
  - Determine the type of criteria used to select regional finalists and national winners as perceived by the participants and the relevance of these criteria (questions 7.1, 7.3, 7.5 & 7.6).
  - Examine the composition of the panel of national adjudicators (interview with Enterprise Development Specialist).
- (7) Determine whether the businesses of the participants who received funding and mentoring, in addition to training, performed better than the businesses of those who received only training (question 1.3.1 and 4.2).
- (8) Determine whether any relationship exists between the demographic profiles of the participants (the entrepreneurial SMME owners) and the level of performance of their businesses (questions in part 1 & question 4.2).

#### **5.7.4 Pilot study**

A pilot study was conducted in order to test the questions in the questionnaire. First, the researcher conducted face-to-face interviews with five SAB KickStarters in the Gauteng region, then e-mailed and faxed the questionnaire to a further five SAB KickStarters. From the 10 interviews, anomalies were identified and eliminated, as well as questions which did not give meaningful answers. It followed from the pilot study that the questionnaire could be used as a measurement instrument for the study. The respondents understood the questions and could provide meaningful answers. The upgraded questionnaire was then coded for computer analyses. Thereafter the questionnaires were distributed via fax, post and e-mail to the KickStarters.

### 5.7.5 Coding of the open-ended questions

Open-ended questions are more difficult to analyse because the comments tend to be diverse and cannot be as easily codified as closed questions (Pellisier 2007:72). The numerous responses to the open-ended questions were recorded and categorised by the researcher to ensure meaningful interpretation of responses. Codes were assigned to the various categories. The same researcher then coded all the open-ended questions in the questionnaires to ensure the consistency of the interpretation of the responses to open-ended questions.

### 5.7.6 Despatching the questionnaires

Once the questionnaire had been finalised, it was despatched to the KickStarters via e-mail, facsimile or mail. The questionnaire was accompanied by a personalised letter (on a Unisa letterhead) requesting the cooperation of the respondent, providing information about the purpose of the research, ensuring the respondents of confidentiality, and providing the contact details of the researcher. E-mails were personalised and included instructions on how to save the questionnaire before completing it. These instructions were repeated in the letter accompanying the e-mails. Examples of the covering letters used for the e-mails, facsimiles and posting, appear in appendix I.

Owing to the slow response from KickStarters it was necessary to send reminders (four times) and to extend the due date four times until enough questionnaires had been returned. Each time a reminder was e-mailed or sent by facsimile, the questionnaire and covering letter were attached.

### 5.7.7 Possible reasons for failure to return the questionnaire

Even though every KickStarter who was contacted telephonically pledged to complete the questionnaire, not all of them completed and returned the questionnaires. Several reasons for the failure to respond can be postulated:

- (1) **Too busy.** The most common reason is that the KickStarter is too busy and does not have the time to complete the questionnaire. At least this meant that the KickStarter was still operating a business.
- (2) **Away on business.** Another reason was that some of the KickStarters were out of town, or even out of the country, for a substantial period of time and only returned after the final due date for the return of the questionnaire.

- (3) **Deficient computer literacy.** Some KickStarters are not sufficiently computer literate. In spite of instructions being included, they did not understand how to save the attached questionnaire for subsequent printing in hardcopy or electronic completion. Detailed instructions were sent with the e-mails the second and subsequent times the questionnaire was despatched. Still, some battled.
- (4) **Questionnaire too long.** Some respondents found the questionnaire too long. This applied especially where the respondent was not sufficiently computer literate and did not first save the questionnaire before printing it out. If he or she printed out the questionnaire (in MicroSoft Word – rich text format) without saving it, the formatting was lost and the questionnaire would be 27 pages long and difficult to understand. This actually happened because some respondents returned 27-page questionnaires. A questionnaire in PDF format should have been included from the first despatch. Some respondents did find the number of questions daunting.
- (5) **Inadequate facsimile machines used by respondents.** Originally only a facsimile-to-e-mail number was given for respondents to use. After receiving incomplete questionnaires, the researcher established that to use a facsimile-to-e-mail number, the facsimile machines used by respondents have to comply with certain minimum technical standards for the perfect transmission of facsimiles directly to an e-mail number. The machines used by some respondents were not that sophisticated. It is not known how many questionnaires returned by facsimile-to-e-mail were lost. Several respondents phoned to report that they had returned the questionnaire, and yet it had not been received. With subsequent reminders to complete and return the questionnaire, potential respondents were provided with an alternate number – a facsimile-to-facsimile number.
- (6) **Disillusionment with the SAB KickStart Programme.** Some potential respondents did comment that they had not really benefited from the programme and preferred not to waste any more time on it by completing a questionnaire. A few of these respondents could be persuaded otherwise.
- (7) **Quid-pro-quo attitude.** Some potential respondents wanted to know in what way completing the questionnaire would be to their benefit as no monetary reward was included. The fact that they would contribute to the improvement of the programme did not seem to be satisfactorily motivating.
- (8) **Language ineptitude.** Some of the potential respondents know very little English and the questionnaire was only available in English, albeit basic and simple English.
- (9) **Unreliable postal service.** Some respondents claim not to have received the posted questionnaire, while the researcher did not receive some of the questionnaires returned in the self-addressed and franked envelope.

### **5.7.8 Data capturing**

The data capturing was conducted by a reputable company specialising in data capturing. They have a proven record for a high data-capturing accuracy rate. To maintain this high accuracy rate they employ trained and experienced data capturers and check that the data have been accurately captured. The questionnaires were delivered to the company in two batches: first 101 questionnaires, and about a month later another 42 questionnaires. Once all the data had been captured the statistical analysis could commence.

### **5.7.9 Anonymity and confidentiality**

All the participants in the study were afforded the opportunity to remain anonymous. Although they were assured that they would not be identified with any of the opinions they expressed, less than one per cent opted for anonymity.

All the participants were assured that all the data and information collected would be treated in the strictest confidence. The researcher would collate the data provided and use it in the research. No names of respondents would be disclosed.

Because personal interviews were not conducted (except in the pilot study), participants could respond freely to sensitive or controversial issues, and give their honest opinion.

## **5.8 DATA ANALYSIS**

With regard to research methodology, Vesper (2004:22-23) points out that although “using statistics is the proper way to establish representativeness, in entrepreneurship representativeness, typicality, normality, the mode, median, or mean is not all we should be interested in. Entrepreneurship is based upon exceptionality. Entrepreneurs prosper by finding and exploiting anomalies, which is what they and their ventures often turn out to be”, until they are up and running and successful. He maintains that, in entrepreneurship research one need not only look for “the typical in populations but also for the outliers and the range. One should seek to identify and map the arrays of venturing methods that are effective and the causes of those arrays that can help change the injunction for would-be company starters from ‘just do it’ to ‘do it better’.”

Concepts and techniques used in the data analysis are explained in this section.

### 5.8.1 Scales of measurement

In the study, all four scales of measurement, namely nominal (eg male or female), ordinal (eg level of education - ranked), interval (eg degree of difficulty or satisfaction) and ratio (eg turnover figures) are used. These different scales of measurement dictate the statistical procedures that can be used in processing the data (Leedy & Ormrod 2005:25) as set out in table 5.6.

**Table 5.6 Statistical implications of measurement scales**

<b>Statistical implications of measurement scales</b>		
<b>Measurement scale</b>	<b>Characteristics of the scale</b>	<b>Statistical possibilities of the scale</b>
Nominal scale	A scale that "measures" in terms of names or designations of discrete units or categories	Enables one to determine the mode, the percentage values, or the Chi-squared
Ordinal scale	A scale that "measures" in terms of such values as "more" or "less", "larger" or "smaller", but without specifying the size of the intervals	Enables one to determine the mode, the percentage values, or the Chi-squared
Interval scale	A scale that measures in terms of equal intervals or degrees of difference but whose zero point, or point of beginning, is arbitrarily established	Enables one also to determine the mean, standard deviation, and product moment correlation; allows one to conduct most inferential statistical analyses
Ratio scale	A scale that measures in terms of equal intervals and an absolute zero point of origin	Enables one also to determine the geometric mean and the percentage variation; allows one to conduct virtually any inferential statistical analysis

**Source:** Leedy & Ormrod (2005:28)

### 5.8.2 Likert scale for scoring and analyses of questions

The Likert scale is a variation of the summated rating scale and consists of statements that indicate either a favourable or unfavourable attitude to the research subject (Cooper & Schindler 2001:234). Each response is given a numerical score reflecting its degree of attitudinal favourableness. The scores of the respondents from a well-defined sample or population can be compared. After a questionnaire has been completed, each item in which the Likert scale was used, may be analysed separately, or in some cases, item responses may be summed to create a score for a group of items. Hence, Likert scales are often called summative rating scales. Responses on the Likert scale can be treated either as ordinal or interval (Leedy & Ormrod 2005:185-187).

Responses to a single Likert item are normally treated as ordinal data, because, especially when using only five levels, one cannot assume that respondents perceive the

difference between adjacent levels as equidistant. The study used only four levels. When treated as ordinal data, Likert responses can be collated into bar charts, central tendency summarised by the median or the mode (but not the mean), dispersion summarised by the range across quartiles (but not the standard deviation), or analysed using nonparametric tests, for example, the Chi-squared test, Mann-Whitney test, Wilcoxon Signed-Rank Sum test, or Kruskal-Wallis test (Keller & Warrack 2000:545-566; 576-618).

Responses to several Likert questions may be summed, providing that all questions use the same Likert scale and that the scale is a defensible approximation to an interval scale, in which case they may be treated as interval data measuring a latent variable. If the summed responses fulfil these assumptions, parametric statistical tests such as the analysis of variance can be applied (Keller & Warrack 2000:479-536). These can be applied only when there are more than five components.

Data from Likert scales are sometimes reduced to the nominal level by combining all "agree" and "disagree" responses into two categories of "accept" and "reject". The Chi-squared test is a common statistical procedure used after this transformation (Keller & Warrack 2000:545-566).

### **5.8.3 Descriptive and inferential statistics**

The function of statistics is to assist the researcher to, firstly, describe the data, and secondly, to draw inferences from them. By summarising the data, statistics presents disparate data as an organised whole where the researcher can identify patterns and relationships. The descriptive statistics summarises the general nature of the data obtained – it measures the averageness of the attributes, the variability between sections of data, and the interrelatedness of characteristics. With the aid of inferential statistics the researcher can make decisions about the population – “whether the differences observed between two groups in an experiment are large enough to be attributed to the experimental intervention rather than to a once-in-a-blue-moon fluke” (Leedy & Ormrod 2005:30-31).

Both descriptive and inferential statistics are utilised in the study of the effectiveness of the SAB KickStart Programme.

### **5.8.4 Statistical analysis methodology followed**

The SAS statistical analysis package, version 9.1, was used to conduct all analyses. The following analyses were undertaken:



- **Exploratory one-way frequency tables** on all questionnaire items were computed to verify data integrity and validity, decide on class-intervals for those variables which required categorisation, generate tables for the biographical indicators to assist in describing the sampled population, and assist in validating the correctness of cross-referenced tables (also calculated).
- **Composite frequency tables** were calculated for each of the questionnaire items which consist of sub-questions, to create a single more user-friendly frequency table instead of sets of single-item frequency tables. Question 1.4 constitutes such an example.
- **Two-way frequency tables** were calculated to cross-reference questionnaire items with two identified indicator variables, namely **status** of the business (question 1.12) and **assistance** received from SAB KickStart (question 1.3.1). These cross-referenced tables were calculated on all questionnaire items, including “composite questionnaire items”.
- **Significance** for the frequency tables was assessed by means of **Chi-squared tests** (where applicable), as well as **exact Chi-squared tests** using Monte Carlo estimates (if the cell frequencies in the calculated frequency tables proved to be sparsely populated, in other words, if the cell frequencies in the frequency tables were less than 5, or equal to 5).
- **Two summary tables** of the abovementioned frequency tables-results were calculated and deductions were cross-referenced with the status of the respondents’ business (“start-up” or “existing”), and whether respondents received only training (“trained-only” group), or training, funding and mentoring (“trained-funded-mentored” group) from the SAB KickStart Programme (appendices M & N respectively).
- **Linear regression was performed on the turnover and percentage profit** of the respondents over the years 2001 to 2006, with the effect of status of the business (“start-up” or “existing”) and SAB KickStart assistance received (“trained-only” or “trained-funded-mentored” group) taken into consideration.

The different statistical concepts and techniques referred to above are discussed in the following sections.

### 5.8.5 Frequency tables

The data set of the study includes categorical (nominal) data, in which case, one of the first steps in the data analysis is to compute a frequency table for those categorical variables. Frequency tables consist of “classes of values and accompanying frequencies”

(Steyn, Smit, Du Toit & Strasheim 1994:7). Tables can be one-dimensional, two-dimensional or  $k$ -dimensional, depending on the number of variables.

In the study, one-way tables are used as an exploratory procedure to review how different categories of values are distributed in the population of SAB KickStarters. The tables (in ch 6) show the number and proportion (in some instances, cumulative proportion) of respondents for each questionnaire item and constitute a summary of the data. Two-way frequency tables are computed where two variables, each with two or more subclasses, are cross tabulated. In a two-dimensional table it is possible to have one or both variables presumably continuous and artificially dichotomised or trichotomised (Kerlinger 1986:161).

### 5.8.6 Statistics in cross-tabulation

**Cross-tabulation** is a basic and straightforward method for analysing data because it generally allows the identification of relationships between the cross-tabulated variables. Cross-tabulations can be constructed with any type of quantitative data and are particularly useful for analysing nominal data (Hussey & Hussey 1997:192). The question arises as to how to measure those relationships, and how to evaluate their reliability (statistical significance). The following review below includes the most common measures of relationships between *two* categorical variables.

**The Chi-squared** ( $\chi^2$ ) test is a “non-parametric technique which is used to test the statistical significance of a finding, by testing for *contingency* (uncertainty of occurrence) and *goodness of fit*” (Hussey & Hussey 1997:232). This test is the most widely used non-parametric test of significance of the relationship between categorical variables (nominal data), and can be computed for higher scales, namely, ordinal, interval or ratio data (Leedy & Ormrod 2005:274). The Chi-squared test is used to decide whether a specific frequency distribution can be reconciled with an assumed theoretical (hypothesised) distribution (Steyn et al 1994:544). With the Chi-squared, “significant differences between the observed distribution of data among categories and the expected distribution based on the null hypothesis are tested” (Cooper & Schindler 2001:499). In other words, this measure is based on the fact that the expected frequencies can be computed in a two-way table (ie, frequencies that can be expected should no relationship exist between the variables). The test requires the setting of two hypotheses: The null hypothesis ( $H_0$ ) states that the two variables are independent of one another, while the alternate hypothesis ( $H_1$ ) states that a relationship exists between the two variables (Hussey & Hussey 1997:232). “The Chi-squared test becomes increasingly significant as the numbers deviate further from the expected pattern; that is, the more the pattern of

choices differs. The value of the Chi-squared test and its significance level depends on the overall number of observations and the number of cells in the table. The only assumption underlying the use of the Chi-squared test (other than random selection of the sample) is that the expected frequencies are not that small. The reason for this is that, the Chi-squared test in fact inherently tests the underlying probabilities in each cell; and when the expected cell frequencies fall, say, below five, those probabilities cannot be estimated with sufficient precision" ([www.statsoft.com/textbook/stbasic](http://www.statsoft.com/textbook/stbasic) accessed on 2007/10/08).

**Monte Carlo methods** are computer-assisted simulations and examples of static simulations, designed to obtain solutions to mathematical, statistical and numerical problems (Kerlinger 1986:192), "They simulate probabilistic processes using random numbers" (Cooper & Schindler 2001:53).

**Regression analysis** is a parametric technique used to examine how effectively one or more variables allow the researcher to predict the value of another (dependent) variable. "A simple linear regression generates an equation in which a single independent variable yields a prediction for the dependent variable. A multiple linear regression yields an equation in which two or more independent variables are used to predict the dependent variable" (Leedy & Ormrod 2005:274). The extent of the relationships serves as a basis for estimation and prediction. In the technique of regression analysis, both simple and multiple predictions can be made (Cooper & Schindler 2001:542). In multiple regression analysis, "the effects and the magnitude of effects of more than one independent variable on one dependent variable using principles of correlation and regression" (Kerlinger 1986:527) are studied. Log-linear analysis is a technique used to analyse simultaneous relations between more than two variables in higher order cross-tabulations ([www.statsoft.com/textbook/stbasic](http://www.statsoft.com/textbook/stbasic) accessed on 2007/10/08).

### 5.8.7 Graphical representation of the data

Whereas tables convey information precisely, charts and graphs summarise frequency data for easy viewing of patterns and trends. For nominal data, bar charts and pie charts are constructed, bar charts for ordinal data, and histograms and frequency polygons for interval and ratio data (see ch 6).

### 5.8.8 Validity and reliability

The validity and reliability of the measurement instrument influence the extent to which one can learn from the phenomenon being studied, the probability of statistical

significance and the extent to which one can draw meaningful conclusions from the data (Leedy & Ormrod 2005:27).

Validity refers to the extent to which the instrument measures what it is supposed to measure, while reliability refers to the consistency with which a measuring instrument yields a specific result, provided that the entity being measured remains the same. These two terms reflect the degree of error in the measurements.

The validity of a research study is concerned with two aspects: internal and external validity. The internal validity of a research study refers to the “extent to which its design and the data it yields allow the researcher to draw accurate conclusions about the cause-and-effect and other relationships within the data” (Leedy & Ormrod 2005:97).

In the study of the SAB KickStart Programme, error owing to imperfect internal validity is possible because the characteristics measured were subject to a variety of biasing factors. KickStarters' responses on the rating scales were apt to be influenced by their interpretations, prejudices and memory lapses. Memory lapses are of particular concern in the study because some of the KickStarters had completed their training several years before the study. Prejudices could surface in the evaluation of the training programme, subject to the relationship between the trainee and the trainer. Where it was positive, the rating of training could tend to be weighted to the positive side, and vice versa. Interpretations may have influenced the ratings selected on the rating scales where abstract concepts such as “difficulty” were used. This is not a major concern since the research endeavours to understand how the KickStarters experienced the programme, and their perceptions are therefore of value, even though they are subject to interpretation. Since the questionnaires were self-administered, either in the office or at home there was no interviewer present who could influence the answers, nor other KickStarters - hence no peer pressure. No reward for completing the questionnaire was promised, eliminating whatever bias rewards could have elicited.

Three types of biases may surface when a Likert scale is used. Respondents may avoid using extreme response categories (*central tendency bias*); agree with statements as presented (*acquiescence bias*); or try to portray themselves (or the KickStart trainer or the SAB KickStart Programme) in a more favourable light (*social desirability bias*).

The internal validity could also have been affected by the reading and writing skills of the respondents, resulting in misinterpretation of some of the questions.

Triangulation (see discussion in sec 5.4.3) was used to increase internal validity.

The external validity of a research study refers to the “extent to which its results apply to situations beyond the study itself (Leedy & Ormrod 2005:99). To enhance the external validity of the research project, the questionnaire covered real-life experiences during the administration of the SAB KickStart Programme and questionnaires were completed in a natural setting, either in their businesses or home environment. Although a sample was not drawn, the representativeness of those who responded is a concern. From tables 5.3 and 5.4 it is evident that 37 per cent of the group received grants. Among those who responded, 45 per cent received grants, reflecting the character of the SAB KickStart population, that is all those who had been part of the SAB KickStart Programme from 2001 onwards. It would thus be possible to generalise the findings to the whole group of SAB KickStarters and to make predictions about the effectiveness of future programmes, provided the interventions remain the same. It is possible to replicate the study, but the validity will not apply to diverse contexts and situations.

Reliability errors were contained by using the same measurement instrument, the questionnaire, for all the KickStarters. Interrater reliability was high because a single researcher spoke to all the potential respondents, conducted the pilot study interviews, despatched all the questionnaires, and evaluated and scored all the open-ended questions to ensure that identical judgements were passed.

The location of the research was in the field. All the questionnaires were completed at the workplace or home of the KickStarters, and in their own time.

## **5.9 SUMMARY**

The systematic process of collecting and analysing the data to determine the effectiveness of the SAB KickStart Programme was described in this chapter. Firstly, the purpose and the objectives of the research, as set out in chapter 1, were highlighted. In the study, all four of the different research types, namely exploratory research, descriptive research, analytical/explanatory research, and predictive research were utilised, albeit to varying degrees, and each of these was expounded. The types of experimental design applicable to two of the questions were illustrated. Both the positivistic and phenomenological research paradigms adopted in the study were explained. This was followed by an exposition of the germane approaches, quantitative and qualitative. The extent to which triangulation was exercised was clarified.

The demarcation of the population was detailed, and the reason why the population and not a sample was surveyed justified. The difficulties experienced in verifying the database and collecting the data were conveyed.

A questionnaire was used as the instrument to collect data. The design of the questionnaire and the types of questions used, were explained. The details of the pilot study were summarised. Challenges posed during the despatching of the questionnaires were discussed. The coding of the open-ended questions was set out. Possible reasons for failure to return questionnaires were postulated. The way in which the issues of anonymity and confidentiality were addressed, was elucidated.

Finally, the statistical techniques utilised to analyse the data were discussed. The actual statistical analyses methodology was summarised followed by a discussion of the statistical concepts and techniques utilised. The Likert scale of measurement, which was employed extensively, was described. Furthermore, the value of different types of frequency tables was explored. The applications of the Chi-squared tests, as well as the exact Chi-squared tests using Monte Carlo estimates, were evaluated. The use of linear regression was appraised and the validity and reliability of the study critiqued.

The findings of the data analyses will be interpreted in the next chapter.

## **CHAPTER 6 ANALYSIS AND INTERPRETATION OF SURVEY DATA**

### **6.1 INTRODUCTION**

Since the nature of research is helical (Leedy & Ormrod 2005:6), the data collected may or may not support the hypothesis; the questions may be either answered (partially or completely) or not answered at all, or new questions may arise. In this chapter the collected data are analysed and interpreted. One hypothesis is supported while the other is not. Most of the research questions are completely answered, but a few are partially or not answered, and many new questions have arisen.

In the previous chapter, the process and method of collecting the data are described, followed by an explanation of the type of analyses undertaken, and the statistical concepts and techniques utilised.

In this chapter the results of the statistical analyses of each question in the SAB KickStarter questionnaire (appendix H) are analysed and interpreted and presented in the appropriate format (a frequency table, a pie chart, a bar chart or a line graph). In some instances preliminary deductions are made. The analysis is divided into parts which follow, for the most part, the logical flow of the SAB KickStart Programme, as depicted in figure 4.1.

### **6.2 DISCUSSION OF THE RESULTS OF THE SURVEY**

The survey was conducted by means of a paper-and-pencil questionnaire comprising eight parts, each with several questions. Each of these parts addresses a specific phase of the SAB KickStart Programme and follows a logical sequence. The presentation and interpretation of the results follow the same logical sequence – SAB KickStarter demography, the application to participate in the programme and selection of KickStarters, training, information about the businesses, the allocation of grants, the mentoring process, the allocation of the national awards, and finally, current needs and recommendations. Each question in that part is interpreted under the headings of the different parts/phases.

#### **6.2.1 Part 1: SAB KickStart participant demography**

In this section, demographic information about the SAB KickStart participants was obtained in order to form a depiction of the type of person selected to participate in the programme and to ascertain whether a typical profile of a SAB KickStarter exists.

Knowledge of the demographics could also add to an understanding of the needs of the SAB KickStarters. Furthermore, from the demographics, critical variables for comparative analyses can be identified.

#### 6.2.1.1 Year of participation by respondents in the SAB KickStart Programme (question 1.1)

The first question asked the respondents to indicate in which year, from 2001 to 2006, they had participated in the SAB KickStart Programme. Of the 143 respondents who completed and returned questionnaires, about half (51%) had participated in the programme in the years 2005 and 2006, while the smallest percentage (6%) was from 2001 (see tab 6.1).

**Table 6.1 Year of participation by respondents in the SAB KickStart Programme compared to the SAB KickStart population**

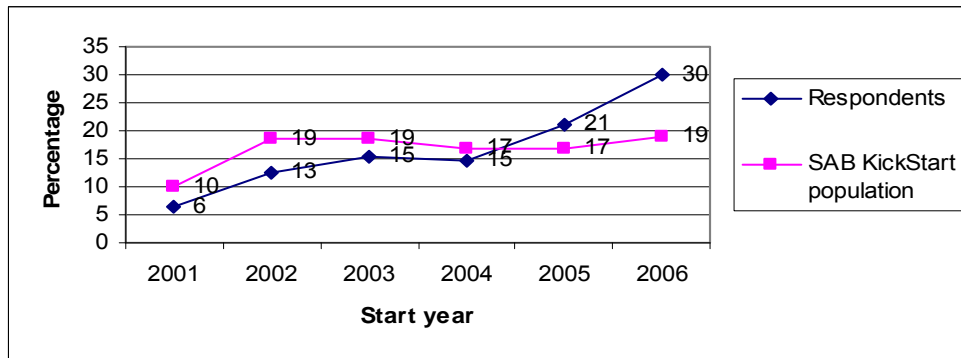
<b>Year that respondents participated in the SAB KickStart Programme compared to SAB KickStart population distribution</b>				
Start year	Respondents		SAB KickStart population	
	Freq	%	Freq	%
2001	9	6.29	51	10.16
2002	18	12.59	94	18.73
2003	22	15.38	93	18.53
2004	21	14.69	84	16.73
2005	30	20.98	85	16.93
2006	43	30.07	95	18.92
Total	143	100	502	100

Figure 6.1 shows that the respondent distribution differed from the distribution of the population of SAB KickStart participants who were more or less equally distributed over the years 2002 to 2006. This discrepancy in the distribution of the respondents over the years could be attributed to the fact that the database of contact details for SAB KickStarters is not maintained, and therefore the contact details of the participants in subsequent years are far more accurate than for the earlier years (explained in ch 5). Hence, more of them could be contacted.

The advantage of the higher number of respondents from 2005 and 2006 is that these respondents completed their SAB KickStart training during the previous two years and should have had a sound recollection of their KickStart experiences which could have contributed to more accurate and truthful responses. The same would apply to the mentoring they had received (2005 group) or were receiving at the time of completing the questionnaire (2006 group).



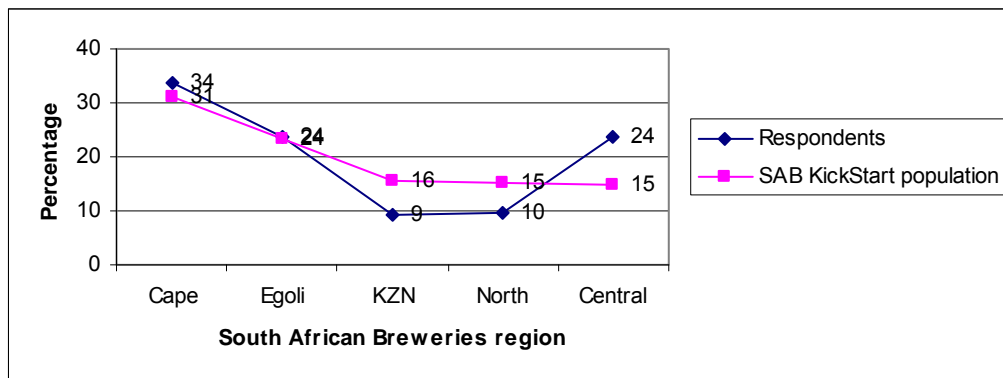
**Figure 6.1 Year of participation by respondents in the SAB KickStart Programme compared to the SAB KickStart population**



**6.2.1.2 Geographic distribution of respondents (question 1.2)**

The respondents were requested to indicate in which one of the five SAB regions their business resorted. From figure 6.2 (data table in appendix J), a third of the respondents (34%) were from the Eastern and Western Cape, about a quarter each (24%) from Egoli (Gauteng) and Central region (Free State, North West & Northern Cape) and 9 per cent each from KwaZulu-Natal (East coast region) and the Northern region (Mpumalanga & Limpopo).

**Figure 6.2 Distribution of respondents and SAB KickStart population, by SAB region**



Comparing the distribution of the respondents over the regions with the SAB KickStart population distribution over the same regions, the response rates from the Eastern and Western Cape and Egoli regions were in line with the SAB KickStart population distribution for the same regions. However, a higher response rate could have been expected from KwaZulu-Natal and the Northern region. A possible reason for the lower response rate in these regions could be the fact that the contact details for SAB KickStarters in these two regions were not as correct as those for the other regions,

resulting in fewer of them being contacted. No obvious reason exists for the higher than expected response rate from the Central region – but then, the Free Staters are known for their hospitality!

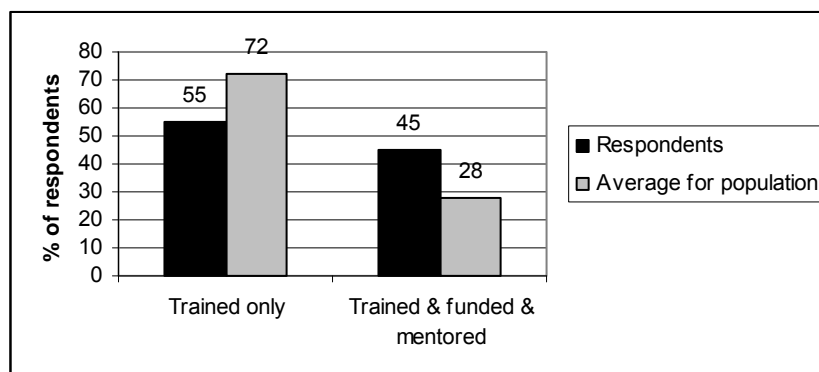
The higher numbers of SAB KickStart population in the Eastern and Western Cape region and the Egoli region were the result of the fact that these regions were previously split into two separate regions, with each region entitled to the full quota of SAB KickStarters. The Cape was split into the Eastern Cape and the Western Cape regions, while the Egoli region was split into the Chamdor and Isando regions (explained in ch 5).

### 6.2.1.3 Type of support received by the respondents from the SAB KickStart Programme (question 1.3.1)

All participants in the SAB KickStart Programme receive training. According to table 6.1, the average number of SAB KickStart participants between 2002 and 2006 is 90 per annum. Subsequent to the training, about five SAB KickStarters per region per annum are allocated a grant (seed money) together with mentoring, adding up to 25 participants per annum, which means that 65 participants on average receive only training. Of these grant winners about seven (per annum) receive a national prize and further mentoring.

In the survey, 55 per cent of the respondents (fig 6.3 – data table in appendix J) had received only training, 37 per cent had received training and a regional grant (including mentoring), and a further 8 per cent had received training and both a grant and a national prize (including mentoring). Thus, in total, 45 per cent of the respondents received a grant, 17 per cent more than the average (28%) for the SAB KickStart population (fig 6.3) and eight per cent more than the actual grant recipients (37%) in the SAB KickStart population (tab 5.4, ch 5), for the period 2001 to 2006.

**Figure 6.3 Type of support received by the respondents from the SAB KickStart Programme**



With 79 respondents who received only training and 64 respondents who, in addition to training, received funding and mentoring it was possible to test for statistically significant differences between these two groups and other variables, applying the Pearson Chi-squared test and the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation.

**The question arose: Did the respondents with existing businesses receive more funding than the respondents with start-up businesses?**

In the two-way frequency table 6.2, the two variables of the type of SAB KickStart support, namely respondents who received only training versus respondents who received training, funding and mentoring (question 1.2.1) are plotted against the two variables of the status of the business (question 1.12), namely respondents with start-up businesses and respondents with existing businesses. In this survey, 57 per cent of the respondents had start-up businesses, while 43 per cent of the respondents had existing businesses.

On the 10 per cent level of statistical significance, the distribution of type of SAB KickStart assistance received by respondents with either start-up or existing businesses differed significantly (Pearson's Chi-squared probability = 0.1036; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0723; tables showing statistical analysis appear in appendix K). Proportionately, more of the respondents with existing businesses received funding (including mentoring) than respondents with start-up businesses. This implies that respondents with existing businesses have a higher probability of receiving funding than respondents with start-up businesses. A few of the respondents (9% in tab 6.18) were aware of this bias as is evident in the responses to the open-ended question 3.7.2 regarding the criteria used by the regional panels to decide who should receive grants.

**Table 6.2 Type of support received by respondents from the SAB KickStart Programme, by status of the business (two-way frequency table)**

<b>Type of SAB KickStart support received by respondents by status of business</b>					
Type of SAB KickStart support		Status of business		Total	
		Start-up	Existing	Freq	%
Trained only	Freq	49	28	77	54.61
	Cell $\chi^2$	0.6459	0.8471		
Trained, funded & mentored	Freq	31	33	64	45.39
	Cell $\chi^2$	0.7771	1.0191		
Total respondents	Freq	80	61	141	----
	Row %	56.74	43.26		100

#### **6.2.1.4 Value of the grants received by the respondents from the SAB KickStart Programme (question 1.3.2)**

The total value of regional grants received by respondents was R2 907 000 and individual regional grants ranged in value between R7 000 and R100 000. In 2006, for example, the Cape region awarded a total of R600 000 to four KickStarters, the Central, Egoli and Eastern Cape region awarded a total of R300 000 to five KickStarters, the North region awarded a total of R300 000 to four KickStarters, and KwaZulu-Natal awarded a total of R205 000 to four KickStarters – a total of R2.005 million allocated to 27 SAB KickStarters.

It should be noted that when (10 August 2007) the data were submitted for capturing, all 18 of the 2006 SAB KickStarters who had been nominated for the national prize had completed the questionnaire, but did not yet know the results of the national competition, which were announced at a gala dinner on 4 September 2007 (after the data had been captured). The national prize figures for 2006 were added to the survey data figures. The total value of the national prizes received by the respondents is R665 000 + R700 000 (for 2006) = R1.365 million and the individual prizes ranged between R10 000 and R180 000. The value of the largest prize in 2006 was R180 000. The total value of both regional grants and national prizes received by the respondents was R3 572 000 + R700 000 (for 2006) = R4.372 million.

In the survey, the value of the largest national prize received by a respondent was R180 000, while the value of the largest prize that could be won by a SAB KickStarter was R250 000. From 2001 to 2005, five SAB KickStarters had won this amount and none of them had responded to the questionnaire.

A question arises: What has happened to the SAB KickStarters who received R100 000 and more in grants and/or prizes? To find the answer, further research tracking down these SAB KickStarters is required.

#### **6.2.1.5 Industries in which respondents' businesses could be categorised (question 1.4)**

Respondents had to indicate in which of the nine industries by International Standard Industry Classification (ISIC) their business could be classified (tab 6.3). They were asked to specify the product or service they sell, in order to cross-check that they had classified their business into the correct category. Multiple responses were possible – for example, a business could be both manufacturing and providing a business service.

The businesses tend to fall mainly into two industries (tab 6.3, col 3), namely business services (34%) and manufacturing (32%), and this applies to both the start-up and existing businesses (tab 6.3, col 8 & 9), as well as to both respondents who received training only and those who received training and funding (tab 6.3, columns 5 & 6). No statistically significant differences in industry distribution were found between these two sets of respondents.

**Table 6.3 Distribution of respondents' businesses, by industry category**

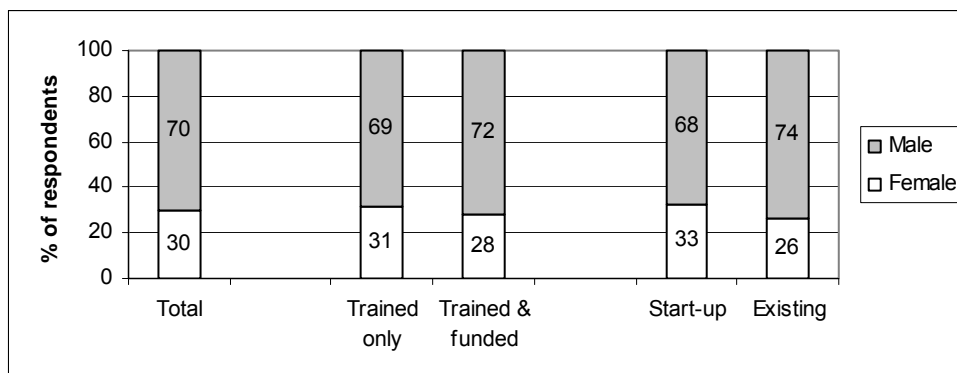
<b>Type of industries in which respondents' businesses fall by type of SAB KickStart support, and by status of the business</b>						
Industry category of business	Total		SAB KickStart support		Status of business	
	Freq	% Re-sponses	Trained only	Trained, funded & mentored	Start-up	Existing
Agriculture, Forestry, Hunting and Fishing	6	3.73	3	3	2	4
Mining and Construction	11	6.83	8	3	4	7
Manufacturing	52	32.29	25	27	30	22
Transport and Communication utilities	3	1.86	2	1	3	0
Wholesale, Motor vehicle sales and repair	1	0.62	1	0	0	1
Retail, Hotels and Restaurants	12	7.45	6	6	7	5
Business services	55	34.16	29	26	28	27
Health care, Education and Social services	4	2.48	3	1	3	1
Customer services	17	10.56	9	8	10	7
Total responses	161	100	86	75	87	74

#### **6.2.1.6 Gender distribution of respondents (question 1.5)**

In figure 6.4 (data table in appendix J) the number of males (70%) who responded to the survey is more than double the number of females (30%). However, this gender distribution is exactly the same as that of the SAB KickStart population (tab 6.4, bottom row) for the years 2003, 2004 and 2005. This strong resemblance between the respondents and the SAB KickStart population adds credence to the survey.

Comparing the gender of the respondents with regard to status of the business (start-up versus existing) no statistically significant difference (fig 6.4) was found in the distribution of the genders. However, with regard to SAB KickStart support, males proportionally received more assistance than females (fig 6.4), but the difference in distribution was not statistically significant.

**Figure 6.4 Gender distribution of respondents, by type of SAB KickStart support and by status of business**



Analysing the gender distribution of the SAB KickStart population (tab 6.4), it seems that in 2006, the gender distribution reverted back to a split similar to those in 2001 and 2003. This could be the start of a trend to support more female entrepreneurs but the topic merits further investigation. Furthermore, from the gender distribution by region over the years, it seems that a female is more likely to be selected to participate in the SAB KickStart Programme in the Eastern and Western Cape regions than in any of the other regions. The question arises: Are the females in the Eastern and Western Cape more entrepreneurial than those in other regions of the country? Answering this question would entail a survey on a national scale across all industries.

**Table 6.4 Gender distribution of the SAB KickStart population, by SAB region and by year**

<b>Gender distribution of the SAB KickStart population, by SAB region and by year (M = male; F = female; T = total)</b>																		
SAB region	2001			2002			2003			2004			2005			2006		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Eastern Cape	3	3	6	8	2	10	7	6	13	11	8	19	9	5	14	6	11	17
Western Cape	4	1	5	6	7	13	11	4	15	11	3	14	8	6	14	8	7	15
Egoli	8	4	12	15	6	21	19	7	26	18	5	23	14	2	16	12	8	20
KwaZulu-Natal	5	3	8	10	9	19	9	2	11	10	3	13	13	1	14	11	2	13
North	8	7	15	10	3	13	8	2	10	9	6	15	7	3	10	11	3	14
Central	4	1	5	11	7	18	11	7	18	0	0	0	9	8	17	11	5	16
Total (freq)	32	19	51	60	34	94	65	28	93	59	25	84	60	25	85	59	36	95
<b>Total %</b>	<b>63</b>	<b>37</b>		<b>64</b>	<b>36</b>		<b>70</b>	<b>30</b>		<b>70</b>	<b>30</b>		<b>71</b>	<b>29</b>		<b>62</b>	<b>38</b>	

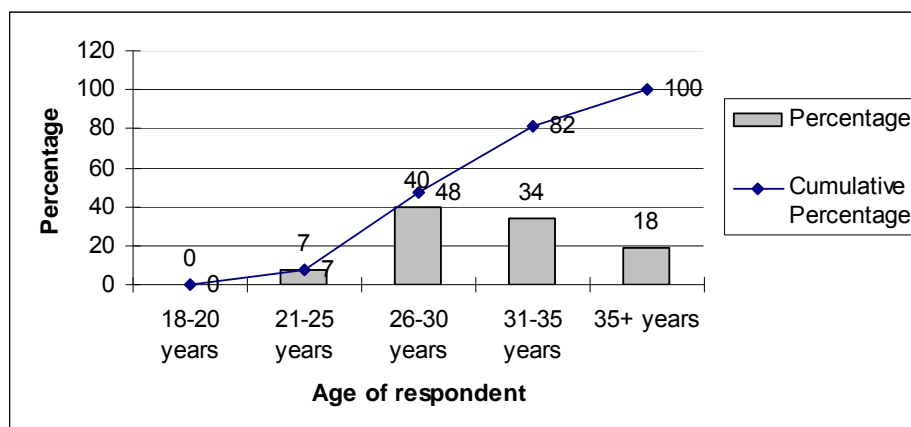
#### 6.2.1.7 Age distribution of respondents (question 1.6)

Since the SAB KickStart Programme is open to entrepreneurs between the ages of 18 and 35, and that is why intervals covering this age range appear in the questionnaire.

Respondents were asked to provide their age at the time of completing the questionnaire, not at the time they started participating in the SAB KickStart Programme – an oversight on the part of the researcher. At least, only 10 per cent of the respondents date from 2001 (tab 6.1), while 51 per cent were from 2005 and 2006. Any trends in the data can therefore still be meaningful.

The data (fig 6.5 – data table in appendix J) reveal that the largest percentage of the respondents (40%) falls in the 26 to 30 year age bracket, with a further 34 per cent in the 31 to 35 year age bracket. Combined, these two age brackets account for 74 per cent of the respondents. It seems that older applicants, over the age of 26 years, are more likely to be selected to participate in the SAB KickStart Programme than those younger than 26 years of age. Only seven per cent of the respondents fall in the age group 21 to 25, which is the age group that would include recent graduates from universities of technology. Hence, contrary to the official statements from SAB KickStart that in “2001 the focus of SAB KickStart Programme shifted and is now firmly centred on entrepreneurship development and the creation of sustainable enterprises through selecting entrepreneurs at a more advanced level (eg technical university graduates with good ideas or inventions)” (ch 4, sec 4.3), the age distribution reveals that few young graduates are being selected for the SAB KickStart Programme.

**Figure 6.5 Age distribution of respondents**



From another perspective, 48 per cent of the respondents were under the age of 30, while just more than half (52%) were over the age of 30 years. What is surprising is the relatively large percentage of respondents (18%) over the age of 35 (even though the age is at the time of completing the questionnaire, not when the respondents started on the SAB KickStart Programme). A mitigating factor is that half of the respondents were from 2005 and 2006. The SAB KickStart Programme administrators are supposed to ignore all applicants over the age of 35, and yet, it seems that some of them are selected.

Following from this age distribution, the question arises as to whether the older respondents are more likely to own existing businesses than to start new ones. The difference in the distribution in age groups with regard to status of business (start-up versus existing) was tested, but no statistical significance was indicated for the distribution differences.

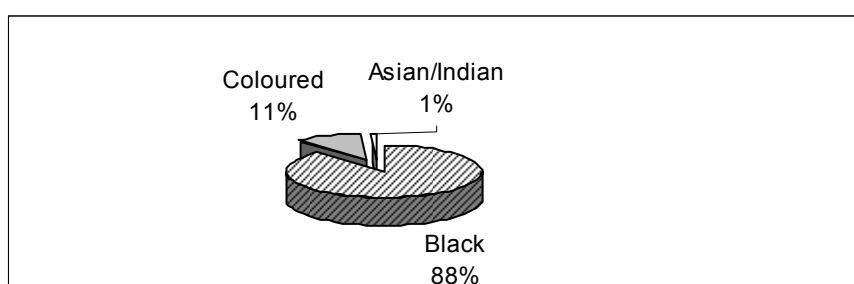
Testing the difference in the distribution in age groups with regard to the type of SAB KickStart support (trained only versus trained, funded and mentored) also indicates that the distribution differences are not statistically significant.

#### 6.2.1.8 Race distribution of respondents (question 1.7)

The SAB KickStart Programme is only open to entrepreneurs of previously disadvantaged races, which include blacks, coloureds and Asians/Indians. By far the majority of the respondents are black (88%), with the coloureds trailing far behind (11%) and not even a sprinkling of Asians/Indians (less than 1%). No whites were considered (fig 6.6 – data table in appendix J). From table 2.4 (last col), excluding whites, the race distribution for South Africa was 87.7 per cent blacks, 9.5 per cent coloured and 2.8 per cent Asian. The SAB KickStart race distribution seems to closely resemble the South African population distribution for blacks, coloureds and Asians.

With regard to type of SAB KickStart support (training only versus trained, funded and mentored), there was no significant difference between the different racial groups.

**Figure 6.6 Distribution of respondents by race**



#### 6.2.1.9 Highest formal educational qualification of respondents (question 1.8)

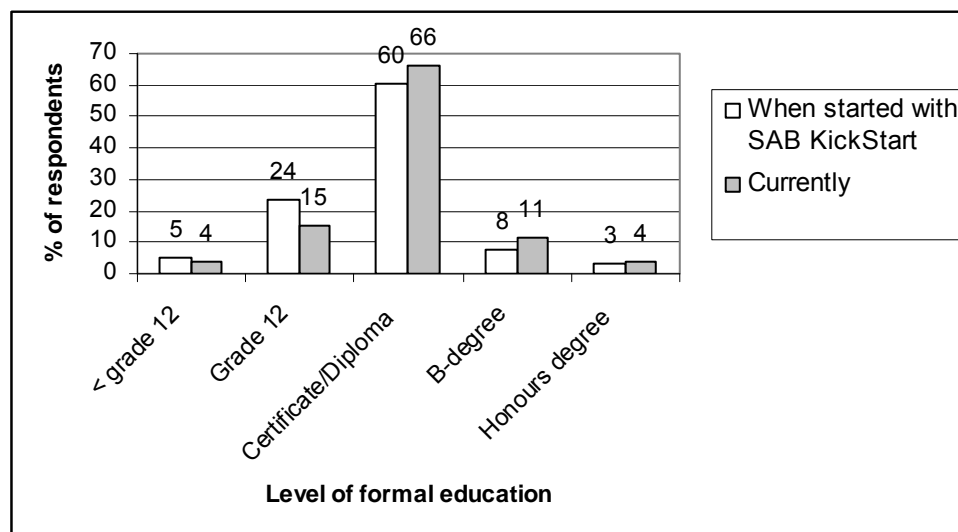
Respondents had to indicate on a predetermined list of educational qualifications their highest level attained, but they were not asked to indicate from which institution the qualification had been obtained. It is therefore impossible to know whether some of the certificates and diplomas were obtained from technical universities. Owing to insufficient



information, it was not possible to ascertain whether the SAB KickStart Programme had shifted its selection strategy to select entrepreneurs at a more advanced level (eg technical university graduates with promising ideas or inventions) (see also ch 4, sec 4.3) to ensure the development and creation of sustainable enterprises.

Nevertheless, a substantial percentage (60%) of the respondents was in possession of a certificate or diploma (the standard of which is unknown) when they started the SAB KickStart Programme, while only 11 per cent of the respondents had a degree (bachelor's or honours) (from fig 6.7 – data table in appendix J). Further information on the type of certificate or diploma should have been obtained to draw meaningful conclusions.

**Figure 6.7 Highest formal educational qualification of respondents**



Respondents were further asked to indicate whether they had improved their qualifications after they started on the SAB KickStart Programme, by indicating their current highest educational level. From figure 6.7 it seems there is a shift towards improving skill levels or academic status, but this is a gentle rather than a dramatic shift – an increase of 6 per cent in certificates or diplomas, three per cent in degrees and one per cent in honours degree had been attained after respondents had started the SAB KickStart Programme.

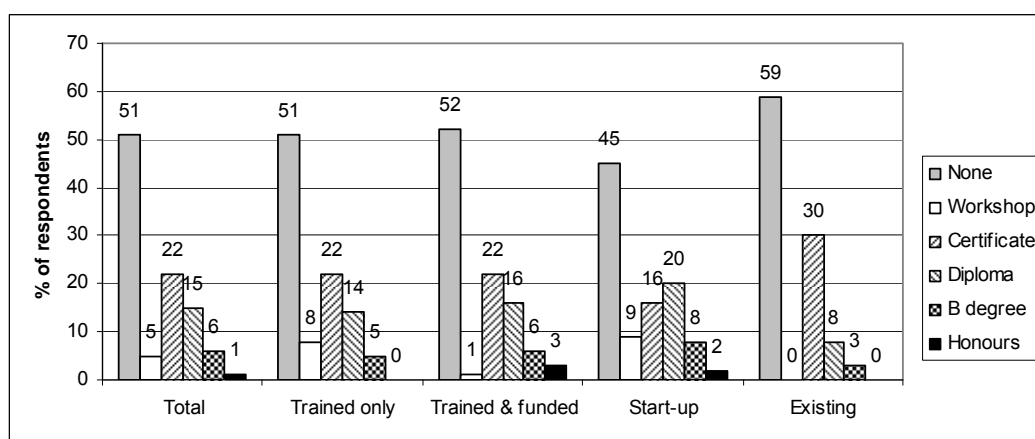
#### **6.2.1.10 Business management qualifications of respondents prior to starting the SAB KickStart Programme (question 1.9)**

Respondents had to specify what type of business management qualification or training they had before they became part of the SAB KickStart Programme. This was an open-ended question and the answers were subsequently categorised as set out in the legend

for figure 6.8 (data table in appendix J). The respondents were scored in one category only according to their highest level of business management qualification.

Half of the respondents (51%) had no business management qualifications whatsoever when they started as SAB KickStarters. A further 27 per cent of the respondents had received limited training (workshop, certificate or short course). Thus, at least 78 per cent of the respondents should have benefited substantially from the SAB KickStart business management training. Fifteen per cent had obtained a diploma in business management, while only seven per cent already had a degree in business management.

**Figure 6.8 Level of business management qualifications of respondents prior to starting the SAB KickStart Programme: total by type of SAB KickStart support and by status of business**



**A question arose: Is it possible that the number of respondents with existing businesses had more advanced business management qualifications than the respondents with start-up businesses, prior to starting the SAB KickStart Programme?**

The difference between the respondents with existing businesses and those with start-up businesses with regard to level of business management qualification and training prior to starting on the SAB KickStart Programme was statistically tested and found to be significant (at the 1% level with the exact Chi-squared probability of Fischer's exact test using the Monte Carlo approximation = 0.0057; tables showing statistical analyses appear in appendix K). Although both groups had a substantial proportion of respondents without qualifications, the proportion of the group with existing businesses was greater (59%) than the proportion (45%) for the group with start-up businesses. The latter group had a significantly greater combined proportion of respondents with workshop, diplomas, degrees and honours qualifications (fig 6.8).

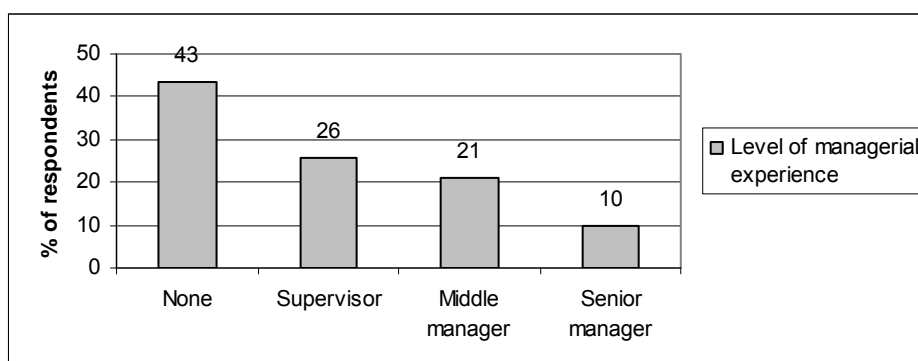
**Another question arose: Did the respondents who received funding, over and above the training, have higher levels of business qualifications and training prior to starting on the SAB KickStart Programme?**

For the indicator variable, type of SAB KickStart support received, no statistically significant difference was indicated for the distributions of the two levels (trained only versus trained, funded and mentored – fig 6.8) in respect of the level of business management qualification or training prior to starting on the SAB KickStart Programme. Hence, the few respondents who had higher levels of business management training were not favoured when funding was allocated. One may, however, deduce that in both groups, more than half of the respondents did not have any business management qualifications or training prior to starting on the SAB KickStart Programme.

#### **6.2.1.11 Level of managerial experience of respondents at inception of business** (question 1.10)

Respondents had to indicate on a four-point Likert scale the level of managerial experience they had at the time of starting their business (note: not when they joined the SAB KickStart Programme). The level of management experience ranged from none, supervisor, middle manager to senior manager. From figure 6.9 (data table in appendix J) the largest percentage (43%) of the respondents had no managerial experience at all, while a further 26 per cent of the respondents had been supervisors. Close to a fifth (21%) of the respondents had been a middle manager and only 10 per cent had management experience at senior management level.

**Figure 6.9 Level of managerial experience of respondents at inception of their business**



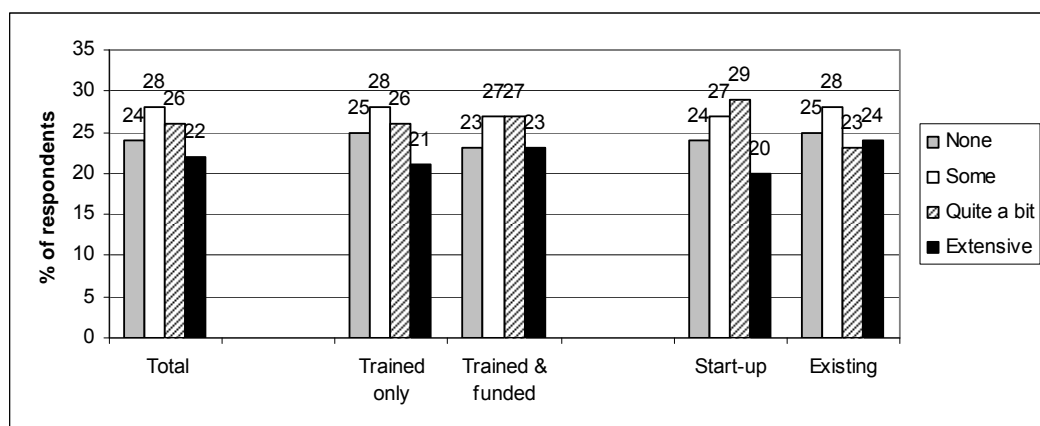
**A question arose: Did more of the respondents with a higher degree of management experience receive funding than those with no or little management experience?**

No significant difference was found in the distribution between the two groups (trained only versus trained, funded & mentored) with regard to managerial experience. In other words, higher levels of prior managerial experience among SAB KickStarters did not secure funding.

#### **6.2.1.12 Extent of respondents' previous experience in a similar business when they started their business (question 1.11)**

This question determined the extent to which the respondents had had previous experience in a similar business (eg manufacturing or selling a similar product, or delivering a similar service) when they started their business. On a four-point Likert scale, the respondents could select one of four options: none, some extent, quite a bit or a lot. Nearly a quarter (24%) of the respondents had started a business without any prior experience in a similar business (fig 6.10 – data table in appendix J). Three-quarters of the respondents (76%) had a degree or previous experience in a similar business prior to starting their business. However, the degree of experience varied from some (28%), to quite a bit (26%) to a lot (22%).

**Figure 6.10 Extent of respondents' previous experience in a similar business prior to starting their own business, by type of SAB KickStart support and by status of business**



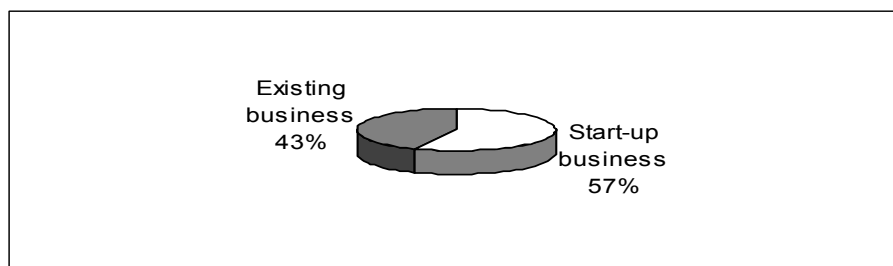
**A question arose: Did more of those respondents with a lot of business experience in a similar business prior to starting their business, manage to attract funding compared with respondents who did not have such experience?**

As far as type of support received from the SAB KickStart Programme is concerned, no significant difference was found between the two groups (trained only versus trained, funded and mentored) in their level of prior experience of a similar business (fig 6.10).

#### **6.2.1.13 Status of respondents' business when they were selected for the SAB KickStart Programme (question 1.12)**

Respondents had to indicate whether their business was a start-up business or an existing business at the time when they became part of the SAB KickStart Programme. Slightly more than half of the businesses were start-up businesses (57%) while as many as 43 per cent were existing businesses (fig 6.11 – data table in appendix J).

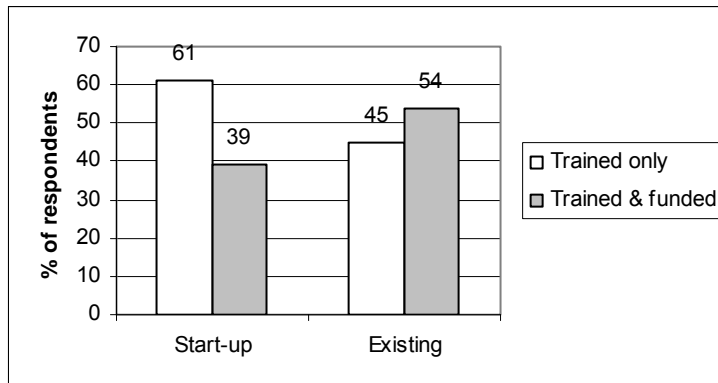
**Figure 6.11 Status of respondents' business when selected for the SAB KickStart Programme: start-up business versus existing business**



The fact that so many existing businesses are allowed to participate in the SAB KickStart Programme is a real bone of contention among some respondents. The argument is that the verb “kick start” implies that a new business is assisted in getting off the ground (started) – it does not imply assisting an existing business.

From figure 6.12 (data table in appendix J) it seems that more respondents with existing businesses (54%) received funding (including mentoring) than respondents with start-up businesses (39%). This distribution difference is statistically significant at the 10% level for both the Pearson's Chi-squared probability (0.0697), and the exact Chi-squared probability of Fischer's exact test using the Monte Carlo approximation (0.0904). The tables containing the statistical analyses appear in appendix K. This finding is discussed in section 6.2.1.3.

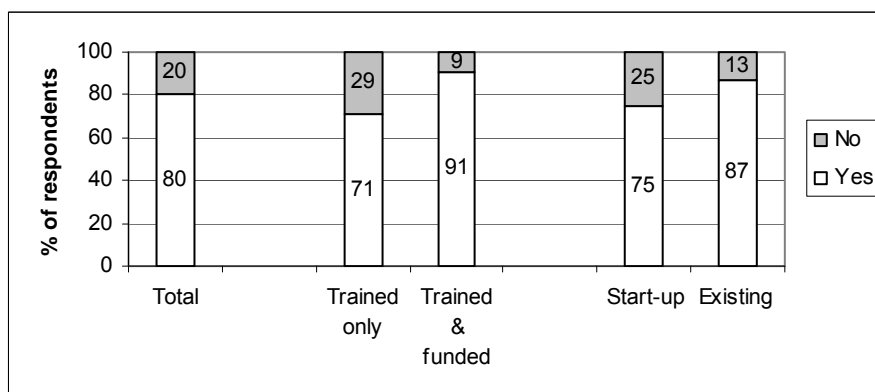
**Figure 6.12 Status of respondents' business when they started the SAB KickStart Programme, by type of SAB KickStart support**



#### 6.2.1.14 Respondents' continued involvement with their business after SAB KickStart (question 1.13)

Respondents were asked to indicate whether they still had the business they owned (or shared) when they became part of the SAB KickStart Programme. Remarkably, the majority of the respondents, 80 per cent, still owned the business they owned or started when they became part of the SAB KickStart Programme (fig 6.13).

**Figure 6.13 Continued ownership of business owned when respondents started the SAB KickStart Programme, by type of SAB KickStart support and by status of business**



**A question arose: Did funding perhaps make a difference in the respondents' remaining involved in the business they had when they started with SAB KickStart Programme?**

Statistically significant differences were indicated for the two types of SAB KickStart support groups with regard to continued ownership of the original business concept (fig

6.13). Respondents who received training, funding and mentoring tended to continue operating their original business, more so than respondents who had only received training (91% versus 71%). This difference was statistically significant at the 5 per cent level for both Chi-squared tests (Pearson's Chi-squared = 0.0044; the exact Chi-squared probability of Fischer's exact test using the Monte Carlo approximation = 0.0044; the tables showing the statistical analysis appear in appendix K).

**Another question arose: Were the respondents with existing businesses more likely to continue with these businesses than respondents with start-up businesses, after participating in the SAB KickStart Programme?**

The respondents with existing businesses tend to continue operating the business they owned when they joined SAB KickStart, more so than the respondents with start-up businesses (87% versus 75% – in figure 6.13). This difference between start-up and existing businesses with regard to continued ownership of the business owned when joining the SAB KickStart Programme was statistically significant at the 5 per cent level (with the exact Chi-squared probability of Fischer's exact test using the Monte Carlo approximation = 0.0502). The tables showing statistical analysis appear in appendix K.

**6.2.1.15 Change in the nature of respondents' initial business (question 1.14)**

Stemming from the previous question, those respondents who were still involved with the same business had to indicate whether the nature of their business had changed. If the nature of the business had changed, they could select an option from a short list of predetermined answers or specify any other ways in which the nature had changed. Multiple responses were possible.

Of the 113 respondents who were still involved with their initial business, an overwhelming majority, 90%, indicated that the nature of their business had changed since they had started on the SAB KickStart Programme. In section 3.3.2, Wickham (2004:151) listed, as one of the behaviours of entrepreneurs, the fact that they continuously search for new opportunities, avoiding complacency. Thus, to adapt the nature of the business to comply with new or changing demands or to offer more profitable products or services, was typical of the entrepreneurial behaviour of the respondents.

Table 6.5 shows that a considerable proportion of the responses (77%) revealed that respondents elected to diversify either the product range (34%) and/or the service range (43%). A few responses (9%) indicate that some brave respondents were even involved

in backward vertical integration by also manufacturing, while a small percentage (7%) had discontinued their manufacturing operations (tab 6.5). During a personal interview with one respondent who had discontinued manufacturing, but who had continued to sell the same product/service by sourcing from existing manufacturers, the reason given for the closing of the factory was South Africa's restrictive labour laws, which were seen to favour the worker and were debilitating for the manufacturing SME in particular.

**Table 6.5 Change in the nature of respondents' initial business**

<b>Change in the nature of respondents' initial business where they were still involved with the initial business</b>		
Change in the nature of initial business	Total	
	Freq	%
No longer manufactures, but still sells the same product	5	4.90
No longer manufactures and sells different products	2	1.96
Now also manufactures (backward vertical integration)	9	8.82
Product range diversified	35	34.31
Type of services diversified	44	43.14
Other	7	6.86
Total	102	100

No significant differences were found between start-up and existing businesses, nor between respondents who had only received training and those who had received training, funding and mentoring.

#### **6.2.1.16 Respondents' reasons for ownership withdrawal from initial business (question 1.15)**

If respondents no longer owned or shared the initial business, they had to explain what had happened to their business by selecting from a few options or provide their own explanation (table 6.6). The potential number of respondents to this question was minor, the data merely offering a guideline on what may have happened.

**Table 6.6 Respondents' reasons for no longer owning the initial business**

<b>Respondents' reasons for no longer owning the initial business</b>		
Reason	Total	
	Frequency	Percentage
Closed business	15	55.56
Other reason	12	44.44
Total	27	100



For this small number of respondents (tab 6.6), the main reason for no longer owning or sharing the business was that it had been closed (56%). Various other reasons were advanced for what had happened to the business.

In the second part of this question, respondents were asked to give the reason why their business had been closed. The number of respondents was now so small, that little value could be attached to the responses (tab 6.7). Nevertheless, a third (33%) said that the business no longer made enough money; a further 29 per cent found employment; while the remaining respondents gave a variety of different reasons (tab 6.7).

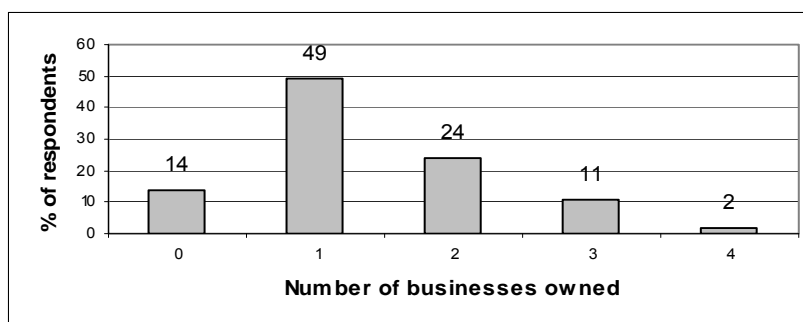
**Table 6.7 Respondents' reasons for closing the initial business**

Respondents' reasons for closing the initial business		
Reason	Total	
	Frequency	Percentage
The business no longer made enough money	7	33.33
I was employed by another company	6	28.57
Other reasons	8	38.10
Total	21	100

#### 6.2.1.17 Number of businesses currently owned by respondents (question 1.16)

Respondents were requested to indicate the number of businesses in which they currently had some ownership, ranging from none, one, two, three, four, five or more. Fourteen per cent of the respondents no longer had ownership in any business whatsoever (fig 6.14 – data table in appendix J). This means that the vast majority, 86 per cent, still had some form of ownership in a business – a most encouraging fact.

**Figure 6.14 Number of businesses in which respondents currently had some ownership**



Comparing the percentages in figures 6.13 and 6.14 – 80 per cent of respondents still owned the business they had had when they started on the SAB KickStart Programme, while 86 per cent currently owned a business – it can be concluded that 6 per cent of the respondents discarded their ownership in the business they had owned when they started on the SAB KickStart Programme but have subsequently started or acquired ownership in another business.

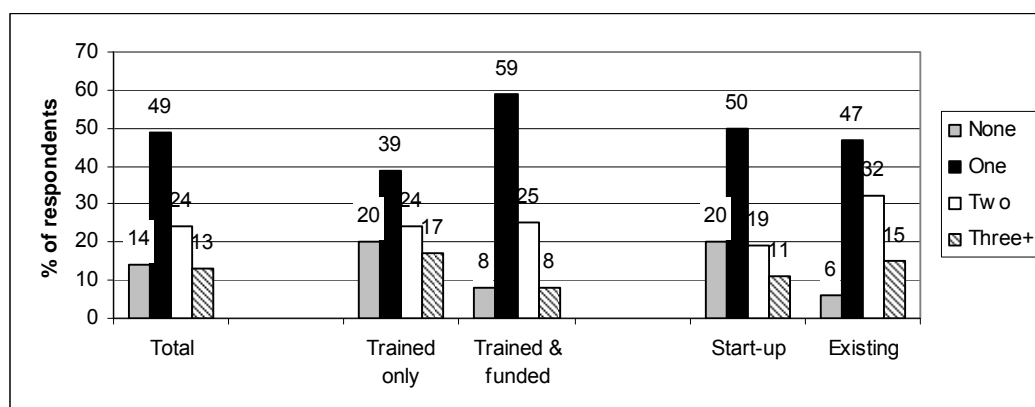
Almost half the respondents (49%) currently had ownership in one business, while only about a quarter (24%) had ownership in two businesses, and a further 11 per cent had ownership in three businesses (fig 6.14). Two per cent of the respondents even had ownership in as many as four businesses.

To summarise, 37 per cent of the respondents had ownership in two or more businesses. This may or may not be an astute strategy by the respondents, depending on the nature of the second and other businesses and the extent of the involvement of the respondent. Such information was not collected during this survey and could be part of a further study to determine the performance rate of entrepreneurs involved in multiple businesses simultaneously.

**A question arose: Do funded respondents tend to own more businesses than respondents who received only training?**

A tendency exists for respondents who received training, funding and mentoring to be proportionately involved in more businesses than respondents who only received training (fig 6.15 – data table in appendix J).

**Figure 6.15 The extent of respondents' current ownership in businesses: total by type of SAB KickStart support and by status of business**



Of the group who received only training, 63 per cent had ownership in one or two businesses, while the corresponding figure for the group who received training, funding and mentoring was 84 per cent. This difference in distribution was statistically significant at the 5 per cent probability level (Pearson's Chi-squared probability = 0.0343; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0332; statistical tables appear in appendix K).

**A further question arose: Do respondents with existing businesses tend to have ownership in more businesses than respondents with start-up businesses?**

A tendency exists for respondents with existing businesses (47%) to be involved in two or more businesses more so than respondents with start-up businesses (30%) (fig 6.15). A statistically significant difference (at the 10% level of probability) in the distribution between these two groups was indicated (Pearson's Chi-squared probability = 0.0695; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0669; tables showing the statistical analysis appear in appendix K).

This concludes the analysis of the demographic profile of the respondents. In the next section, responses to issues concerning the application and selection for the SAB KickStart Programme are compared.

**6.2.2 Part 2: application and selection phase of the SAB KickStart Programme**

In this section difficulties experienced while applying to participate in the SAB KickStart Programme are investigated. In addition the adequacy of the selection process is appraised.

**6.2.2.1 Level of difficulty of providing information when applying to participate in the SAB KickStart Programme, as experienced by respondents (question 2.1)**

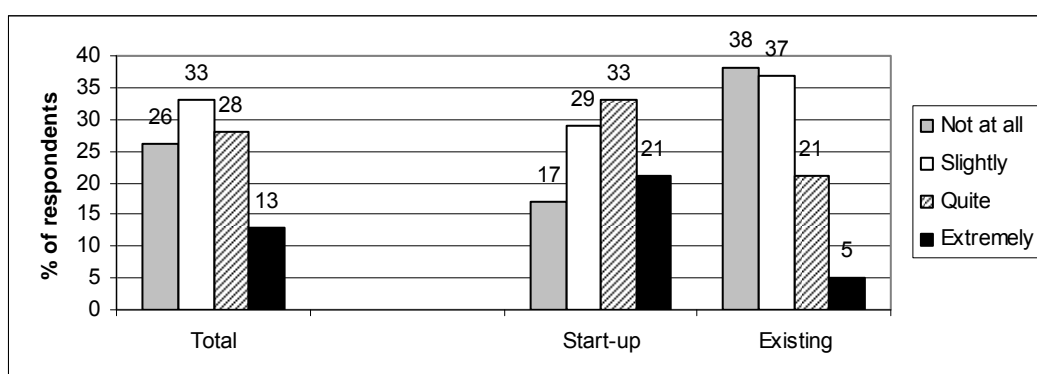
Every year, SAB receive about 7 000 applications (nationally) from which a total of 100 participants are selected. The application form to participate in the SAB KickStart Programme requires applicants to provide their demographic details, information about the business/management team, the financial and employment data of the business and the owner's monetary contribution to the business, as well as a description of the type of business, the business concept, the location of the business, its market and its vision (see appendix D for the complete list of requirements). The applicant has to attach a business plan, curriculum vitae of business team members, the latest annual financial

statements and management accounts (the latter two items only if the business is already operating).

During the exploratory phase, some CSI co-ordinators mentioned that every year, several applications are disqualified because applicants do not include business plans. In the pilot phase it was established that, except for the business plan and the financial statements, the SAB KickStarters found it easy to comply with all the application requirements. A question was drafted around the two application requirements that proved difficult. The respondents had to indicate on a four-point Likert scale the level of difficulty (from not at all difficult to extremely difficult) to provide a business plan when they applied to be part of the SAB KickStart Programme. Respondents of existing businesses also had to rate the level of difficulty in supplying annual financial statements.

About three-quarters of the respondents (74%) experienced some degree of difficulty, either “slightly” or “quite” or “extremely”, in submitting a business plan, while 41 per cent found it “quite” or “extremely” difficult (fig 6.16 – data table in appendix J). If the applicants who were selected as SAB KickStart participants found the compilation of business plans difficult, how much more the unsuccessful applicants? One cannot help wondering how many applicants with excellent business opportunities are disqualified because of bad business plans. To investigate this would require a study of all the applications and this could be considered for a future research project.

**Figure 6.16 Perceived difficulty experienced by the respondents in providing business plan information for the SAB KickStart application: total by status of business**



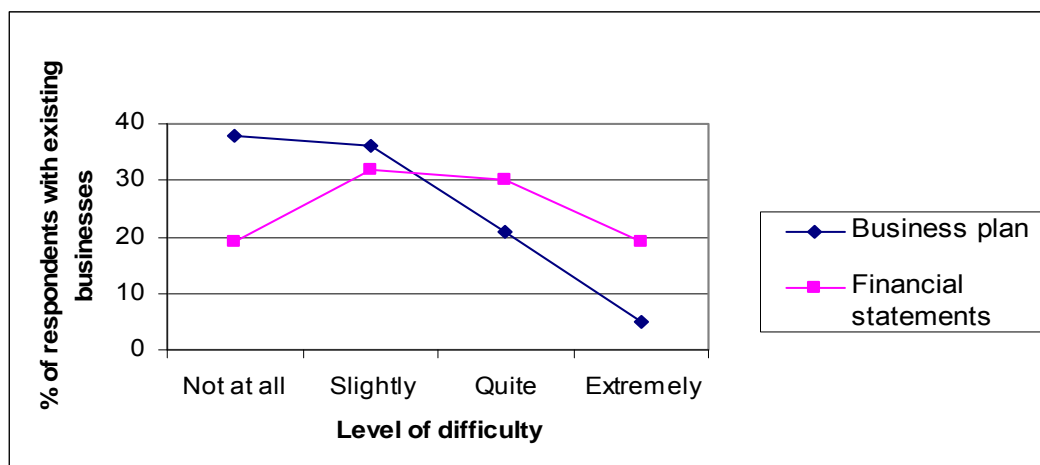
The fact that these respondents tended to find it difficult to compile a business plan, supports the inclusion of business plan training in the SAB KickStart training curriculum, especially taking into consideration the value of a business plan as a strategic planning and operational document.

**A question arose: Did respondents with start-up businesses find it more difficult to provide business plans than respondents with existing businesses?**

From figure 6.16 it seems that respondents with start-up businesses found it more difficult to provide information on business plans than respondents with existing business (54% versus 25% on quite to extremely difficult). Of the respondents with existing businesses, 38 per cent found it not at all difficult, while only 17 per cent of the respondents with start-up business did not find it all difficult. The ramification of this finding is that when the information in a business plan is used to select applicants, those with existing businesses could be at an advantage (assuming that the ease of compiling a business plan could be correlated with the quality of the information in the business plan).

For the respondents with existing businesses (fig 6.17 – data table in appendix J), comparing the difficulty of submitting business plans (25% quite or extremely) with the difficulty of providing financial statements (49% quite or extremely), a statistically significant difference at the 1 per cent probability level was indicated (Pearson's Chi-squared probability = 0.0150; the exact Chi-squared probability of Fisher's Exact test using the Monte Carlo approximation = 0.0167; the tables showing the statistical analysis appear in appendix K).

**Figure 6.17 Difficulty of providing business plan information and annual financial statements for the SAB KickStart application, by existing businesses**



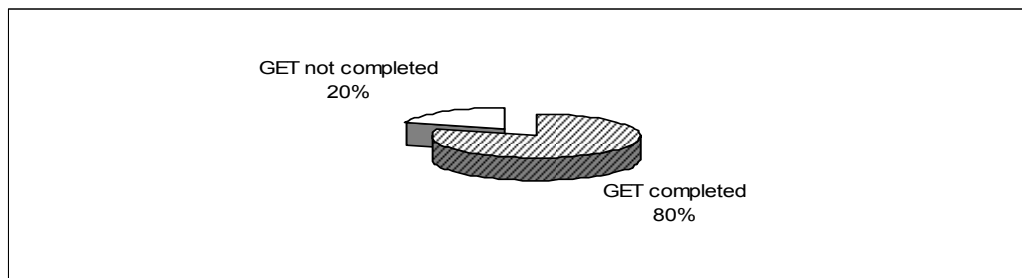
What is indisputable is that about two-thirds of the respondents with existing businesses (62%) had experienced some difficulty (slightly, quite or extremely) in compiling a business plan, while even more of these same respondents (81%) had experienced some difficulty (slightly, quite or extremely) preparing financial statements. Financial statements form an essential part of a business plan and the ability to compile and understand such

statements is a vital part of managing a business. The fact that respondents of existing businesses experienced difficulty drawing up financial statements argues not only for the inclusion but also for a special focus on training in financial management during the KickStart training.

#### 6.2.2.2 Completion of the GET test by respondents (question 2.2.1)

In each region, after the preliminary screening based on the information provided on the application forms and the business plans, a SAB regional panel select the top 40 applicants to complete the General Enterprising Tendency (GET) test. This test is compulsory and all applicants are supposed to complete it. However, in practice (fig 6.18 – data table in appendix J) this does not seem to be the case. As many as 20 per cent of the respondents claimed not to have completed the test but were still selected to participate in the SAB KickStart Programme.

**Figure 6.18 Completion of the GET test by the respondents**

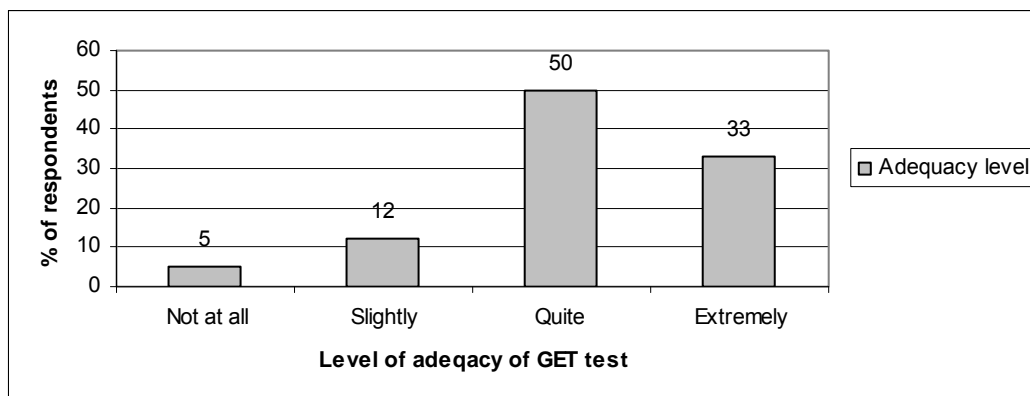


In case some respondents had forgotten that they had completed such a test, their memories were jogged by giving them the purpose and name of the test: “a test to determine whether you have the potential to be an entrepreneur ... The name of the test is GET (General Enterprising Tendency) test.”

#### 6.2.2.3 Soundness of the GET test as an assessment tool for entrepreneurial potential, as perceived by the respondents (question 2.2.2)

The 113 respondents who had completed the GET test and remembered doing so, were asked to indicate on a four-point Likert scale how good the test was in assessing their potential as an entrepreneur, ranging from not at all, slightly, quite to extremely. A considerable majority of respondents (83%) found the test to be quite or extremely sound at assessing their potential as an entrepreneur (fig 6.19 – data table in appendix J).

**Figure 6.19 Respondents' perceptions of the adequacy of the GET test to assess entrepreneurial potential**



#### **6.2.2.4 Respondents' evaluation of the selection interview conducted by a panel of adjudicators (question 2.3)**

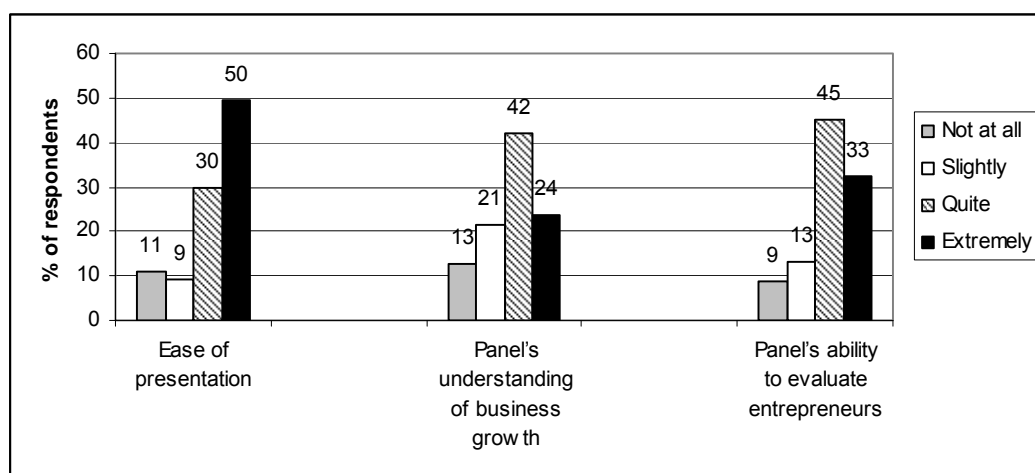
After applicants had completed the GET test, they appeared before a regional panel of adjudicators to select up to 20 entrepreneurs to become SAB KickStarters for a specific region. Respondents were asked to rate the interviewing process and the panel of selectors on a four-point Likert scale (ranging from not at all to extremely) with regard to the following three issues:

- (1) **Respondents' ease of presentation of business and self to the regional panel of adjudicators.** Half of the respondents found it extremely easy to present their business and themselves to the selection panel, while a further 30 per cent found it quite easy (fig 6.20 – data table in appendix J). To summarise, 80 per cent had no or little difficulty presenting their business or themselves to the selection panel. Only 11 per cent did not find it at all easy to present. A question arises: Would applicants who were disqualified from being part of the SAB KickStart Programme, share the same perception about the ease of presentation to the panel of adjudicators? Additional research would have to be conducted to obtain an answer.
- (2) **The panel's understanding of the growth potential of respondent's business.** Two-thirds of the respondents (66%) had the impression that the understanding of the selection panel of the growth potential of the respondents' business (fig 6.20) was quite good or extremely good, while 34 per cent felt that the selection panel had no understanding or only a slight understanding of the potential of their business. It is possible that respondent bias may have crept into these rather positive perceptions. All these respondents passed the selection interview and

subsequently benefited from the SAB KickStart Programme. If the same question was posed to applicants who were disqualified to participate in the SAB KickStart Programme, following the selection interview, the response may have been far more negative about the ability of the selection panel to understand the growth potential of their businesses.

- (3) **The panel's ability to ask appropriate questions to evaluate entrepreneurs and their businesses as perceived by the respondents.** The majority of the respondents (78%) felt that the questions asked by the selection panel were quite or extremely appropriate to evaluate the entrepreneurs and their businesses (fig 6.20). The same respondent bias described under point (2) could apply here.

**Figure 6.20 Respondents' perceptions of the selection process: the presentation and the panel**



From these findings it seems that the respondents tended to experience the selection interview positively and had a positive perception of the ability of the panel of adjudicators to evaluate the growth potential of their businesses.

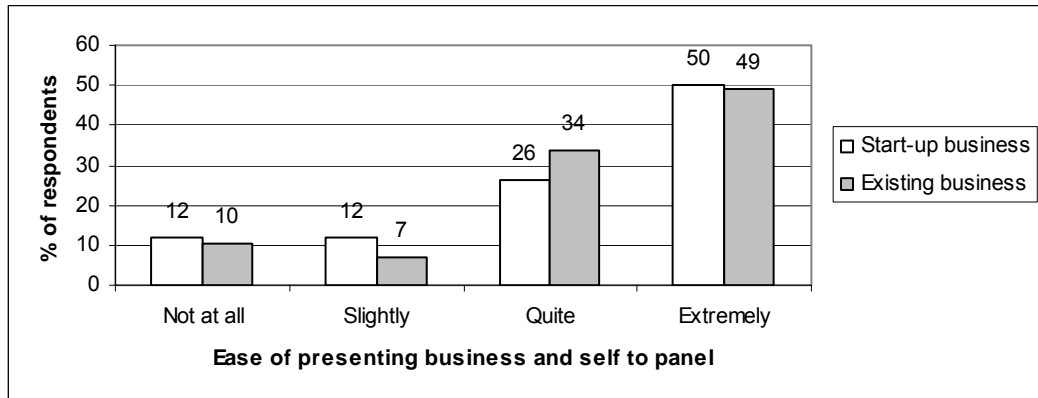
In figures 6.21, 6.22 and 6.23 (data table in appendix J) the perceptions of the selection process of respondents with start-up businesses are contrasted to the perceptions of respondents with existing businesses.

- (1) **Respondents' with start-up businesses versus those with existing business concerning ease of presentation of business and self to the regional panel of adjudicators.** While it could have been expected that respondents with existing businesses would find it easier to present their business and themselves to the selection panel than respondents with start-up businesses, this was not the case in



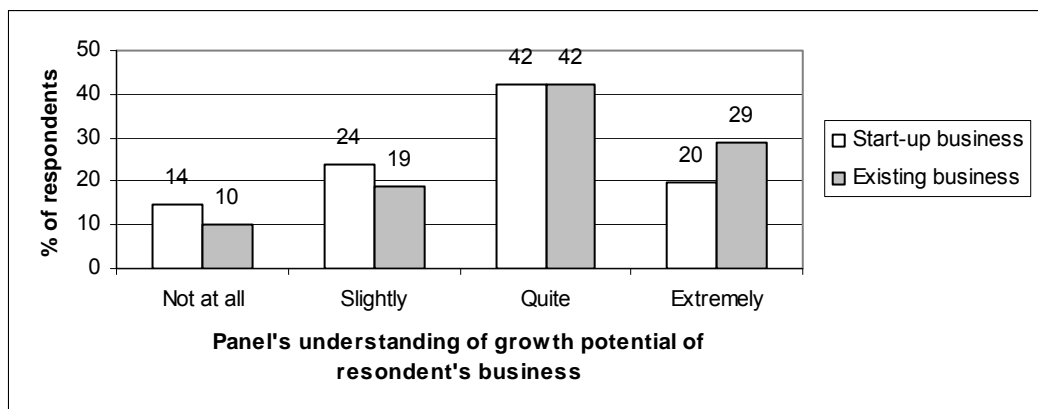
the study. The distribution for “ease of presenting business and self to panel” across the levels of performance for these two groups was extremely similar, as revealed in figure 6.21.

**Figure 6.21 Respondents’ evaluation of the ease of presenting their business and self to the panel, by status of business**



(2) **Respondents’ with start-up businesses versus those with existing business concerning their perceptions of the panel’s understanding of the growth potential of the respondent’s business.** With regard to the respondents’ perception of the “panel’s understanding of the growth potential of the respondent’s business” differences existed between the group of respondents with start-up businesses and those with existing businesses (fig 6.22).

**Figure 6.22 Respondents’ perception of the “panel’s understanding of the growth potential of the respondent’s business”**

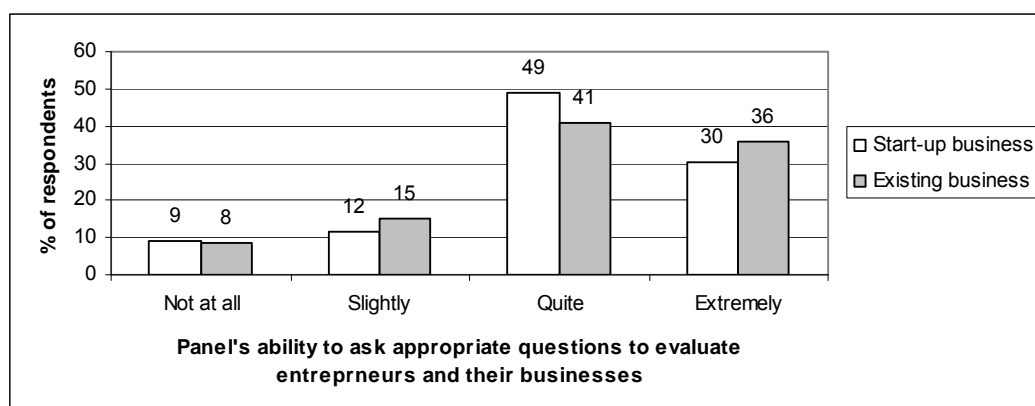


The group with start-up businesses (38%) perceived to a greater extent that the selection panel had no or slight understanding of the growth potential of their businesses, than the group with existing businesses (29%). This follows logically

because it is more difficult to appreciate the growth potential of a business opportunity that has not yet materialised, than the growth potential of an existing business with a history of actual sales figures and financial statements.

- (3) **Respondents' with start-up businesses versus those with existing business concerning the panel's ability to ask appropriate questions to evaluate entrepreneurs and their businesses.** From figure 6.23 it is evident that the respondents with start-up businesses shared the same views as the respondents with existing businesses, namely carefully positive (highest response on "quite").

**Figure 6.23 Respondents' perception of the panel's ability to ask appropriate questions to evaluate entrepreneurs and their businesses**



This section addressed only the issues pertaining to the selection of participants for the SAB KickStart Programme. In the next section the focus is on evaluating the training phase.

### 6.2.3 Part 3: training phase of the SAB KickStart Programme

Following the selection interviews, successful candidates attend a two-week "live-in" business skills training course at a SAB Training Institute in their region. The course material, supplied by SAB Head Office, is presented by SAB KickStart trainers/mentors.

#### 6.2.3.1 Respondents' identification of their SAB KickStart trainer (question 3.1)

From a list of names of trainers, respondents had to select their trainer. All 15 trainers who have been subcontracted by SAB KickStart Programme after 2001 are listed. The main reason for including this question was to refresh the memory of the respondents

(especially those from earlier years) as to who their trainer had been in preparation of the subsequent question that assesses the skills of the trainer.

### **6.2.3.2 Respondents' evaluation of the SAB KickStart trainers (question 3.2)**

Trainers are independent business owners/consultants subcontracted by SAB KickStart to act as trainer and mentor for a SAB KickStart Programme cycle. The trainers present the course material provided by SAB KickStart.

To evaluate the competence of the trainers, the respondents had to indicate on a four-point Likert scale their perceptions of the level of competency of trainers pertaining to four competencies: expertise of the trainer to explain the course material; understanding of the trainer about operating a business; ability of the trainer to give real-life examples; and degree of assistance provided by the trainer to the respondent with completing the business plan. For the first three competencies, the options ranged from not at all to slightly, quite and extremely and for the fourth competency from never to sometimes, usually and always.

First, the overall perceptions of the respondents relating to these competencies of the trainers are communicated, and then a comparison is drawn between the perceptions of the respondents with start-up businesses and those with existing businesses in relation to the competencies of trainers.

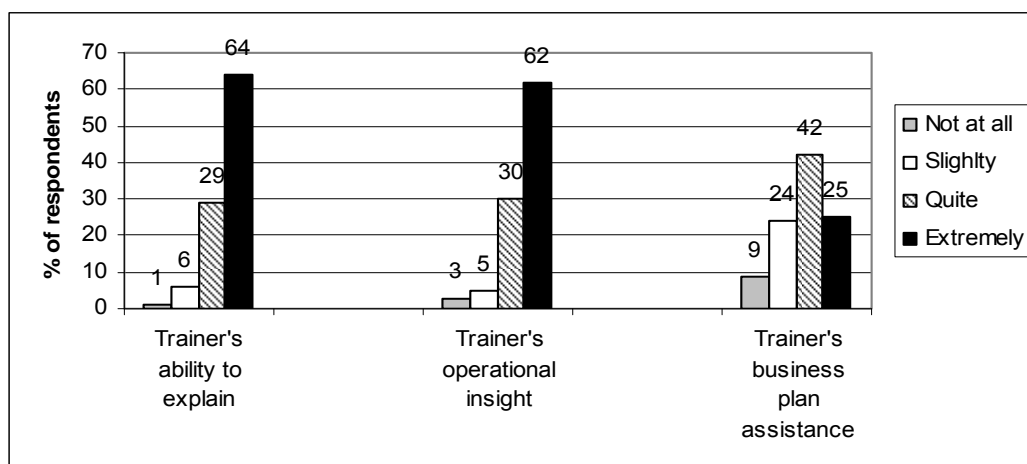
Taken as a whole, the perceptions of the respondents to the four competencies of the trainers (figs 6.24 & 6.25 – data table in appendix J) were as follows:

- (1) **Level of expertise of the trainers to explain the course material as seen by the respondents.** About two-thirds of the respondents (64%) evaluated their trainers as extremely competent in explaining course material, while a further 29 per cent considered them quite competent in explaining course material – a decidedly positive evaluation by 93 per cent of the respondents, according to figure 6.24.
- (2) **Depth of understanding of the trainers about operating a business as experienced by the respondents.** Similar to the responses on the first competency an equally positive appraisal of the trainers on their understanding of the way that a business operates emerged from figure 6.24. Sixty-two per cent of the respondents perceived the trainers to have an extremely good understanding, while a further 30 per cent perceived the trainers to have quite a good

understanding – a positive assessment by 92 per cent of the respondents. This positive perception should be viewed in context. It could be tempered by the fact that more than half of the respondents (57%, figure 6.11) had start-up businesses and may not yet have been actively operating a business.

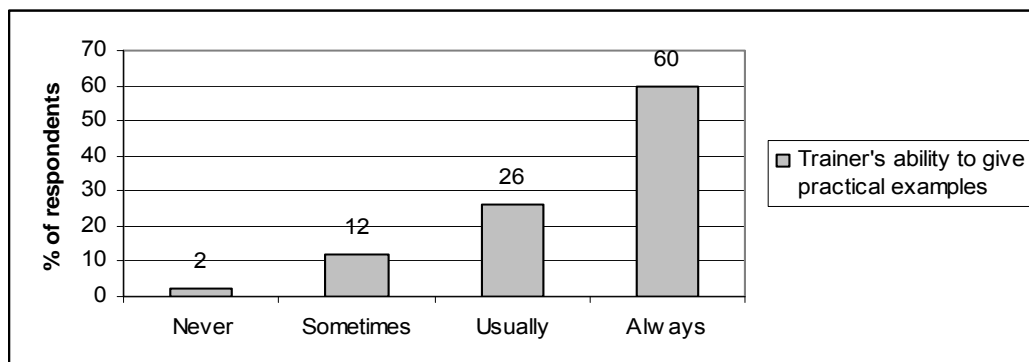
- (3) **Degree of assistance provided by the trainer to respondent to complete the business plan.** With regard to this attribute, respondents were not overly positive. Of the respondents 42 per cent were only partly (quite) satisfied, while 25 were extremely satisfied (fig 6.24). Twenty-four per cent of the respondents were only slightly satisfied while 9 per cent were not at all satisfied with the assistance provided by the trainers to complete the business plan. This means that a third of the respondents were not satisfied. It is part of the function of the trainer to assist the SAB KickStarters to complete the business plan.

**Figure 6.24 Respondents' evaluation of the level of competency of the SAB KickStart trainers**



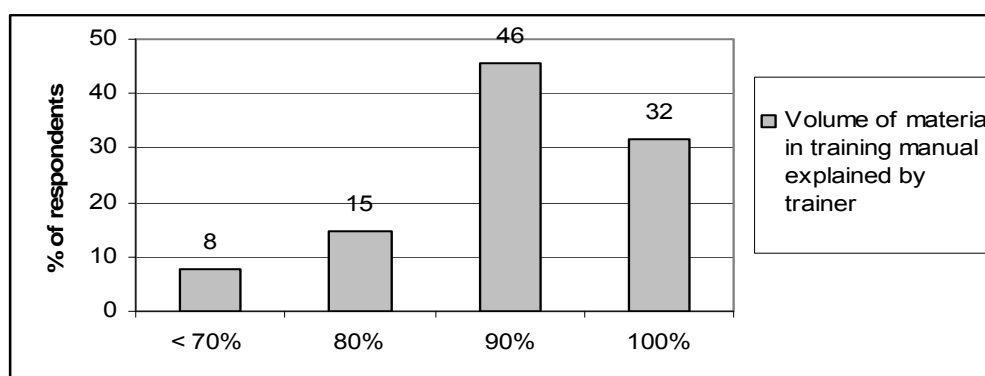
- (4) **Evaluation of the competency of the trainers to give real-life business examples as perceived by the respondents.** Sixty per cent of the respondents alleged that the trainers could always give real-life business examples, while 26 per cent gathered that the trainers could usually give real-life business examples - a positive consideration by 86 per cent of the respondents (fig 6.25 – data tables in appendix J).

**Figure 6.25 Respondents' evaluation of the level of competency of the SAB KickStart trainers to give real-life examples**



The training manual is quite a sizeable file containing a substantial volume of study material to be covered during two weeks of full-time training. For this reason, a question determining the quantity of study material in the training manual explained by the trainer, was included. Most of the respondents (78%) were of the opinion that the trainers had explained more than 90 per cent of the training manual to the trainees on the SAB KickStart Programme (fig 6.26 – data table in appendix J). No significant difference was indicated between respondents with start-up businesses and those with existing businesses.

**Figure 6.26 Respondents' evaluation of the trainers' capability of covering all the SAB KickStart training material**

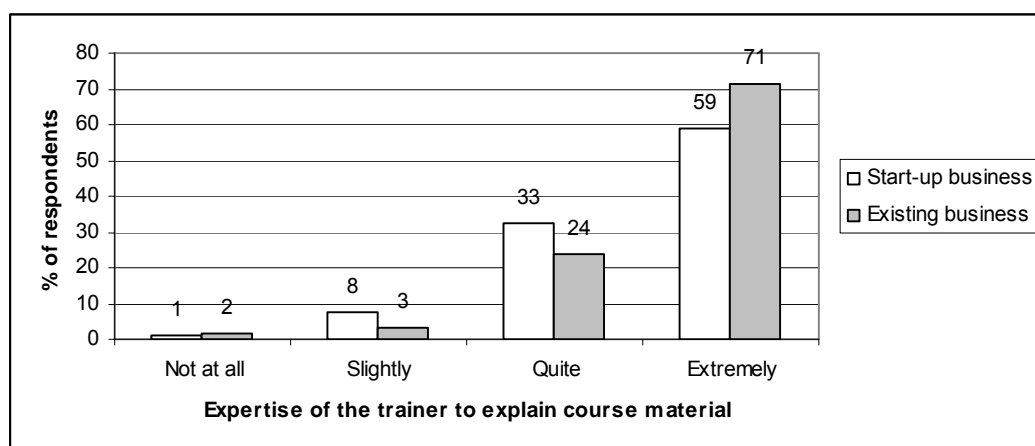


The discussion will now compare the perceptions of the respondents with start-up businesses to those with existing business concerning the four competencies. Some differences are apparent in figures 6.27, 6.28, 6.29 and 6.30 (data table in appendix J).

- (1) **Level of expertise of the trainers to explain the course material, as seen by the respondents with start-up businesses versus existing businesses. As**

can be seen from figure 6.27 (data table in appendix J), respondents with start-up businesses (59%) were not so convinced that the trainers were extremely competent at explaining the course material as were the respondents with existing businesses (71%). However, more of the respondents with start-up businesses (33%) rated the ability of the trainer to explain course material as quite good, than respondents with existing businesses (24%). A possible explanation for this phenomenon is that the need for understanding the course material of respondents starting businesses may be greater than the need of respondents with existing businesses, and their demands and expectations are therefore higher.

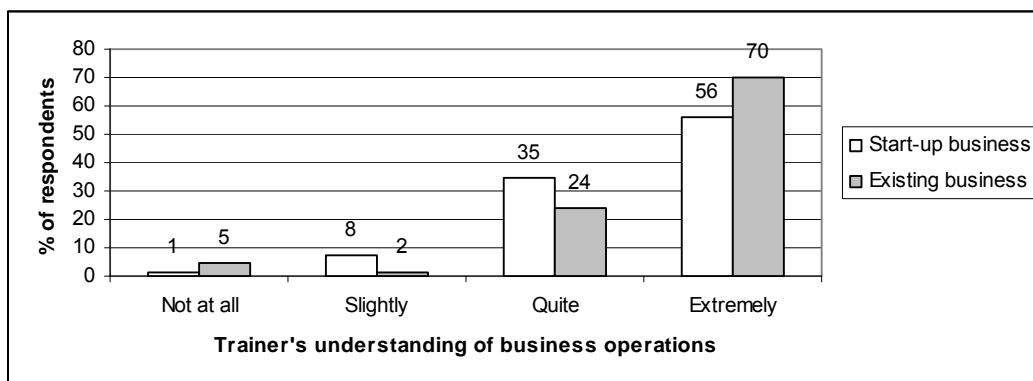
**Figure 6.27 Evaluation of the expertise of the SAB KickStart trainers to explain the course material, by status of respondent's business**



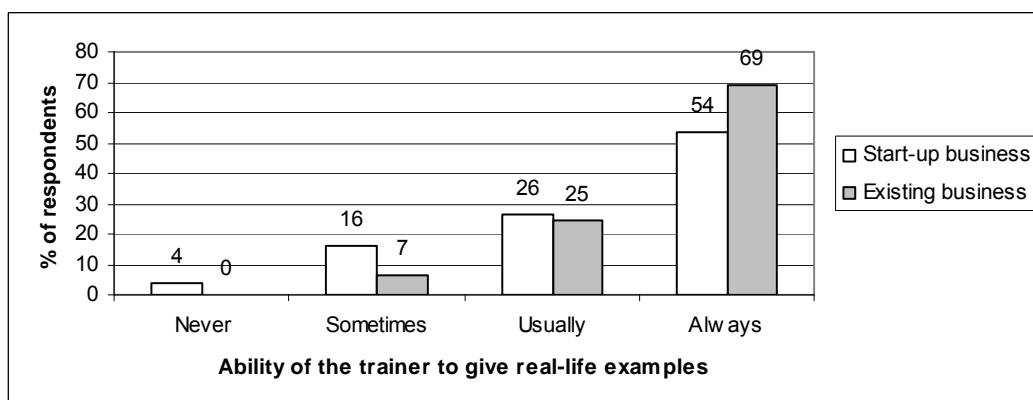
- (2) **Depth of understanding of the trainers about operating a business, as experienced by the respondents with start-up businesses versus existing businesses.** From figure 6.28 (data table in appendix J) it seems that respondents with start-up businesses (56%) were not so convinced that the trainers had an in-depth (extreme) understanding of the operations of a business as the respondents with existing businesses (70%). However, more of the respondents with start-up businesses (35%) thought that the trainers had quite an understanding of the way a business operates than the respondents with existing businesses (24%).
- (3) **Extent of the ability of the trainers to give real-life examples, as perceived by the respondents.** Respondents with start-up businesses were less positive about the ability of trainers to give practical examples, than the respondents with existing businesses, as illustrated in figure 6.29 (data table in appendix J). It is possible that the type of examples cited by trainers was more relevant to existing businesses than to start-up businesses. This distribution difference was found to be statistically

significant at the 10 per cent level (exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0833; tables showing the statistical analysis appear in appendix K).

**Figure 6.28 Depth of understanding of the trainers about operating a business, as experienced by the respondents with start-up businesses versus existing businesses**

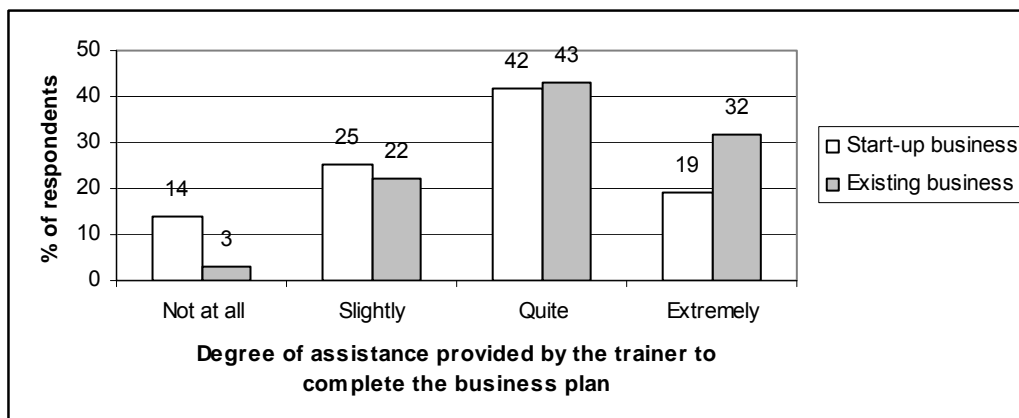


**Figure 6.29 Extent of the ability of the trainers to give real-life examples as seen by respondents with start-up businesses versus existing businesses**



- (4) **Degree of assistance provided by the trainers to respondents to complete their business plan, as perceived by the respondents with start-up businesses and those with existing businesses.** The respondents with start-up businesses were less satisfied with the assistance provided by the trainers to complete the business plan than the respondents with existing businesses (fig 6.30 – data table in appendix J). Whereas 14 per cent of the respondents with start-up businesses claimed to have received no assistance at all, only 3 per cent of the respondents with existing businesses made a similar claim.

**Figure 6.30 Degree of assistance provided by the trainers to respondents to complete their business plan, by status of business**



At the other extreme, only 19 per cent of respondents with start-up businesses asserted that the trainers were always helpful in completing the business plan, whereas 32 per cent of respondents with existing businesses made the same assertion. Typically, compiling a business plan for a start-up business requires more research, for example, estimating a realistic sales figure and completing pro forma financial statements. It is thus possible that respondents with start-up businesses would place higher demands on the trainer for assistance with the compilation of the business plan than respondents with existing businesses. If such demands are not met, dissatisfaction could be intense. On the other hand, it may be easier for trainers to assist existing businesses with their business plans, than start-up businesses.

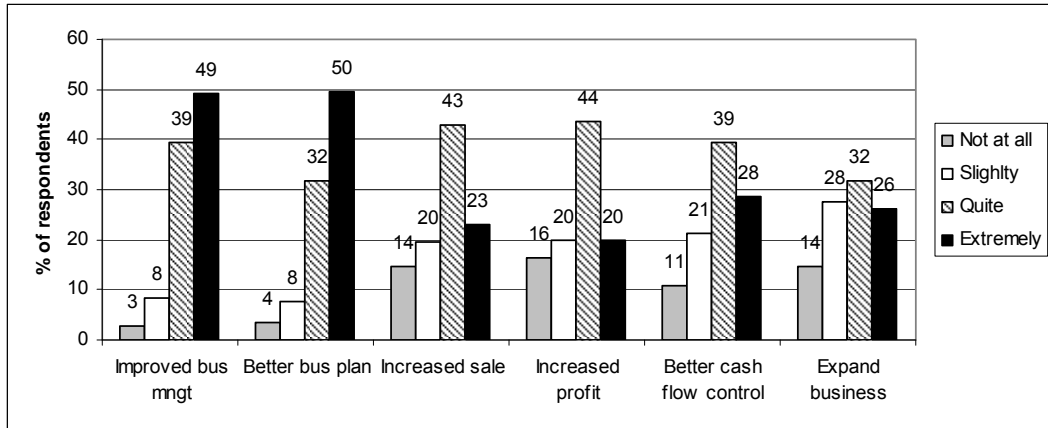
### 6.2.3.3 Respondents' views on the outcomes of the SAB KickStart training (question 3.3)

Respondents were asked to give their opinion on the effectiveness of the SAB KickStart training by selecting the appropriate answer on a four-point Likert scale (ranging from not at all, slightly, quite to extremely) with regard to seven different outcomes. The following trends and differences are evident from figure 6.31 (data table in appendix J):

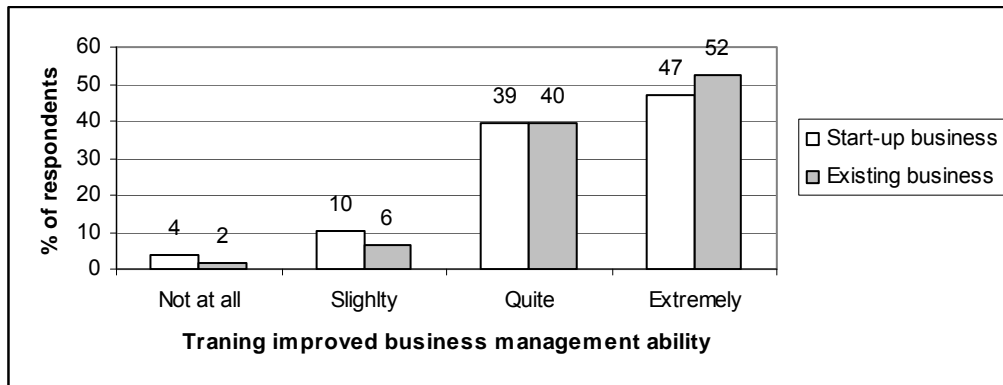
- (1) **Training's influence on respondents' ability to manage their businesses.** Virtually half of the respondents (49%) found that the training had really enhanced their ability to manage their businesses, while a further 39 per cent experienced quite an enhancement – a positive appraisal by 88 per cent of the respondents (fig 6.31). The respondents with start-up businesses and those with existing businesses are in agreement on this (fig 6.32 – data table in appendix J).



**Figure 6.31 Respondents’ evaluation of the outcomes of the SAB KickStart training**

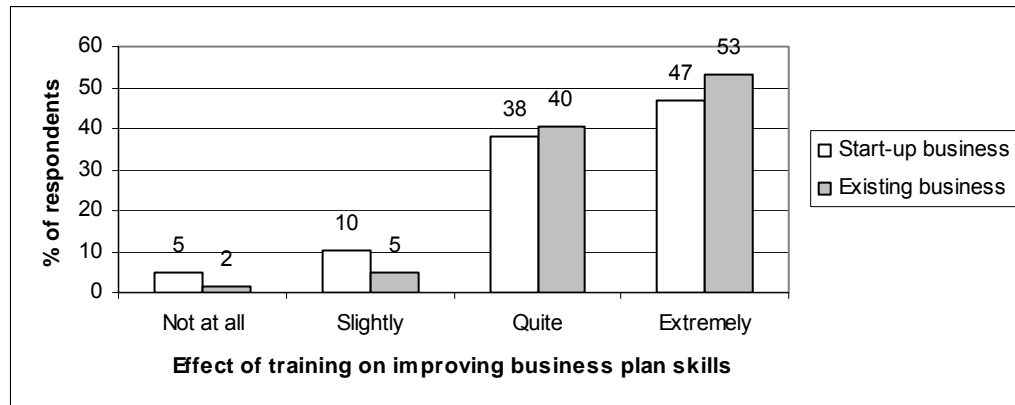


**Figure 6.32 Respondents’ evaluation of the training’s effect of training on their business management ability, by status of business**



(2) **Training’s input to respondent’s skills to draw up a business plan.** Figure 6.31 shows that the distributions were the same for the first two outcomes of training, namely increased business management skills, and improved skill in drawing up a business plan. Half the respondents believed that their ability to draw up a business plan had been greatly (extremely) enhanced by the training, while a further 32 per cent believed that it had been quite enhanced – a positive response of 82 per cent. From figure 6.33 (data table in appendix J) respondents with start-up businesses (15% – not at all & slightly) were proportionally more negative about their ability to compile a business plan after training than respondents with existing businesses (7%).

**Figure 6.33 Respondents' evaluation of the effect of training on their skills to draw up business plans, by status of business**



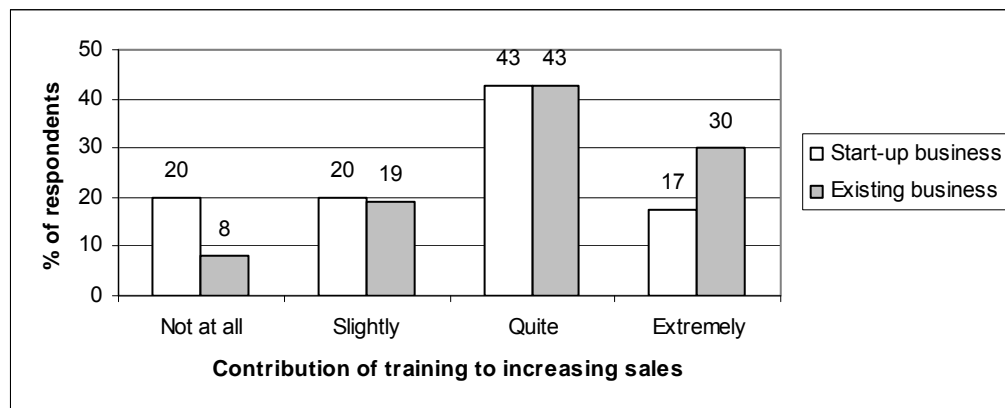
Unfortunately the question merely assessed whether there had been some improvement in the ability of the respondent to compile a business plan after training and not whether the business plan was at a level acceptable to, say, a bank or an investor. Such an assessment would have been a much better indication of the skill level of the respondents to draw up business plans that are not only credible but also capable of securing funding. As mentioned earlier, business plans are mandatory to obtain funding from the SAB KickStart Programme and the training pertaining to the skills to compile business plans should therefore be upgraded, as well as the assessment of the business plans.

- (3) **The value of training to increase the sales of respondents' businesses.** Of all the respondents, 43 per cent perceived that the training had helped somewhat (quite) to increase sales of their businesses, and a further 23 per cent perceived that training had contributed substantially (extremely) to an increase in sales – a cautiously positive perception by 66 per cent of the respondents (fig 6.31). As many as 34 per cent perceived that the training was of no value, or had helped only slightly to increase sales. This percentage is perplexing taking into account that the respondents were supposed to have received sufficient training in marketing to apply their marketing skills in their businesses and increase their sales. Yet, they could not! Furthermore, an increase in sales is the most critical outcome of training because it contributes to the growth of the business. A much higher response on increased sales should have been forthcoming.

In figure 6.34 (data table in appendix J) it seems that at the extreme ends of the continuum (*not at all* versus *extremely*), the experiences of the respondents with start-up businesses differed from those of the respondents with existing

businesses. Of the respondents with start-up businesses, 20 per cent had felt that the training had been of no value with regard to increasing sales, compared to 8 per cent of the respondents with existing businesses. At the other end of the continuum, only 17 per cent of the respondents with start-up businesses had felt that the training had been of extreme value with regard to increasing sales, compared to 30 per cent of the respondents with existing businesses.

**Figure 6.34 Respondents' evaluation of the effect of training to increase the sales of respondents' businesses, by status of business**

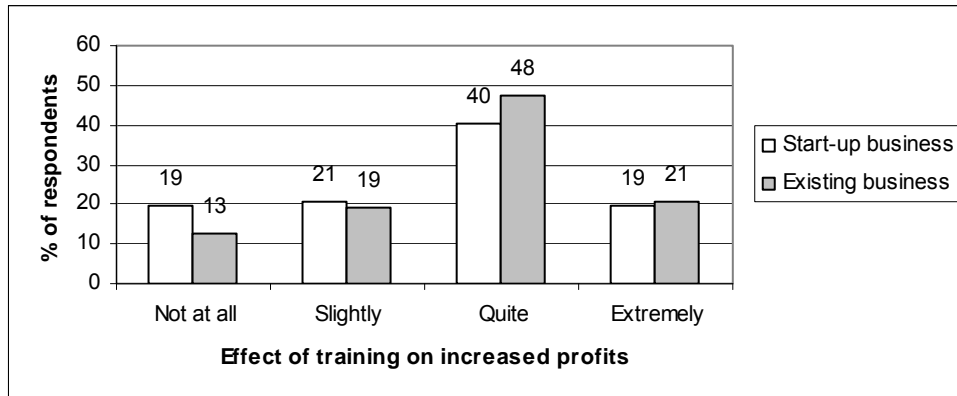


Owing to the critical importance of increasing sales after training, a statistical test, the Cochran-Armitage-Trend test was applied to test whether the trend in responses across rating categories (not at all, slightly, quite and extremely) differed significantly between respondents with start-up businesses and those with existing businesses. A significant difference at the 5 per cent level was found (one-sided probability  $\{Z = -2.2841 < \text{tabulated } Z\} = 0.0112 < 0.05$ ). With regard to an increase in sales subsequent to the training period, the Cochran-Armitage-Trend test indicated that although the responses of both groups (start-up and existing) exhibited the same trend over the rating categories, namely first an increase, then peaking followed by a slight decline; proportionally these trends differed significantly. Thus, the 30/75 respondents with start-up businesses who reported not at all or slight sales increase were proportionally significantly higher than the 17/63 respondents with existing businesses for the same rating categories.

- (4) **The part played by training in increasing the profit of respondents' businesses.** The distribution of responses on the value of training to increase profit (fig 6.31) was similar to the distribution of responses on the value of training to increase sales (point 3 above). The same trend was evident. Of all the respondents, 44 per cent perceived that the training had helped somewhat (quite)

with an increase in the profit of their businesses, and a further 20 per cent perceived that training had contributed substantially (extremely) to an increase in profit – a guardedly positive perception by 64 per cent of the respondents. As many as 36 per cent perceived that the training had been of no value or had helped only slightly to increase profits.

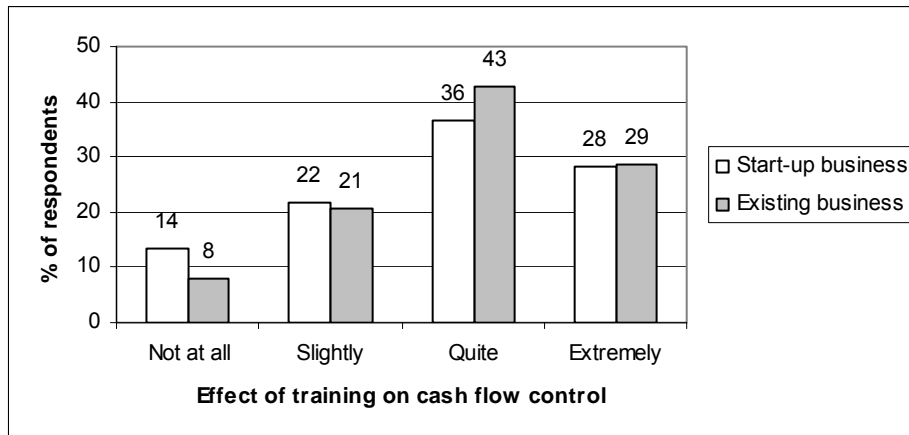
**Figure 6.35 Respondents' evaluation of the effect of training to increase the profits of respondents' businesses, by status of business**



From figure 6.35 (data table in appendix J) it follows that the respondents with start-up businesses were more negative about the effect of training on increasing the profits of the respondent's businesses. Forty per cent of the first group thought that training had not helped at all or only slightly, versus 32 per cent of the latter group.

- (5) **The effect of training on the control of cash flow by the respondents.** The distribution over the rating categories of the respondents' ability to control cash flow after training followed the same trend as for the respondents' ability to increase sales or profit (the two previous points) for each of the two groups – respondents with existing businesses and those with start-up businesses (figs 6.31 and 6.36 – data table in appendix J).

**Figure 6.36 Respondents' evaluation of the effect of training on the control of cash flow, by status of business**



Of all the respondents, 39 per cent perceived that the training had helped somewhat (quite) with the control of the cash flow of their businesses, and a further 28 per cent perceived that training had contributed substantially (extremely) to the control of cash flow – again, a warily positive perception by 67 per cent of the respondents. One-third (33%) perceived that the training had been of no value or had helped only slightly to control cash flow. The control of cash flow is of critical importance to start-up and existing businesses. The lack of cash flow is one of the main contributors to business failure. For this reason the positive percentage should have been considerably higher. The findings suggest that the training related to cash flow management was inadequate and should be substantially improved.

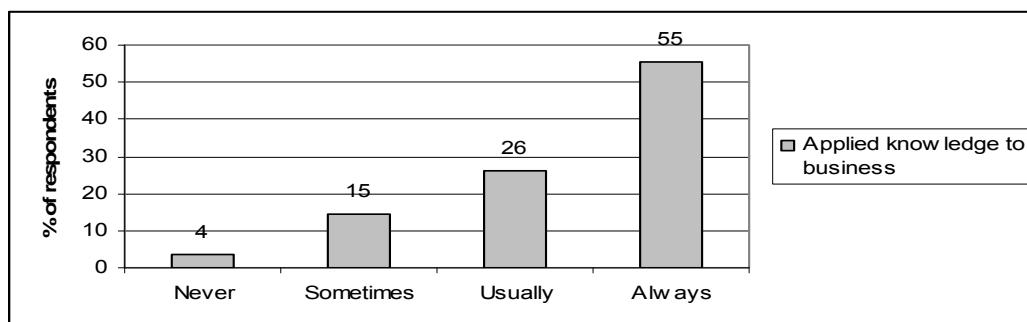
- (6) **Possibility of training enabling respondents to expand their businesses.** Thirty-two per cent of the respondents indicated that their businesses had expanded substantially after they had received training, while a further 26 per cent indicated that their businesses had expanded quite a bit – hardly a positive response of 58 per cent. As much as 42 per cent of the businesses had shown either no growth or only slight growth, following the training. Proportionately, from figure 6.37 (data table in appendix J) nearly five times more of the respondents with start-up businesses (23%) experienced no growth compared with respondents with existing businesses (5%).

**Figure 6.37 Possibility of training enabling respondents to expand their businesses, by status of business**



- (7) **Practical nature of training as experienced by respondents.** More than half of the respondents (55%) claimed that during training they had always been allowed to apply the knowledge to their own businesses, while a further 26 per cent claimed that during training they were usually allowed to apply the knowledge to their own businesses – a positive appraisal by 81 per cent of the respondents (fig 6.38 – data table in appendix J). The respondents with start-up businesses and those with existing businesses shared the same views in this regard.

**Figure 6.38 Extent to which respondents were allowed to apply knowledge to own business during training**



#### 6.2.3.4 Respondents' evaluation of the skills covered during SAB KickStart training (question 3.4)

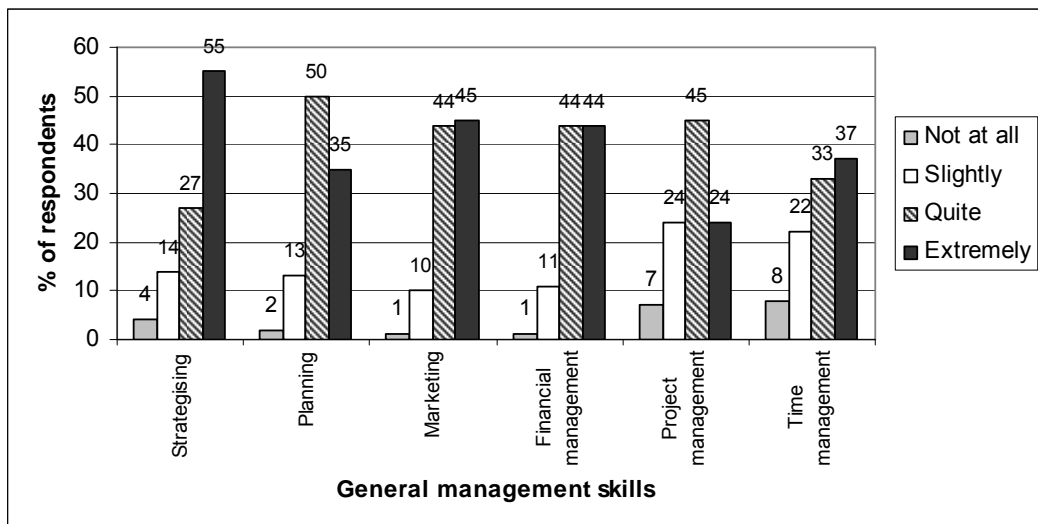
The SAB KickStart Training Manual was upgraded for 2006 and the content covers entrepreneurship, production/operations, marketing, human resource management,

financial management and the business plan (appendix F). Content detail is not available for SAB KickStart manuals used prior to 2006.

On a predetermined list of skills that should be covered in entrepreneurial and SME business management training, respondents had to indicate on a four-point Likert scale how adequately each of the skills had been covered. Rating categories ranged from not at all, slightly, quite to extremely. The list of skills is split into two groups under the headings: general management skills (strategising, planning, marketing, financial management, project management and time management), and people skills (leadership, motivation, delegation, communication, negotiation, teamwork/interpersonal skills, coaching, conflict management, problem solving and decision making).

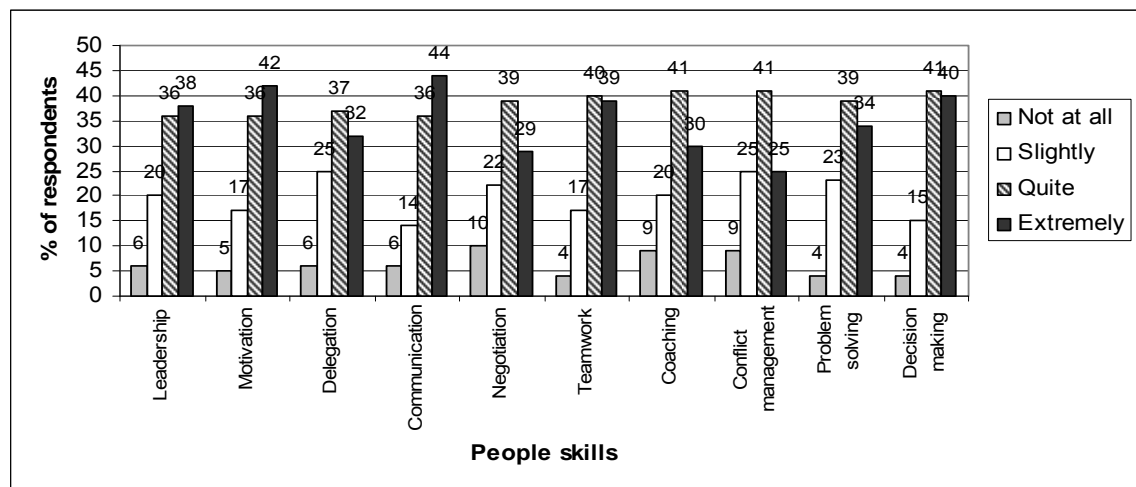
The perceptions of the respondents on how well the general management and people skills were covered during training tended to be weighted on the positive side (fairly and extremely well) for all of the skills listed, as is evident in figures 6.39 and 6.40 (data table in appendix J). The percentages of the respondents who perceived the skills to be fairly or extremely well covered were as follows (in descending order): marketing (89%), financial management (88%), planning (85%), decision making (81%), strategising (80%), communication (80%), teamwork/interpersonal skills (80%), project management (79%), motivation (78%), leadership (74%), problem solving (73%), time management (70%), delegation (70%), coaching (70%), negotiation (68%) and conflict management (65%).

**Figure 6.39 Respondents' evaluation of the general management skills covered during SAB KickStart training**



In the category, general management skills, more than half the respondents perceived strategising to have been covered extremely well (55%), while planning, marketing, financial management and project management received cautiously positive ratings, that is, the emphasis was on quite well and not on extremely well. About a third of the respondents were not really satisfied (not at all or slightly) with the coverage of project management and time management.

**Figure 6.40 Respondents' evaluation of the people skills covered during SAB KickStart training**



Almost a third of the respondents perceived that delegation (31%), negotiation (32%), and conflict management (34%) were not at all or only slightly covered. Negotiation is a critical skill to be mastered by entrepreneurs and SME owners because it is used daily to secure customers, supplies, contracts, funding, credit, lease agreements, et cetera. From these findings it seems that the SAB KickStart training should upgrade its covering of negotiation skills.

Respondents with start-up businesses did not rate the coverage of all the skills during training equally. Marketing and financial management, for example, were rated as adequately to very well covered, whereas the skills of delegation, negotiation, coaching, conflict resolution and problem solving were rated as not adequately covered. The distribution differences between the skills rating were significant at the 0.1 per cent level (Pearson's Chi-squared probability < 0.0001, and the exact Chi-squared probability of Fischer's exact test using the Monte Carlo approximation = 0.0000; tables showing the statistical analysis appear in appendix K).

Respondents with existing businesses did not rate the coverage of all the skills during training equally. For example, marketing and financial management were rated as



adequately to well covered, while project management and time management aspects were poorly covered. The distribution differences were significant at the 5 per cent level (Pearson's Chi-squared probability = 0.0530, and the exact Chi-squared probability of Fischer's exact test using the Monte Carlo approximation = 0.0489; tables showing the statistical analysis appear in appendix K).

#### **6.2.3.5 Respondents' recommendations to improve the training (question 3.5)**

To conclude the section on training, respondents were asked to recommend ways that the training could be improved to be of greater value to them – the group of SAB KickStarters. Of the respondents, 80 per cent offered recommendations, while 20 per cent refrained from making recommendations. This open-ended question allowed for multiple responses and as many as 186 recommendations were proposed by 111 respondents. These recommendations included many diverse issues but could be grouped into five major categories, each with several subcategories, as set out below. (The actual responses in all the categories appear in appendix L.)

##### **CATEGORY 1: STRUCTURING THE TRAINING (49% of responses)**

- (1) Differentiate the training – split heterogeneous groups before training commences (eg start-up versus existing; inexperienced versus experienced).
- (2) Tailor-make the training – increase the relevance of the training to the participants.
- (3) Make the training more outcomes based – provide opportunities for the theory to be applied.
- (4) Increase exposure to real businesses through the placement of trainees in real businesses for a few days or visit different types of businesses. Alternately, develop business skills through business simulation exercises.
- (5) Extend the duration of the training period.
- (6) Shorten the training period and/or spread the training over a longer period.
- (7) Accredite the training and assess the level of competency of the trainees/learners on completion of the course.
- (8) Provide follow-up training after the initial training.

##### **CATEGORY 2: TRAINING MANUAL (3% of responses)**

- (9) Distribute training manuals in advance – prior to commencement of the training.
- (10) Simplify the training manual.

##### **CATEGORY 3: UPGRADING THE TRAINERS (15% of responses)**

- (11) Select more competent trainers.
- (12) Increase the competencies of the trainers.

- (13) Invite different experts from business to address trainees.
- (14) Invite KickStarters from previous years to address trainees.

CATEGORY 4: THE CONTENT OF THE CURRICULUM (22% of responses)

- (15) Place greater emphasis on financial management.
- (16) Place greater emphasis on marketing management and strategies.
- (17) Place greater emphasis on communication.
- (18) Provide training in computer literacy.
- (19) Focus more on people skills.
- (20) Provide more detail on labour laws and labour-related issues.
- (21) Cover business planning in more detail.
- (22) Explain ways to be innovative and creative.

CATEGORY 5: OTHER

- (23) Respondents spontaneously expressed their satisfaction with the training.
- (24) A variety of other comments related to training were made.
- (25) Some respondents offered no suggestions.

Almost a half of the recommendations (49% from tab 6.8) focused on how the training should be structured and presented, while 22 per cent of the recommendations addressed the content of the curriculum, and 15 per cent of the recommendations were about upgrading the trainers.

An appreciation for the concerns of the respondents regarding training can only be gained by reading the detailed comments in appendix L.

A strong concern about the nature of the training emerged because most of the recommendations (49%) related to it. For example, respondents suggested that the training should be more outcomes based to provide the opportunities for the theory to be applied. They requested an increase in exposure to real businesses through the placement of trainees in real businesses for a few days or that trainees visit different types of businesses.

Alternately, business simulation exercises should be used to teach trainees business skills. Furthermore, respondents would like not only different experts from business to address them but also SAB KickStarters from previous years. From these recommendations it would seem that the presentation of the course was perceived to be somewhat theoretical and that more hands-on business experience and exposure to real businesses and business managers would be desired.

**Table 6.8 Respondents' recommendations on ways to improve the training, by status of business**

<b>Respondents' recommendations on ways to improve the training, by status of business</b>				
Recommendations	Status of business		Total freq	Total % of responses <i>n</i> =186
	Start-up	Existing		
<b>Structuring the training</b>				
1. Differentiate training	6	6	12	
2. Tailor-make training	4	5	9	
3. Make training more practical, more outcomes-based	16	10	26	13.98
4. Increase exposure to real businesses or introduce business simulations	5	3	8	
5. Extend duration of training period	15	7	22	11.83
6. Shorten or spread training period	1	5	6	
7. Accredit training & assess competence of trainees	2	3	5	
8. Provide follow-up training	2	1	3	
Total for "structuring the training"			91	48.92
<b>Training manual</b>				
9. Distribute training prior to course	2	0	2	
10. Simplify the training manual	1	3	4	
Total for "training manual"			6	3.23
<b>Upgrading the trainers</b>				
11. Select more competent trainers	2	3	5	
12. Increase competencies of trainers	6	1	7	
13. Invite different experts from business to address trainees	10	5	15	8.06
14. Invite KickStarters from previous years to address trainees	1	0	1	
Total for "upgrading the trainers"			28	15.05
<b>Content of the curriculum</b>				
15. Place greater emphasis on financial management	6	3	9	
16. Place greater emphasis on marketing management and strategies	4	1	5	
17. Place greater emphasis on communication	5	1	6	
18. Provide training in computer literacy	4	2	6	
19. Focus more on people skills	6	1	7	
20. Labour laws and labour related issues	0	2	2	
21. Business planning	3	2	5	
22. How to be innovative and creative	1	0	1	
Total for "content of the curriculum"			41	22.04
<b>Other</b>				
23. Satisfied with training	5	8	13	
24. Various other comments	3	4	7	
Total recommendations	110	76	186	
25. No recommendations	16	12	28	

As far as the length of the training period is concerned, double as many responses from respondents with start-up businesses (69%) compared to respondents with existing businesses (31%) suggested that the training period be extended. Five times more responses from respondents with existing businesses recommended that the training period be shortened or spread so that they do not have to be away from their businesses for a two-week period.

Although only a few respondents suggested that the training should be accredited with the relevant SETA, this is an excellent suggestion that should be pursued further.

Concern about the competence of the trainers surfaced (15% of the responses). Suggestions centred on the selection of competent trainers with not only facilitator skills but also business experience. Furthermore, suggestions to enhance the skills of the trainer were made (see appendix L and detailed discussion in ch 7). Respondents realised that trainers have limitations and suggested that experts from the business world should be invited to facilitate sections of the course material. Meeting SAB KickStarters from prior years would be of value.

Of the responses, 22 per cent were about the content of the training material, but the responses were distributed over several topics. The topics that should receive more attention during training are financial management and people skills. Other topics that were mentioned (from highest to lowest responses) were: communication, computer literacy, marketing strategies, business planning, labour-related issues and innovative thinking.

#### **6.2.3.6 Most beneficial sections in the SAB KickStart training manual, as experienced by respondents (question 3.6)**

The SAB KickStart training manual (updated and issued in 2006) covers six business management areas:

- (1) Entrepreneurship (traits and functions of entrepreneurs, risks, creativity, etc)
- (2) Production (planning, scheduling, inventory, quality, budget & productivity)
- (3) Marketing (market research, market strategy, consumer analysis & relevant toolkits)
- (4) Human resources management (recruitment, policies, dismissal & disciplinary code)
- (5) Financial management (MIS, record-keeping, budgeting & financial viability)
- (6) Business plan (the offer, the different plans & relevant toolkits)

Respondents were asked to indicate the extent to which they had benefited from each of these six sections, on a four-point Likert scale, ranging from “not at all” to “extremely”. The detail of each section, as listed above, appeared on the questionnaire to jog the memory of the respondent about the content covered in each section. All the respondents indicated (tab 6.9) that they had benefited substantially (quite to extremely) from the each of the six business areas covered, but mostly from marketing and compiling a business plan.

For the group of respondents with start-up businesses, a significant rating distribution difference at the 10 per cent level of significance existed over the various areas in the training manual from which the respondents could benefit (the exact Chi-squared probability of Fisher’s exact test using the Monte Carlo approximation = 0.0650; tables showing the statistical analysis appear in appendix K). Although all the business areas covered were rated as beneficial, marketing skills seemed to rate the best (tab 6.9).

**Table 6.9 Level of benefits experienced by respondents from different sections of the SAB KickStart training manual, by status of business**

<b>Degree of benefiting from different sections of the SAB KickStart training manual, by status of business</b>							
Section in training manual	Status of business		Level of benefit experienced				Total
			Not at all	Slightly	Quite	Extremely	
Entrepreneurship	Start-up	Freq	1	14	40	24	79
		Row %	1.27	17.72	50.63	30.38	100
	Existing	Freq	0	12	31	18	61
		Row %	0.00	19.67	50.82	29.51	100
Production	Start-up	Freq	2	12	37	28	79
		Row %	2.53	15.19	46.84	35.44	100
	Existing	Freq	1	9	27	24	61
		Row %	1.64	14.75	44.26	39.34	100
Marketing	Start-up	Freq	0	9	37	33	79
		Row %	0.00	11.39	46.84	41.77	100
	Existing	Freq	0	4	26	31	61
		Row %	0.00	6.56	42.62	50.82	100
Human resources management	Start-up	Freq	3	11	46	19	79
		Row %	3.80	13.92	58.23	24.05	100
	Existing	Freq	3	9	25	24	61
		Row %	4.92	14.75	40.98	39.34	100
Financial management	Start-up	Freq	0	15	34	30	79
		Row %	0.00	18.99	43.04	37.97	100
	Existing	Freq	1	6	30	24	61
		Row %	1.64	9.84	49.18	39.34	100
Business plan	Start-up	Freq	0	15	26	37	78
		Row %	0.00	19.23	33.33	47.44	100
	Existing	Freq	1	2	25	33	61
		Row %	1.64	3.28	40.98	54.10	100

For the group of respondents with existing businesses, a significant rating distribution difference at the 10 per cent level of significance existed over the various areas in the training manual from which the respondents could benefit (the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0825; tables showing the statistical analysis appear in appendix K). Although all were rated as beneficial, marketing skills and compiling a business plan seemed to rate best (tab 6.9).

#### **6.2.3.7 Completion of business plan and criteria for allocating grants (question 3.7)**

On completion of their training, the SAB KickStart participants are expected to complete a business plan and to submit it to a regional panel for adjudication. The participants present themselves and their business plans to the adjudicators who decide which of the participants should receive grants, and the value of each grant.

- (1) **Completion of business plan by respondents on completion of training.** Respondents were asked to indicate whether they had completed their business plan after the two-week training period. In spite of the fact that this was a mandatory requirement, not all the respondents had complied – 87 per cent of the respondents completed the business plan while 13 per cent did not. The latter percentage in part reflects back to the trainers whose responsibility it is to ensure that the trainees all complete their business plans.

#### **A question arose: After they had completed their training, were respondents who had completed and submitted their business plan more likely to receive funding than those who did not?**

This does seem to be the case. Proportionately, significantly more respondents who received funding had completed their business plans (94%) as compared to the respondents who had received only training. With regard to completing a business plan after training, a significant distribution difference (at the 5% level of significance) was indicated for respondents who had received only training and respondents who had received training, funding and mentoring (Pearson's Chi-squared probability = 0.0326; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0431; tables showing the statistical analysis appear in appendix K).

According to the rules, a SAB KickStarter who completes training has to submit a business plan to be considered for a grant. However, it would seem that in practice

a few SAB KickStarters (6%) managed to obtain a grant without completing a business plan. The fact that this happened, could point to a flaw in the system.

- (2) **Criteria used by the adjudicating panels to allocate grants.** The second part of question 3.7 endeavoured to find out what criteria were used by the adjudicating panels to decide who should receive a grant. This is an open-ended question and respondents spontaneously described the criteria; some provided multiple responses. The responses were quite diverse in nature (see appendix L for the actual responses) and were grouped into categories as set out in table 6.10. About 14 per cent of the responses did not fall into a specific category and had to be grouped under “other”. Of the respondents, 36 per cent stated outright that they did not know which criteria were being used by the panels, while a further 10 per cent of the respondents did not respond at all. About a quarter of the respondents (24%) perceived the current status of the business and its actual growth as a deciding factor in receiving a grant. Should this be the case, it could favour existing businesses because it should be easier for them to present growth statistics. Indeed, nine per cent of the respondents (mostly those with start-up businesses) blatantly stated that existing businesses were favoured when grants were allocated.

**Table 6.10 Criteria used by regional panels to allocate grants, as perceived by respondents and by status of business**

Criteria used by regional panels to allocate grants, as perceived by respondents and by status of business					
Criteria	Status of business		Total		
	(responses)		Freq (responses)	% (responses) <i>n</i> = 197	% (respondents) <i>n</i> = 143
	Start up	Existing			
Status/growth of business	17	18	35	17.77	24.48
Employment figures	2	5	7	3.55	4.90
Funding needed	3	4	7	3.55	4.90
Existing businesses	10	3	13	6.60	9.09
Understand the business	12	9	21	10.66	14.67
Presentation skills	12	7	19	9.65	13.29
Other	11	17	28	14.21	19.58
Do not know	34	18	52	26.40	36.37
No response	9	6	15	7.61	10.49
Total	110	87	197	100	---

An interesting criterion that surfaced is that respondents were judged on their presentation skills (13% of respondents). Although the percentage was low it supports research findings that presentation skills are the deciding factor in

selecting business for funding (discussed in ch 3 and to be further addressed in ch 7). A criterion which could be linked to presentation skills is the degree to which respondents understand their businesses (15% of respondents). Convincing a panel of adjudicators that you understand your business well would not only depend on the quality of the business plan but also to some degree on your level of presentation skills. Presentation skills are a fundamental part of establishing and growing a business because the entrepreneur has to frequently present his or her business and products/services to potential investors, customers and suppliers. Presentation skills should therefore be incorporated into the training curriculum.

According to 5 per cent of the respondents, grants were allocated on the basis of the amount of money needed by a particular business to fit in with the amount that could be afforded by the SAB KickStart Programme. In other words, the adjudicators would consider the apportionment of the budget for grants in order to assist about five to six SAB KickStarters instead of allocating the grants to the most deserving respondents.

It would seem from the type and range of responses that there is ambiguity about the criteria for allocating grants. This contradicts outcomes-based education where the criteria for evaluation should be stated prior to evaluation. It is only fair to provide all the trainees with the criteria to be utilised by the adjudicating panel prior to their presentation and during the two-week training period.

Statistical testing indicated no significant difference in the grant-criteria distribution of responses between respondents with start-up businesses and those with existing businesses. Both groups perceived growth of the business, understanding of the business and presentation skills to be the primary criteria. Nor was any significant difference indicated in the grant-criteria distribution of responses between respondents who received only training and those who received training, funding and mentoring.

- (3) **Reasons why respondents did not receive a grant.** The third part of question 3.7 tried to ascertain from those respondents who did not receive a regional grant (79 respondents = 55% of 143) the reasons why their businesses did not qualify for a grant. This is an open-ended question and the respondents' perceptions are summarised in table 6.11. One-fifth of the respondents had no idea why they were not allocated a grant. Statistical testing indicated no significant difference in the no-grant-awarded distribution between the responses from respondents with start-up businesses and from those with existing businesses. Both groups perceived



inadequate business plans, inadequate presentations and panel prejudice to be the principal reasons for not qualifying for a grant. The fact that the inadequacy of the business plan was advanced as a reason for not receiving a grant was of concern because, as previously mentioned, the compilation of a business plan is supposed to be covered in detail during training. Presentation skills again surfaced as a skill that had not yet been mastered, and its inclusion in the SAB KickStart training should be considered.

**Table 6.11 Respondents' reasons why their businesses did not qualify for a regional grant, by status of business**

<b>Respondents' reasons why their business did not qualify for a regional grant, by status of business</b>				
Reason	Status of business		Total (responses)	
	Start-up	Existing	Freq	%
Business status not acceptable	7	0	7	7.61
Low employment figures	1	0	1	1.07
Panel prejudice	7	4	11	11.96
Panel limited understanding	4	5	9	9.78
Business plan inadequate	10	4	14	15.22
Inadequate presentations	9	2	11	11.96
Other	11	7	18	19.57
Do not know	9	9	18	19.57
No reason given	1	2	3	3.26
Total	59	33	92	100

This section addressed the efficacy of the trainers and the training material of the SAB KickStart Programme, the completion of business plans, and the criteria used in the allocation of grants. Information about the growth potential of the respondents' businesses is provided in the next section.

#### **6.2.4 Part 4: information about the respondent's business**

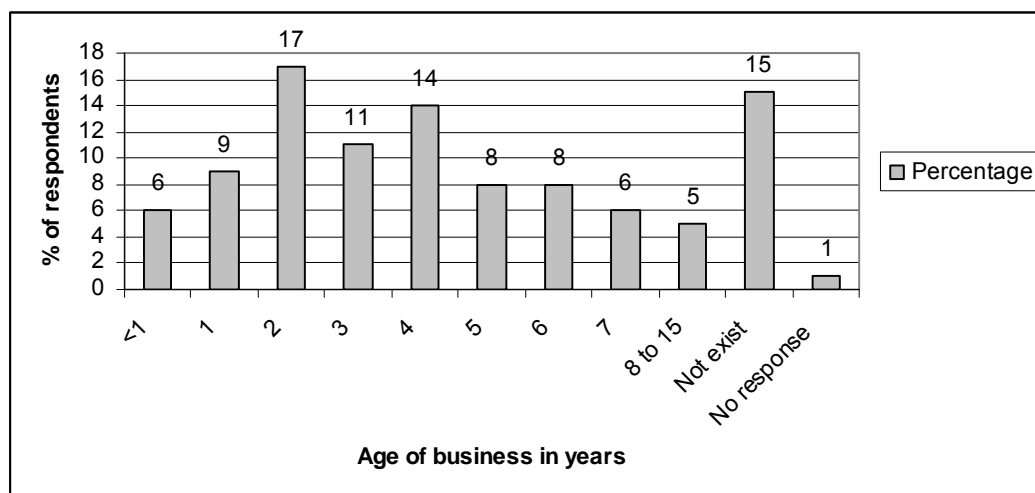
The success/performance of a business can be measured by its increase in turnover, the growth in profit or the growth in number of employees. In this section respondents were asked to provide information on the age of the business, its turnover, profit and number of employees.

##### **6.2.4.1 Age of respondent's business (question 4.1)**

Respondents were asked to indicate the age of their business after they had started (not since registration of the business) in number of years at the time of completing the questionnaire. In analysing the responses one should bear in mind that the respondents

joined the SAB KickStart Programme in different years starting from 2001 to 2006. Furthermore, for six per cent of the respondents, the business that he or she was currently involved in was not the business that was in operation at the time the respondent joined the SAB KickStart Programme (sec 6.2.1.17).

**Figure 6.41 Age of respondents' business in number of years**



Of the respondents' businesses, 41 per cent had reached or passed the four-year age mark, while 43 per cent were younger than four years, and 15 per cent no longer existed, which means that the business either never really started or closed down (fig 6.41 – data table in appendix J). In terms of the GEM definitions (section 2.3.4), 41 per cent of the respondents' businesses were established businesses (owner-managers have paid wages for more than 3.5 years); about 37 per cent were new businesses (a business that has paid salaries for between 3-42 months); and about 6 per cent were start-up businesses (a business that has not paid salaries for three months or more).

#### **6.2.4.2 Turnover of respondents' businesses (question 4.2)**

Respondents were asked to give the turnover (total sales) figure in rand for their businesses for each of the years, from 2001 to 2006, in which the business had been operating.

It should be noted that the newly established businesses (6% – fig 6.41) were in their first year of operation and consequently could not have had annual turnover figures, while a further 9 per cent of the businesses had only been in existence for one year at the time of the survey (June to September 2007) and would not have had annual turnover figures for 2006 – only for part of the year. Furthermore, some of the businesses that were only two

years old had figures for 2006 because they had been established halfway through 2005. Thus, the performance rate of some of the respondents' businesses could not be assessed owing to insufficient data as a result of being recently established. Turnover data were provided by respondents as follows:

- for 2001 by 25 respondents
- for 2002 by 31 respondents
- for 2003 by 49 respondents
- for 2005 by 63 respondents
- for 2006 by 102 respondents

To analyse growth in turnover over time, data for at least two years are needed. For the period 2005 to 2006, it would seem from the above list that data from 63 of the respondents could possibly be used. Should the analysis extend over a three-year period, 2003 to 2006, then the turnover data from 49 respondents could possibly be utilised if the data do not contain strange anomalies. Series of turnover data were not always forthcoming or sometimes data for in-between years would be missing because the business had been temporarily suspended. A number of respondents simply did not provide data, or referred the researcher to their bookkeeper. Taking into consideration the fact that all these respondents had received training in financial statements and should at least have known how to calculate the turnover of a business, in several instances this did not seem to be the case. Several respondents admitted that they did not know what their turnover was. This underlines the fact that the training in financial management needs to be upgraded.

Nevertheless, from the turnover figures for the year 2006 provided by 102 respondents (71% of 143) interesting facts emerged: 80 per cent of the 102 respondents had a turnover below R460 000, 64 per cent had a turnover below R200 000 and 52 per cent had a turnover figure below R120 000 per annum.

**A question arose: Using turnover figures, what would a classification by size of respondents' businesses look like?**

Small businesses are usually defined in terms of number of employees, sales volume and value of assets (Longenecker et al 2003:9) (sec 2.2.2). According to table 6.3, the two categories into which the largest percentages of respondents' businesses could be categorised were business services (34%) and manufacturing (32%). In table 6.12 the size classification of businesses in these two industries is repeated (taken from tab 1.1 in ch 1) for ease of comparison. In table 6.13, the turnover distribution of the respondent's

businesses for 2006 is summarised and compared with the classification of businesses according to turnover figures in the two categories from table 6.12, namely finance and business services, and manufacturing.

**Table 6.12 Criteria for classifying enterprises in South Africa in manufacturing, and finance and business services**

<b>Criteria for classifying enterprises in South Africa in manufacturing, and finance and business services</b>				
Sector in accordance with the Standard Industrial Classification (SIC)	Size of class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
Manufacturing	Medium	200	R51 m	R19 m
	Small	50	R13 m	R5 m
	Very small	20	R5 m	R2 m
	Micro	5	R0.20 m	R0.10 m
Finance and business services	Medium	200	R26 m	R5 m
	Small	50	R13 m	R3 m
	Very small	20	R3 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m

**Table 6.13 Turnover of respondents' businesses in 2006 compared to criteria for classifying enterprises in manufacturing, and finance and business services in South Africa**

<b>Turnover of respondents' businesses in 2006 compared to criteria for classifying enterprises in manufacturing, and finance and business services in South Africa</b>				
Turnover in 2006	Classification		Respondents' businesses	
	Finance and business services	Manufacturing	Cumulative frequency	Cumulative percentage
R150 000 and below	Micro	Micro	59	57.84
R500 000	Very small	Very small	86	84.31
R2 million	Very small	Very small	96	94.12
R3 million	Very small	Very small	99	97.06
R6 million	Small	Small	100	98.04
R10 million	Small	Small	102	100.00

It is apparent from table 6.13 that the SAB KickStart Programme assists predominantly micro, very small and small enterprises (100% of respondents). None of the respondents' businesses could be classified as medium sized according to the classification for finance and business services, and for manufacturing. Considering the maximum value of about R100 000 for a regional grant, it would be unrealistic of SAB to expect medium-sized enterprises to participate in the SAB KickStart Programme because their funding needs far exceed R100 000 and could easily run into millions. An interview with a respondent

confirmed this fact – he withdrew from the SAB KickStart Programme because he needed a minimum of R250 000 as a regional grant.

#### **6.2.4.3 The effect of funding on the performance of respondents' businesses as measured by growth in profit and in turnover – hypotheses testing**

The following hypotheses were formulated in chapter 1:

*Null hypothesis ( $H_{01}$ ): No difference exists between the performance of the businesses of participants who received training, grants and mentoring and those businesses of participants who received only training.*

*Alternative hypothesis ( $H_{11}$ ): The businesses of participants who received training, grants and mentoring perform better than the businesses of participants who received only training.*

Analysis of variance (ANOVA) (using the generalised linear regression approach) was applied to the turnover and percentage profit figures of respondents to investigate the significance of the effect of years (2001–2006), status of the business (“start-up” or “existing”) and type of SAB KickStart support (“training only” or “training, funding and mentoring”) rendered to respondents. Results of the analyses on profit and turnover with the effect of years and “support” (which indicate the type of support received from the SAB KickStart programme, as either training (“0”) or training and funding (“1”)) taken into consideration, appear in the two sets of tables 6.14 and 6.15.

Note that preliminary analysis of variance results, not included in this section, indicated that the status of the business (defined as “start-up” or “existing”) at the time respondents joined the SAB KickStart Programme proved not to significantly affect either profit or turnover and was therefore not included in the final analyses results.

The significance and nature of the effect of the type of support respondents received under the SAB KickStart Programme and the effect of the year the respondent joined the programme on turnover and percentage profit are described in the analyses.

##### **(1) Hypothesis testing, by growth in profit**

Once the general significance of the analysis on profit has been established (the analysis is significant on the 1% level of significance – and thus on the 5% level of significance as well with the general F-probability < 0.0067), the significance of the type of support and

year effect can be considered. In the analysis of variance table below, both the effect of support and year are indicated as significant on the 5 per cent level of significance (F-probabilities were reported as 0.05 and 0.01 respectively – which are both significant on the 5% level of significance). This result implies that both the effect of the type of support provided and the year of SAB KickStart involvement had a significant effect on profit.

By examining the tables of profit means arranged according to type of support and year, the nature of the effect of support and year on profit can be observed.

The profit means, according to type of support rendered, indicate that the mean profit of the respondents whom received both funding and training were significantly greater than those who received only training. (This was confirmed by the Bonferroni multiple comparison of means test.) One may therefore deduce that funding, together with training and mentoring, added value to the programme since the profit figures increased significantly for this group, thus adding to the performance rate of businesses.

**Table 6.14 Analysis of variance results and means tables: profit**

Source	Degrees of freedom (DF)	Sum of squares	Mean square	F value	Probability Pr > F
Model	6	7965.1942	1327.5324	3.04	0.0067
Error	312	136412.8999	437.2208		
Corrected Total	318	144378.0940			

R-square	Coefficient of variance	Root MSE	Profit mean
0.055169	99.31856	20.90983	21.05329

Source	DF	Type III SS	Mean square	F value	Pr > F
support1	1	1685.211981	1685.211981	3.85	0.0505
year	5	6588.122053	1317.624411	3.01	0.0113

**Profit means tables:**

<b>Profit means table for factor support.</b>			
Bonferroni multiple comparison of means test. Minimum significant difference = 4.1081. Alpha=0.05 and critical value of t = 1.97.			
<b>Means with the same letter are not significantly different.</b>			
Bon Grouping	Mean	N	support1
A	23.086	163	1: training & funding
B	18.929	156	0: training only

<b>Profit means table for factor years</b>				
Bonferroni multiple comparison of means test. Minimum significant difference = 13.466. Alpha=0.05 and critical value of t = 2.96. <b>Means with the same letter are not significantly different.</b>				
<b>Bon grouping</b>		<b>Mean</b>	<b>N</b>	<b>Year</b>
	A	25.707	92	2006
	A	23.314	70	2005
B	A	19.620	50	2003
B	A	18.589	56	2004
B	A	17.036	28	2002
B		9.565	23	2001

The table of profit means which reflect the nature of the effect of years on profit indicates an increase over years. The Bonferroni multiple comparison of means test confirms this for years 2005 and 2006 which differ significantly from year 2001 with profits of 25.7 and 23.3 proven to be significantly different and greater than 9.6

The findings substantiate the significance of the effect of the type of support rendered to respondents on their profit margin and leads to the null hypothesis being rejected in favour of the alternative hypothesis which states that, *the businesses of participants who received training, grants and mentoring perform better than the businesses of participants who received only training.* (Had type of support not been indicated as significant in the analysis of variance table, one would have had no reason to reject the null hypothesis, but with type of support effect being significant with regard to profit, the null hypothesis could be rejected in favour of the alternative hypothesis.)

## (2) Hypothesis testing, by growth in turnover

Once the general significance of the analysis on turnover had been established (the analysis is significant on the 1% level of significance – and thus on the 5% level of significance as well as with the general F-probability < 0.0033), the significance of the type of support and year effect could be considered. In the analysis of variance table above, the effect of type of support received was indicated as highly significant on the 0.1 per cent level of significance (F-probability = 0.0009) and thus on the 5 per cent level of significance as well. The effect of year, however, was indicated as significant on the 10 per cent level of significance. This result implies that the effect of the type of support provided and, to a lesser extent, the year of SAB KickStart involvement significantly affected turnover.

By examining the tables of turnover means arranged according to type of support and year, the nature of the effect of support and to a lesser extent, year, on turnover can be observed.

The turnover means according to type of support rendered, indicated that the mean turnover of the respondents who received both funding and training was significantly greater than those who received only training. (This was confirmed by the Bonferroni multiple comparison of means test.) One may deduce that funding/mentoring, together with training, added value to the programme since turnover figures increased significantly for this group, thus adding to the success rate of businesses.

**Table 6.15 Regression output tables: turnover**

Source	DF	Sum of squares	Mean square	F value	Pr > F
<b>Model</b>	6	1.5009505E13	2.5015842E12	3.34	0.0033
<b>Error</b>	348	2.6100236E14	750006779135		
<b>Corrected Total</b>	354	2.7601186E14			

R-square	Coeff var	Root MSE	Turnover mean
0.054380	268.0665	866029.3	323065.1

Source	DF	Type III SS	Mean square	F value	Pr > F
<b>support1</b>	1	8.3616117E12	8.3616117E12	11.15	0.0009
<b>Year</b>	5	6.8283503E12	1.3656701E12	1.82	0.1080

**Turnover means tables:**

<b>Turnover means table for factor support</b>			
Bonferroni multiple comparison of means test. Minimum significant difference = 181255. Alpha=0.05 and critical value of t = 1.97. <b>Means with the same letter are not significantly different.</b>			
Bon grouping	Mean	N	support1
A	464533	190	1: training & funding
B	160162	165	0: training only



<b>Turnover means table for factor years</b>			
Bonferroni multiple comparison of means test. Minimum significant difference = 533053. Alpha=0.05 and critical value of t = 2.96. Means with the same letter are not significantly different.			
<b>Bon grouping</b>	<b>Mean</b>	<b>N</b>	<b>Year</b>
A	474042	102	2006
A	382122	85	2005
A	299812	63	2004
A	217426	49	2003
A	105321	31	2002
A	41939	25	2001

The table of turnover means which reflect the nature of the effect of years on turnover seem to indicate an increase over years. However, this could not be established on the 5 per cent level of significance. The ANOVA results indicated mean differences on the 10 per cent level of significance. One would be able to deduce that on the 10 per cent level of significance at least the largest and smallest means differed (years 2006 & 2001). Although indications of an increase in profit over years could be observed, the significance of the increase could not be confirmed on the 5 per cent level of significance.

The above findings substantiate the significance of the effect of the type of support rendered to respondents on their turnover figures and, as in the case of profit, leads to the null hypothesis being rejected in favour of the alternative hypothesis, which states that, *the businesses of participants who received training, grants and mentoring perform better than the businesses of participants who received only training.* (Had the type of support not been indicated as significant in the analysis of variance table, one would have had no reason to reject the null hypothesis, but with type of support effect being significant with regard to turnover, the null hypothesis could be rejected in favour of the alternative hypothesis.)

#### **6.2.4.4 Number of employees, agents and subcontractors of respondents' businesses (question 4.3)**

One of the attributes used to assess the size of an enterprise is the number of full-time employees (tab 6.12). During the pilot study, respondents pointed out that as business owners they limited the number of full-time employees to avoid dealing with South Africa's stringent labour laws. They circumvented this by appointing agents or subcontractors. In the questionnaire, the term "agents" was qualified with the words "commission only". This

implies that whosoever provides services to the entrepreneur, would only be paid once the services have been delivered. Longenecker et al (2003:388) define agents as “intermediaries that do not take title to the goods they distribute”. Such intermediaries can perform marketing functions for the producer of the product or services and act as both a sales agent and a distribution agent. One of the advantages of using sales agents for the small business owner is that the agent is usually compensated on a commission basis only, which would be a certain percentage of the sales generated by the sales agent (Longenecker et al 2003:431).

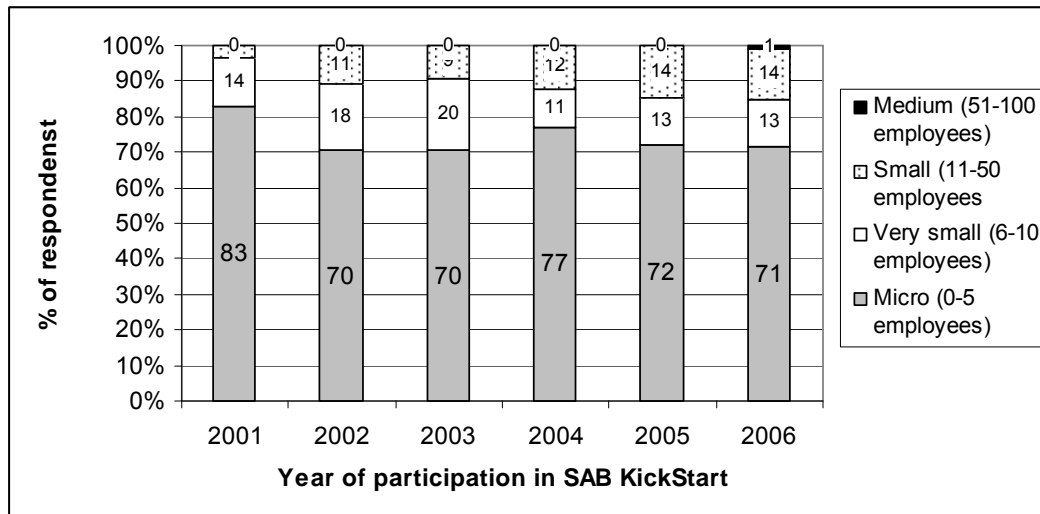
Stokes and Wilson (2006:473) define subcontracting as the act of assigning “fulfilment services or production to a third party organization or individual”. A search for a description of the term “subcontractor” or reference to the use of subcontractors by entrepreneurs or small business owners in other internationally recognised literature on entrepreneurship and small business management by authors such as Timmons and Spinelli, Kuratko and Hodgetts, Longenecker et al, and Zimmerer and Scarborough, as well as in South African books by Nieman, Hough and Nieuwenhuizen, and Rwigema and Venter found no mention of this concept. The fact that entrepreneurs can enhance their service delivery through the utilisation of subcontractors seems to be an area that justifies further investigation.

To comprehend the SAB KickStarters’ contribution to creating jobs, the multiplier effect of contracting agents and subcontractors needs to be factored into the job creation formula. Hence, respondents were asked to enumerate not only the number of employees, but also agents (commission only) and/or subcontractors that their businesses employed for each of the years between 2001 and 2006, in which they were operating. Business owners tend not to consider themselves employed by their own business – hence, where it is a one-person operation, it is possible to have a response of zero employees.

- (1) **Number of employees.** Utilising the classification for finance and business services by number of full-time employees (tab 6.12), the size of the respondents’ businesses could be classified as follows, using the 2006 data (fig 6.42): close to three-quarters (71%) as micro, about one-eighth (13%) as very small, a seventh (14%) as small and only 1 per cent as medium sized. Comparing the size distribution based on number of employees with the size distribution based on volume of turnover (tab 6.13), the same trend was evident.

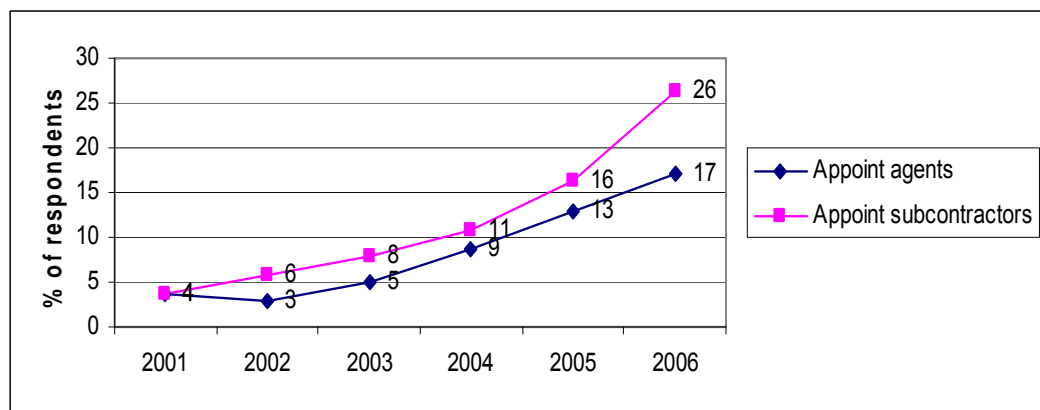
Based on the data from respondents, both classifications reveal that the sizes of the majority of the businesses participating in the SAB KickStart Programme tended to be mostly micro size and very small.

**Figure 6.42 Number of employees employed per respondent’s business linked to size of business for classification of “finance and services” industry**



(2) **Number of agents and/or subcontractors.** The number of respondents appointing agents and/or subcontractors has steadily increased since 2001. Figure 6.43 (data table in appendix J) indicates the number of respondents appointing agents and/or subcontractors.

**Figure 6.43 Number of respondents who appoint agents and/or subcontractors**



Over the period 2001 to 2006, the number of respondents appointing agents has increased from four per cent in 2001 to 17 per cent in 2006. Similarly, the number of respondents appointing subcontractors increased from four per cent in 2001 to 26 per cent in 2006. The percentages may be small but reveal a definite trend among respondents, that of an increasing tendency to appoint agents and subcontractors.

Further analysis of the data revealed another trend: the number of agents or subcontractors being appointed by an individual respondent is also on the increase (tab 6.16). Whereas in 2001 the maximum number of agents appointed by an individual respondent was six agents, in 2006 it jumped to 71 agents. In 2001 the maximum number of subcontractors appointed by an individual respondent was 20 while in 2006 the figure soared to 890 subcontractors.

In 2006, a total of 226 agents and 1 294 subcontractors were appointed by all the respondents. These trends in increased utilisation of agents and subcontractors and the statistics on the volume of usage have implications for the SAB KickStart Programme, in particular the training curriculum and mentoring. The skill of negotiating contracts with agents and subcontractors and managing such relationships would need to be addressed during the training period or during mentoring.

**Table 6.16 Maximum number of agents or subcontractors appointed by an individual respondent**

<b>Maximum number of agents or subcontractors appointed by an individual respondent</b>						
Appointed by an individual respondent	Year period					
	2001	2002	2003	2004	2005	2006
Maximum number of agents	6	6	12	22	37	71
Maximum number of subcontractors	20	40	80	220	880	890

#### **6.2.4.5 Profit of respondents' businesses (question 4.4)**

Respondents were asked to indicate what percentage of their turnover had contributed to profit, for each of the years 2001 to 2006, in which their business was operating.

Profit percentages are used by some researchers to calculate the growth of a business. However, profit percentages can be misleading, especially when the profit is calculated on a low sales figure. A high profit figure calculated as a percentage on a low turnover figure would result in a high profit percentage, while the same profit figure calculated on a large turnover figure would yield a low profit percentage.

Another fact to consider when using the growth in profit as a measure of growth for start-up businesses and establishing young businesses is that these businesses invest heavily in the establishment and expansion of their businesses and therefore profit is kept to the bare minimum. This is entirely an appropriate strategy for such businesses. Another reason why these businesses could be keeping the profit as low as possible is to reduce

the payment of taxes. According to the SBP (2004:13) report, the tax compliance burden on SMEs in South Africa is heavy (ch 2).

The effect of funding and mentoring on the performance of respondents' businesses as measured by growth in profit is discussed in section 6.2.4.3.

#### **6.2.4.6 Value of contracts secured by respondents (question 4.5)**

Respondents were asked to give the rand value of the three largest contracts that their business had secured after becoming part of the SAB KickStart Programme. Not all the respondents provided figures and some provided only one or two figures. Nevertheless, the total value of contracts secured by those respondents who provided figures adds up to more than R183 million (R183 883 973).

In this section, information about the age, turnover, profit and employment of the respondents' businesses was obtained. In the next section, the criteria for allocating funds are addressed as well as the value of receiving funding.

### **6.2.5 Part 5: funding from the SAB KickStart Programme**

This section of the questionnaire addressed experiences and problems around the issue of the funding allocated to respondents in the form of a regional grant or national prize by the SAB KickStart Programme.

Of the 143 respondents, 64 had received a grant from the SAB KickStart Programme and these respondents were expected to complete part 5 of the questionnaire. Those who did not receive money in the form of a grant from the SAB KickStart Programme could skip to part 8 of the questionnaire.

#### **6.2.5.1 Respondents' views on the value of the regional grant and its utilisation (question 5.10)**

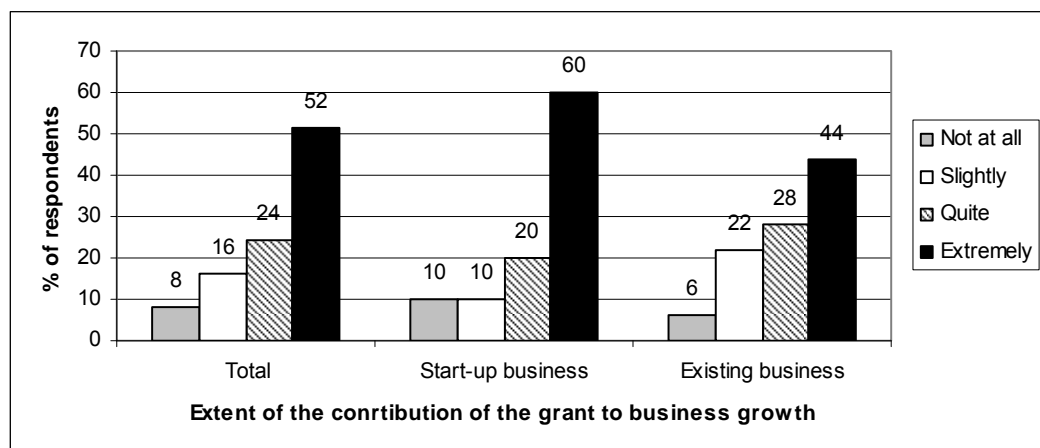
Respondents who received a regional grant (some also received a national prize) from the SAB KickStart Programme were asked to select the appropriate option on a four-point Likert scale, ranging from not at all, slightly, quite to extremely, to reflect their perceptions with regard to issues relating to the value and the procedure of funding.

- (1) **The extent of the contribution of the grant to the growth of the business.** The frequency distribution in figure 6.44 reveals that little over a half of all the

respondents (52%) perceived that funding contributed “extremely” to business growth, while a further 24 per cent perceived funding to contribute quite a bit to business growth – a positive response by 76 per cent of the respondents.

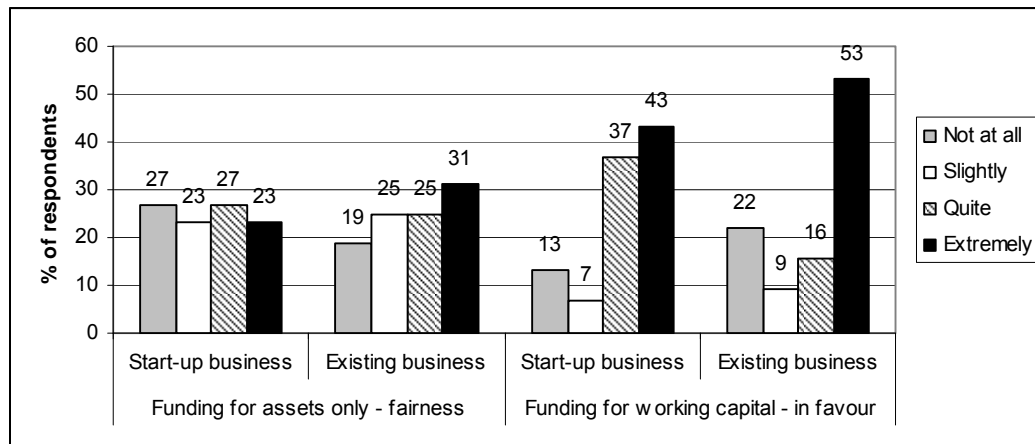
At the other end of the continuum, a few respondents (8%) were of the opinion that funding had made no difference to the growth of the business. Respondents with start-up businesses (fig 6.44), however, had a much more positive opinion on the contribution of funding to growth than the respondents with existing businesses (on “extremely”, 60% versus 44%). The reasons for these opinions were not solicited but could form part of continued research. One possible reason could be that the value of the grant was extremely low, taking into consideration that the lowest grant allocated to a respondent is R7 000.

**Figure 6.44 Respondents’ perceptions of the value of funding to assist business growth, by status of business**



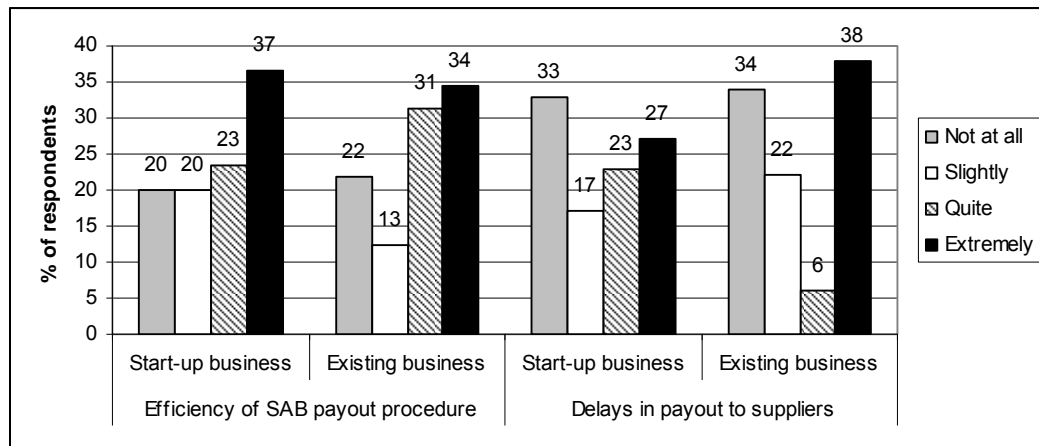
- (2) **The degree of the fairness of the rule that the grant may only be used to purchase assets.** As illustrated in figure 6.45, on the issue of fairness, a 50/50 split was evident for the respondents with start-up businesses. Half of them felt that it was fair (quite and extremely so) that the money could only be spent on the acquisition of assets, while the other half felt that it was unfair (not at all or slightly). The respondents with existing businesses were a little more positive (56%) about this issue (quite & extremely so).

**Figure 6.45 Respondents' perceptions of the application of the grant, by status of business**



- (3) **The magnitude of the agreement that the grant should also be available for working capital.** Respondents were asked whether they agree that the grant should also be available as working capital. The enormously positive response (80% – quite and extremely) from the respondents with start-up businesses, evident in figure 6.45, emphasises the necessity of working capital to establish a business. It is a proven fact that the lack of cash flow (ch 2) is one of the main reasons for the failure of start-up businesses. Of the respondents with existing businesses more than a half (53%) was adamant (“extremely”) that the grant should be used for working capital. An expanding business has to monitor its cash flow carefully and the availability of the grant as working capital could alleviate the constraints on cash flow. However, nearly a quarter (22%) of the latter group totally disagreed with this viewpoint.
- (4) **The level of efficiency of the SAB procedure to pay for the assets.** A considerable number of both respondents with start-up businesses (40%) and those with existing businesses (35%) were dissatisfied with the level of efficiency of the SAB’s asset payment procedure (fig 6.46). This percentage may not reflect the majority view but is substantial enough to warrant attention, especially if these respondents have been adversely affected by the payment procedure in instances where the assets may be critical to the establishment or expansion of the businesses. Some of the respondents commented that owing to the asset payment delays they could not establish their businesses in time to be considered for the national prize.

**Figure 6.46 Respondents' perception of SAB's procedure to pay out the grant, by status of business**



- (5) **Length of the time taken by SAB to pay the supplier.** Half of the respondents with start-up businesses were quite adamant (quite and extremely so) that it takes a long time for the money to be paid to the supplier, as opposed to 44 per cent with existing businesses (fig 6.45). These findings support those of the previous question (point 4) and highlight the importance of accelerating the payment procedure. SAB KickStarters need early access to the assets for starting or expanding their businesses because they only have a short period of time, six months, until they compete at a national level for prize money. It does, however, seem from the data that a third of both these groups of respondents must have had positive experiences regarding the payment of their suppliers because they did not agree at all with the statement that it takes a long time to pay the suppliers.

The views of respondents with start-up businesses on these five issues related to funding differed significantly at the 5 per cent level of significance (Pearson's Chi-squared probability = 0.0175; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0173; tables showing the statistical analysis appear in appendix K). This means that respondents did not rate all the aspects equally. They were, for example, divided on whether grants should be restricted to the acquisition of assets and whether delays in payouts to suppliers occurred. However, they were positive about grants stimulating growth and that grants should also be made available as working capital. No significant distribution differences for the respondents with existing businesses imply that there is no evidence that they did not rate all these aspects relating to funding more or less in the same way.



### 6.2.5.2 Submission and value of monthly progress reports to respondents (question 5.2)

When respondents are allocated a grant, they sign a contract with SAB KickStart committing them to completing a monthly report on the performance and financial status of their business. This report has to be submitted to the mentor who then submits it to the SAB Enterprise Development Department at the SAB Head office in Sandton. Questions on the actual submission and value of these reports are addressed in this section.

- (1) **Frequency of submitting progress reports** (n = 62). The respondents were asked to indicate with what frequency they had submitted the progress reports to SAB KickStart. The vast majority (94%) submitted the reports monthly, while only three per cent submitted reports sometimes. A further three per cent claimed to know nothing about the agreement that they had to submit a report.
- (2) **Value of drawing up monthly reports to manage and grow the business** (n = 59). The respondents were asked to indicate on a four-point Likert scale to what extent (not at all, slightly, quite or extremely) the drawing up of the monthly reports had helped them to manage and grow their business. Of the respondents, 36 per cent had benefited extremely, while a further 34 per cent had quite some benefit – a 70 per cent positive experience by respondents. Sadly, 30 per cent of the respondents had benefited only slightly from this activity, a fact that merits further research.
- (3) **Feedback on monthly progress reports from SAB KickStart** (n = 59). On a four-point Likert scale, the respondents had to indicate the diligence with which feedback on the monthly reports was forthcoming from SAB KickStart. Only about a third (31%) of the respondents had received feedback every time, another third (32%) had received feedback several times. One-fifth (20%) had received feedback only a few times and 17 per cent had received no feedback at all. These figures are totally unacceptable because feedback on the progress reports would be invaluable to the respondents to improve their businesses and increase their sales. All these respondents had mentors and these mentors should have used the monthly progress reports as a tool to address specific enterprise growth strategies. In addition, the Enterprise Development Department at SAB Head Office should have monitored that feedback is given and also contributed to giving feedback.
- (4) **Value of feedback on monthly progress reports to improve the business.** Only the respondents who had received feedback (n = 49) had to indicate on a four-

point Likert scale to what extent the feedback could be used to improve their business. Forty-three per cent of these respondents found the feedback extremely useful to improve their business, while a further 33 per cent found it quite useful – a positive experience by 76 per cent. One-fifth of the respondents (20%) could use the feedback slightly. The quality of the feedback should be addressed because this is critical to the improvement of the respondents' businesses. Feedback can be given by both the mentors and the SAB KickStart Enterprise Development Department at SAB Head Office.

In this section, the criteria for allocating funds were revealed, as well as the value of receiving funding and feedback on monthly reports. The extent and value of the mentoring are explored in the next section.

#### **6.2.6 Part 6: mentoring provided by the SAB KickStart Programme**

When a grant is allocated to a participant in the SAB KickStart Programme, such a participant also receives mentoring for a period of eight months. Part 6 of the questionnaire focused on issues relating to mentoring. Of the 143 respondents, 64 had received grants and were entitled to mentoring. Only these respondents could answer the questions in this section.

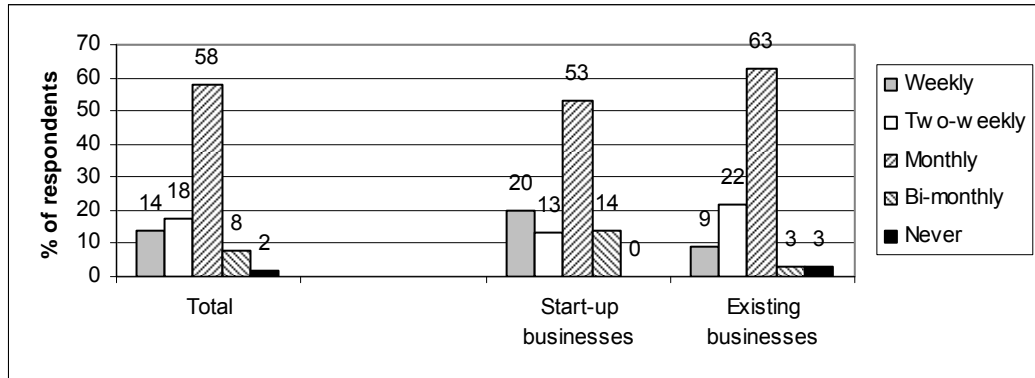
##### **6.2.6.1 Frequency of mentoring received by respondent (question 6.1)**

Respondents had to select from six options the frequency with which their mentor had contacted them (fig 6.47). Only 15 per cent of the respondents were contacted every week by their mentor, while 18 per cent of the respondents were contacted every two weeks. More than half of the respondents (58%) were contacted once a month only, while eight per cent were contacted every second month, and two per cent were never contacted by their mentor. These results are quite shocking considering the fact that these mentors are paid a substantial monthly fee by the SAB KickStart Programme to mentor the funded respondents, and that each mentor has only about five to eight KickStarters to mentor in his or her region. Furthermore, the funding has to be utilised to establish a start-up or expand an existing business and once a month contact from a mentor could hardly be enough to accelerate the growth of the SAB KickStarter.

The frequency with which respondents with start-up businesses were contacted varied from the frequency with which respondents with existing businesses were contacted, in particular at the extremes of the continuum. Respondents with start-up businesses

experienced weekly contact more than respondents with existing businesses (20% versus 9%); with regard to bi-monthly contact, the same trend existed (14% versus 3%).

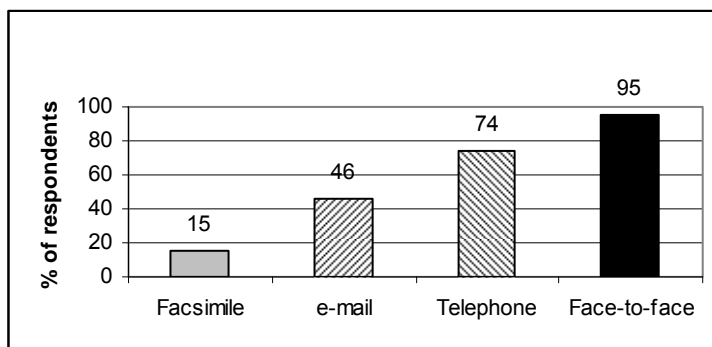
**Figure 6.47 Frequency with which mentors contact respondents, by status of business**



**6.2.6.2 Mentors’ preferred method of contacting the respondents (question 6.2)**

Respondents who are contacted by their mentor (n = 61, from the data table for fig 6.47) had to select from five options the mentor’s preferred method of contact. Multiple responses were given to this question. It seems that mentors’ preferred method of contact was face to face (41% of responses) followed by telephonic contact (32% of responses) (tab 6.48 – data table in appendix J).

**Figure 6.48 Mentors’ preferred method of contacting the respondents**



Calculating the responses as a percentage of number of respondents (61) it would seem that 95 per cent of the respondents were contacted face to face, as well as telephonically (74%). Only 45 per cent of the respondents were contacted by e-mail. This is a communication method that could substantially enhance mentoring, but not all participants of the SAB KickStart Programme have Internet access. The same methods to

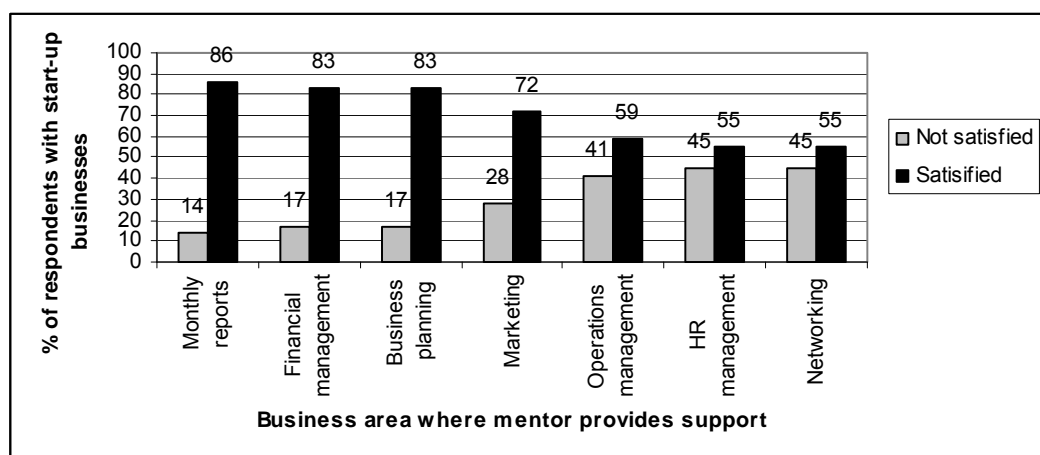
contact respondents were used by mentors, irrespective of the status of the business (start-up or existing).

### 6.2.6.3 Satisfaction of respondents with mentoring in specific business areas (question 6.3)

Respondents were asked to indicate on a four-point Likert scale their level of satisfaction with the support from their mentor with regard to each of seven critical business disciplines, namely the drawing up of monthly reports for SAB KickStart, marketing, financial management, human resource management, operations management, networking and business planning. The responses of the respondents with start-up business and those with existing businesses are addressed separately and appear in separate figures, 6.49 and 6.50, respectively (data tables appear in appendix J).

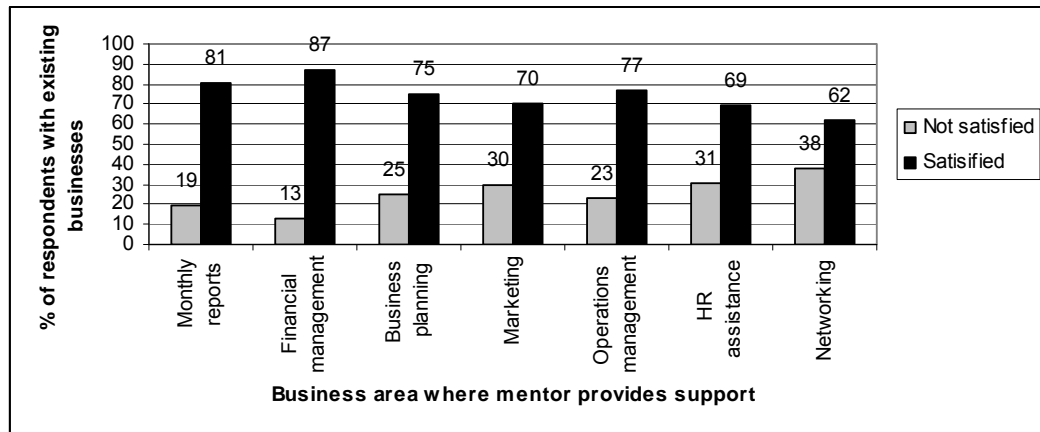
For respondents with start-up businesses, significant distribution differences (at the 1% level of significance) were indicated with regard to satisfaction with mentor support in the various business disciplines (Pearson's Chi-squared probability = 0.0128; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0139; tables showing statistical analysis in appendix K). Although the greatest proportion of these respondents rated the mentor support in most of the business disciplines as satisfactory, indecision was expressed about mentor support with regard to networking, operations management and human resources management (fig 6.49).

**Figure 6.49 Level of satisfaction of respondents with start-up businesses with support provided by mentors in different business areas**



For respondents with existing businesses, no significant distribution differences are evident in figure 6.50. In all the business disciplines, respondents rated the support provided by the mentor as satisfactory.

**Figure 6.50 Level of satisfaction of respondents with existing businesses with support provided by mentors in different business areas**



Both groups of respondents (start-up and existing businesses) expressed a low level of satisfaction with the networking provided by the mentor (55% & 62% respectively in fig 6.49 & 6.50). Networking can play a pivotal role in obtaining resources and sales contracts.

#### **6.2.6.4 Type of assistance/guidance respondents desire from their mentor (question 6.4)**

This question allowed respondents to indicate the type of assistance or guidance they would have liked from their mentor. The purpose of this question was to find out what the mentoring needs of the respondents were. It is an open-ended question and the various responses were grouped into categories (table 6.17) which ended up being quite similar to the critical business disciplines in figures 6.49 and 6.50.

Marketing assistance emerged as the area of mentor assistance mainly required by respondents (33%), followed by networking (20%), financial management (17%), operations management (17%) and human resource management (6%). The low need for human resource management could be partially because of the fact that, on average 71 per cent of respondents (fig 6.42) employed fewer than six people and partially because of the fact that an increasing number of respondents (fig 6.43) were appointing agents or subcontractors and therefore may not have needed assistance with human resource management.

**Table 6.17 Type of assistance/guidance respondents desire from their mentor, by status of business**

<b>Type of assistance/guidance respondents desire from their mentor, by status of business</b>				
Type of mentor guidance required	Status of business		Total	
	Start-up	Existing	Freq	% of respondents n = 64
Marketing assistance	8	13	21	32.81
Networking	5	8	13	20.31
Financial management, funding assistance	7	4	11	17.19
Operations management	7	4	11	17.19
Human resource management	2	2	4	6.25
Other	2	3	5	7.81
No suggestion	14	7	21	32.81
Total responses	45	41	86	

A third of the respondents (33%) made no suggestions. This may in part be because of the previous question covering the areas of mentor assistance, and some of the respondents may have seen this question as duplication.

It would seem from the data that respondents with start-up businesses required more assistance with marketing, financial management and funding and operations management, while respondents with existing businesses needed more assistance with marketing and networking.

#### **6.2.6.5 Overall satisfaction of respondents with their mentor (question 6.5)**

All the respondents (64) who were awarded a regional grant received at least eight months of mentoring from the person who did the training. The independent trainers/mentors were not only business owners but were also involved in SME development and training. Respondents who were awarded a national prize received another six months of mentoring from their trainer/mentor. All the respondents who received mentoring were asked to indicate their level of satisfaction with the mentoring from their mentor on a four-point Likert scale, ranging from not at all to extremely. About a half of the respondents (31/60 = 52%) were extremely satisfied with their mentor, and a further 42 per cent were quite satisfied (25/60) – a positive response of 94%.

The second part of this question asked the respondents to give reasons for their level of satisfaction with their mentor. The 60 reasons (multiple responses allowed) of the 31 respondents who were extremely satisfied with their mentor related to the character of the mentor (25/60 = 42%), and the services the mentor could provide (24/60 = 40%). A few

reasons reflected the skills of the mentor (5/60 = 8%). The actual descriptions of the character, the services provided and the skills of the mentor are listed in appendix L. From this detail, a personality profile of the ideal mentor emerges as well as the type of services appreciated (discussed in ch 7).

In part 6, some understanding is gained of the involvement of the mentors with the respondents and the type of mentoring assistance offered and needed. The next section explores the criteria used to select national winners.

### **6.2.7 Part 7: national awards of the SAB KickStart Programme**

After a SAB KickStart participant had been awarded a grant, he or she had about eight months in which to establish and grow the business, or in the case of an existing business, to expand the business before entering the national competition. These participants are invited to present their businesses and a business plan to a regional panel of adjudicators who select three participants to go through to the national awards. The questions in this section address the effectiveness of this process.

#### **6.2.7.1 Selection of regional finalists for national awards (question 7.1)**

First, the respondents had to indicate whether, for their region, they were selected as a regional finalist for the national awards. Secondly, they had to advance reasons for their answer, whether positive or negative. Multiple responses were allowed.

Of the group of regional grant winners (63 respondents), two-thirds (67%) had been selected to represent their region as a regional finalist, while one-third had not.

Analysing the reasons of the 42 respondents why they had qualified to go through to the national awards, it would seem that they did not really know why they had been selected. A third of the respondents (33%) did not give any reason whatsoever, while 14 per cent stated outright that they did not know. The largest response came from respondents (31%) who thought that actual business growth was the deciding factor. These findings support the findings of question 3.7.2, and the conclusion is the same: regarding selection criteria used by regional panels during adjudication, no detail is disseminated to respondents, neither before the event nor after. This is substantiated by the fact that the 21 respondents, who were not selected to represent their region at the national awards, could not furnish any reasons why they were disqualified.

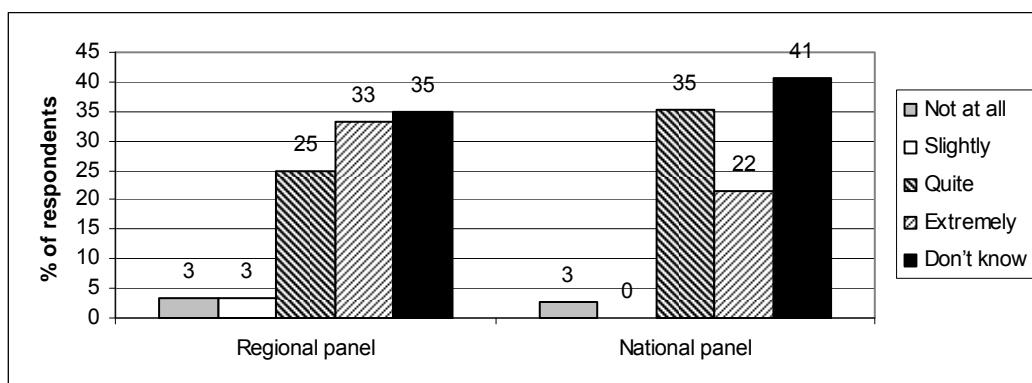
### 6.2.7.2 Respondents' evaluation of the skills of regional and national panels to judge businesses fairly (questions 7.2 & 7.4)

Questions 7.2 and 7.4 both addressed the skills level of adjudicating panels to judge businesses of the SAB KickStarters fairly, at regional and national level, respectively.

Question 7.2 tested the perceptions that the respondents had of the adequacy of the skills of the regional panel to judge their businesses fairly, during the selection process to select regional finalists for the national awards. Question 7.4 tested the perceptions of the respondents regarding the adequacy of the skills of the national panel to judge their businesses fairly, during the selection process to select winners for national prizes.

In both questions, respondents had to indicate on a four-point Likert scale (ranging from not at all to extremely) the extent that the panel had the necessary skills to judge the businesses fairly, reflected in figure 6.51. An option of "don't know" was included.

**Figure 6.51 Respondents' perception of the adequacy of the skills of regional and national panels to judge businesses fairly**



Slightly more than half of the respondents (58%) thought that the regional panel members were quite or extremely skilled to judge the businesses fairly, while a similar percentage (57%) of respondents who appeared before the national panel considered that the latter was quite or extremely adequate to judge businesses fairly (fig 6.51). However, about a third (35%) of the respondents who appeared before a regional panel admitted that they did not know whether the regional panel members had the necessary skills to judge their businesses, while even more of the respondents (41%) who appeared before the national panel made the same admission about the national panel's skills adequacy.



### 6.2.7.3 Regional and national adjudicating panels: actual and recommended criteria for evaluating businesses (questions 7.3, 7.5 & 7.6)

Questions 7.3, 7.5 and 7.6 addressed similar issues around the adjudicating of SAB KickStarters and elicited similar responses which are combined in table 6.18. All three questions were open-ended questions allowing multiple responses. The responses lent themselves to be grouped into the same categories, making comparison across questions possible.

With regard to the regional panel, in question 7.3, respondents (64) were required to specify the criteria used by the regional panel to decide which three SAB KickStarters should be entered for the national awards.

Similarly, but with regard to the national panel, in question 7.5, respondents (32) who qualified to compete for the national prizes were asked to specify the criteria used by the national panel to decide which SAB KickStarters should receive national prizes and the value of each prize.

**Table 6.18 Criteria used or should be used by the regional and national panels during adjudication, according to the respondents**

<b>Respondents' view of criteria used by regional and national panels for judging KickStarters or that should be used</b>						
Criteria used or to be used by panels	Question 7.3		Question 7.5		Question 7.6	
	Regional panel select candidates		National panel select prize winners		National panel should use	
	responses	% of respondents n = 64	responses	% of respondents n = 32	responses	% of respondents n = 32
Actual growth	17	26.56	11	34.38	12	37.50
Future potential	7	10.94	7	21.88	12	37.50
Actual employment	8	12.50	5	15.63	2	6.35
Employment potential	3	4.69	2	6.35	2	6.35
Timely reports/ business plan	7	10.94	3	9.37	2	6.35
Presentation	3	4.69	1	3.12	0	0.00
Other	5	7.61	10	31.25	12	37.50
Don't know	22	34.38	15	46.88	4	12.50
No response	6	9.38	4	12.50	11	34.38
Total responses	78	-----	58		57	

Question 7.6 asked the respondents (32) to specify the type of criteria the national panel should use to select national winners among the SAB KickStarters. This question was

intended to gain insight into criteria that would be considered to be fair by SAB KickStarters.

From table 6.18 it emerges that a substantial number of respondents did not know what criteria had been utilised by the regional panel (34%) and the national panel (47%) and even said so, while some respondents elected not to respond at all (9% & 12% respectively for regional and national adjudication). This again highlights the fact that no information is provided to SAB KickStart participants about the criteria to be used to judge the businesses.

The criterion that emerges at the top of the list for both regional and national panels is the actual growth of the business (27% & 34% respectively). If this is indeed true, then this fact does not bode well for start-up businesses. Fortunately, for start-up businesses, the future potential of the business is the second most mentioned criterion (22%) perceived to be considered by the national panel and the third most mentioned criterion (11%) perceived to be considered by regional panels.

With regard to the criteria that should be used by the national adjudicating panel, nearly half of the respondents (46%) refrained from responding or stated that they did not know. The criteria that received the highest recommendations were actual growth of the business (37%) and the future potential of the business (37%).

In this section, an attempt was made to establish how the respondents viewed the adjudication process. In the final section, views on possible further assistance from the SAB KickStart Programme as well as recommendations for the improvement of the SAB KickStart Programme were elicited.

### **6.2.8 Part 8: at the end of the SAB KickStart Programme**

The purpose of this section is to find out what the current most pressing needs of the SAB KickStarters were and ways in which the SAB KickStart Programme could be improved in its entirety. All the respondents had to complete this section.

#### **6.2.8.1 Continuance of updating the business plan by respondents (question 8.1)**

The business plan serves as a vital tool to strategise and manage the business and should be updated regularly, at least annually. During the training period, SAB KickStarters learnt how to compile a business plan and subsequently had to compile business plans in order to obtain awards from the SAB KickStart Programme. The

question arises as to whether the importance of regularly updating the business plan was instilled into the respondents during training, and afterwards during mentoring.

**Table 6.19 Continuance of updating business plan**

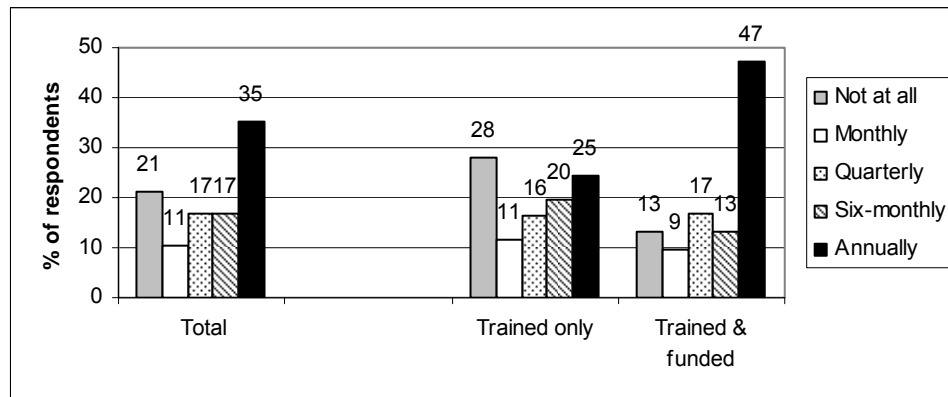
<b>Continuance of updating business plan</b>			
Update regularity	Frequency	% of respondents to the question	% of all respondents
		n = 116	N = 143
Not at all	24	20.69	16.78
Monthly	13	11.21	9.09
Quarterly	19	16.38	13.29
Six-monthly	19	16.38	13.29
Annually	41	35.34	28.67
Total: responses	116	100	
No response	27		18.88

In interpreting the responses, more meaningful tendencies (tab 6.19) are evident if the percentages are calculated out of the total potential respondents, namely 143. About two thirds (64%) of the respondents updated their business plan annually, six-monthly, quarterly or even monthly, after the end of their contract with the SAB KickStart Programme. It would seem that a disconcerting proportion of the respondents (36%) no longer update their business plan. This percentage is made up of 17 per cent of the respondents who admitted that they did not update their business plan and another 19 per cent who refrained from answering this question, and presumably they did not update their business plan.

**A question arose: Do respondents who received funding complete the business plan more diligently than respondents who did not receive funding?**

A large proportion of the respondents who received only training did not update their business plan at all (fig 6.52 – data table in appendix J), and a trend exists over update-periods indicating that a greater proportion of funded-respondents updated annually (47% versus 25% for trained only group of respondents).

**Figure 6.52 Continuance of updating business plan: difference between respondents who received only training and those who received training, funding and mentoring**



On the 10 per cent level of significance, distribution differences between training only and funded groups of respondents are indicated (Pearson's Chi-squared probability = 0.0974; the exact Chi-squared probability of Fisher's exact test using the Monte Carlo approximation = 0.0981; tables showing statistical analysis appear in appendix K).

#### **6.2.8.2 Type of assistance from SAB KickStart that would assist respondent at this stage (question 8.2)**

Respondents were asked to indicate on a predetermined list of 11 business areas the type of assistance from the SAB KickStart Programme that would help them now to grow their business even faster. They were further instructed to select only what was critical and to specify exactly what they wanted. Multiple responses were allowed. Judging by the large number of responses, 423, respondents hardly complied with the instruction of marking only the critical items; instead, their responses resemble a wish list.

The following types of assistance (tab 6.20) were identified most by the respondents: financing (21%), followed by referrals (14%), marketing (13%) and mentoring (10%).

No significant difference was indicated in the current needs for assistance between the respondents with start-up businesses and those with existing businesses; nor was there a significant difference in the distribution of the current needs for assistance between the respondents who received training only and the respondents who received training, funding and mentoring (tab 6.20).

**Table 6.20 Type of assistance from SAB KickStart that would assist respondent at this stage, by status of business and by type of SAB KickStart support**

<b>Type of assistance from SAB KickStart that would assist respondent at this stage, by status of business and by type of SAB KickStart support</b>											
Type of assistance	Status of business				SAB KickStart support				Total		
	Start-up		Existing		Trained only		Trained, funded & mentored				
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Financing	52	23.01	35	17.77	51	22.87	36	18.00	87	20.57	
Referrals	29	12.83	30	15.23	28	12.56	31	15.50	59	13.95	
Marketing	33	14.60	24	12.18	29	13.00	28	14.00	57	13.48	
Mentoring	25	11.06	21	10.66	32	14.35	14	7.00	46	10.87	
Professional advisors	23	10.18	20	10.15	22	9.87	21	10.50	43	10.17	
Training	16	7.08	18	9.14	18	8.07	16	8.00	34	8.04	
Legal assistance	17	7.52	13	6.60	12	5.38	18	9.00	30	7.09	
Labour relations	10	4.42	10	5.08	6	2.69	14	7.00	20	4.73	
Administration	7	3.10	11	5.58	7	3.14	11	5.50	18	4.26	
Business planning	8	3.54	8	4.06	11	4.93	5	2.50	16	3.78	
Operations management	6	2.65	7	3.55	7	3.14	6	3.00	13	3.07	
Total responses	226	100	197	100	223	100	200	100	423	100	

### **6.2.8.3 Recommendations from respondents to improve the SAB KickStart Programme (question 8.3)**

This was the last question and afforded the respondents the opportunity to comment on how the SAB KickStart Programme could be improved. It was an open-ended question allowing multiple responses. A fair number of recommendations (211) were made and these were grouped into 16 categories (actual recommendations are listed in appendix L), reflected in table 6.21. Owing to the large number of categories, the number of responses per category was limited and did not allow for significance testing between different groups of respondents.

The largest number of recommendations from respondents (30% of responses) related to mentoring: the appointment of experienced mentors, extending the mentoring period, and support and follow-up for SAB KickStarters who did not receive a grant.

The respondents' second most mentioned requirement (20%) was a need for networking inside and outside SAB: introduction of KickStarters to the business community (banks, media, suppliers, large customers, departmental officials, etc) and to the different SAB departments, regions, branches, subsidiaries, associates, etc. From this recommendation

it would seem that the respondents identified the potential of networking to increase sales and to facilitate operations.

**Table 6.21 Respondents' recommendations to improve the SAB KickStart Programme**

<b>Respondents recommendations to improve the SAB KickStart Programme</b>				
Recommendation	SAB KickStart support		Total	
	Trained only	Trained, funded & mentored	Freq	%
<b>SELECTION OF KICKSTARTERS</b>				
Selection of KickStarters – start-up versus existing businesses	3	2	5	2.98
Selection of KickStarters: criteria	4	0	4	2.38
<b>ALLOCATION OF GRANT</b>				
Adjudication process needs restructuring	13	0	13	7.74
Grants – for what the grants should be used	0	6	6	3.57
Grants – to whom the grants should go and other recommendations concerning grants	6	8	14	8.33
<b>NETWORKING</b>				
Networking – introduce KickStarters to business community, etc	6	7	13	7.74
Networking within SABMiller – introduce KickStarters to different divisions, subsidiaries, etc	7	13	20	11.90
<b>MENTORING</b>				
Experienced mentors and extend mentoring period	11	15	26	15.48
Support and follow-up for KickStarters who were not awarded a regional grant	21	3	24	14.29
<b>OTHER</b>				
Transparent criteria for selection of prize winners and feedback	1	1	2	1.19
Raise the professionalism of the programme – accreditation	4	1	5	2.98
KickStart marketing – rural areas, etc	7	1	8	4.76
Positive perceptions of KickStart	6	7	13	7.74
Negative perceptions of KickStart	5	1	6	3.57
Other	5	4	9	5.36
Total suggestions	99	69	168	
No Suggestions	25	18	43	

Equal to networking, respondents were concerned about the allocation of grants (20% of mentions) and a variety of recommendations were made about the adjudication process that needs restructuring, what the money should be used for, and to whom the money should be allocated.

A few recommendations (6%) about the selection criteria for KickStarters were made.

Although it did not form part of this question, eight per cent of the responses commented on the positive value of the KickStart programme while four per cent of the responses criticised the programme.

### 6.3 A PROFILE OF A SUCCESSFUL SAB KICKSTART PARTICIPANT

At the commencement of the study, it was postulated that it may be possible to derive a profile of a successful SAB KickStart participant and a hypothesis was formulated.

*Null hypothesis ( $H_{02}$ ): No relationship exists between the demographic profiles of the participants (entrepreneurial SMME owners) and the level of performance of their businesses.*

*Alternative hypothesis ( $H_{12}$ ): A relationship exists between the demographic profiles of the participants (entrepreneurial SMME owners) and the level of performance of their businesses.*

To test this hypothesis, one has to decide on cut-off points for turnover and profit as measures of performance, in order to classify each SAB KickStarter as successful or otherwise. From such a classification it would be possible to compile tables of successful versus not successful SAB KickStarters for demographic attributes such as age, race, business management qualifications, managerial experience, prior experience in similar business et cetera. However, after close inspection of the turnover and profit data provided by the respondents, it became obvious that the turnover data did not lend themselves to such an activity, owing to several anomalies, for example:

- The variation in respondents' turnover figures was enormous, for example, from R2 300 per annum to millions per annum. Using actual turnover figures would be meaningless and comparing percentage increases when the base figure differs to such a degree, would be equally meaningless.
- Eleven per cent of the respondents with companies older than one year did not provide turnover or profit data. In addition, companies younger than one year could not yet provide annual turnover figures.
- About 15 per cent of the businesses never really started or had subsequent to receiving training (and funding, in some instances) closed down. The turnover figures for the latter group would also be meaningless.
- Since 14 per cent provided turnover data for one year only, growth could not be calculated for these businesses.

With regard to profit figures, some of the respondents explained that their companies showed no profit because all the excess cash had been reinvested in the business to grow it. For some respondents' companies, the turnover figures increased but the companies showed a loss because of rapid expansion.

Although indicators of enterprise growth are an increase in sales, an increase in the number of employees and an increase in total assets, Liao (2004: 118) emphasises that these indicators should be measured objectively. He points out that new business ventures often do not exhibit monotonic sales growth; single-year sales or employment growth figures may show aberrations, which result in not representing the true health of the firms.

The turnover data in this survey have shown some aberrations and do not seem to represent the true health of the SAB KickStart businesses. Taking these facts into consideration, performance cut-off points could not be identified objectively, without which a success profile among SAB KickStarters could not be tested. To conclude, the null hypothesis could not be tested and a demographic profile of successful SAB KickStarters cannot therefore be described.

#### **6.4 SUMMARY**

In this survey, a sample was not drawn from the population, but a census was taken. Sample representativeness was thus not a requirement. Nevertheless, one wonders to what extent respondent bias could have crept in. Comparing the distribution of some of the attributes of the respondents with those of the SAB KickStart population, a strong resemblance was obvious, in particular with regard to gender and regional distribution, and to a slightly lesser extent, grant winner distribution. Data on the number of start-ups and existing businesses for the SAB KickStart population were scant and on this attribute no comparison was possible.

In this chapter, the data obtained from the survey were analysed and interpreted. The analysis was divided into parts that followed, for the most part, the logical flow of the SAB KickStart Programme. The parts were the SAB KickStart demography, the application to participate in the programme and the selection of KickStarters, training, information about the businesses, the allocation of grants, the mentoring process, the allocation of the national awards, and finally, current needs and recommendations.

The testing of the two hypotheses was also discussed.



Summary tables on the results and deductions derived from individual two-way frequency tables to investigate the statistical significance of the effect of two indicator variables, namely the status of the business of the respondents (start-up or existing), and the type of KickStart assistance received by respondents (trained only or trained, funded and mentored) on their perceptions regarding the issues listed in the tables, appear in appendices M and N, respectively.

In the next and final chapter, the results and deductions will be further explored to unpack interrelationships and their consequences for the SAB KickStart Programme, in particular, and for any similar programmes in general. The volume of information will be integrated into a meaningful whole, and conclusions and recommendations will be highlighted.

## **CHAPTER 7 CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS**

### **7.1 INTRODUCTION**

In the first chapter of the study the rationale, objectives and the methodology for the study were outlined. Ensuing from the literature study, the SME environment and success factors (ch 2), as well as interventions to accelerate SME growth (ch 3), were clarified. This was followed by a detailed description of the SAB KickStart Programme (ch 4) as part of SAB's corporate social investment. After explaining the research designs, instruments and methods applied in the study (ch 5), the survey data were analysed and interpreted (ch 6). In this final chapter, conclusions are drawn from the research results with regard to the objectives of the study, and compared with research findings that emerged from the literature review. The limitations of the study are identified. Recommendations to increase the effectiveness of the SAB KickStart Programme are presented. To conclude the study, topics that merit further research are documented.

### **7.2 THE PRIMARY OBJECTIVE OF THE STUDY**

The primary objective of the study (sec 1.5.1) is to evaluate the effectiveness of the interventions used by the SAB KickStart Programme since 2001 to establish and grow entrepreneurial SMMEs among the youth. As stated previously, this requires evaluating the interventions in the different phases of the SAB KickStart Programme, which translates into several secondary objectives (sec 1.5.2).

### **7.3 ACHIEVEMENT OF SECONDARY OBJECTIVES**

In order to achieve the primary objective, several secondary objectives had to be attained. Before the interventions are evaluated, a demographic profile of the respondents is sketched.

#### **7.3.1 Demographic profile of the respondents**

Typically, what individuals are selected to participate in the SAB KickStart Programme? What are their attributes? For the study, a sample was not drawn but questionnaires were sent to every one of the 502 SAB KickStart participants (2001-2006) who could be located (explained in section 5.5). Sample representativeness is thus not of concern. Nevertheless, the respondent and population distributions exhibit the same characteristics, in particular, with regard to the distributions by SAB KickStart participation

year (tab 6.1 & fig 6.1), SAB region (fig 6.2) and gender (tab 6.4 & fig 6.4). A summary of the demographic profile of the respondents follows and a synopsis in table 7.1:

- **Year of participation in SAB KickStart.** The respondents were from each of the six years, 2001 to 2006, in which the interventions had been applied (tab 6.1 & fig 6.1). However, more of the respondents (51% respondents versus 36% for the population) were from the two latter years because of the greater accuracy of their contact details.
- **Geographic distribution.** Geographically, the distribution of the respondents over the five SAB regions was similar to that of the SAB KickStart population (fig 6.2) except for respondents from the Central region (24% respondents versus 15% population).
- **Gender distribution.** The gender split for both the respondents and the SAB KickStart population was approximately 70 per cent male and 30 per cent female (fig 6.4 & tab 6.4).
- **Age distribution.** The majority of the respondents (75%) were between the ages of 26 and 35 years (fig 6.5). Adjusting for the fact that the GEM report covers a larger age range (all ages from 18 to 64 years), the SAB KickStart percentage compared favourably with the GEM 2006 result of the majority of the respondents (55%) in the age group 25 to 34 years (Maas & Herrington 2006:19). However, in the age group 18 to 24 years, 22 per cent of the respondents in the GEM report fell into this age bracket compared to only 15 per cent of the respondents in the SAB KickStart survey. According to the GEM data, a larger number of younger entrepreneurs are entering the market, taking into account the fact that South Africa has a relatively young population with 43 per cent below 20 years of age, and a further 19 per cent between the ages of 20 and 29 (Maas & Herrington 2006:19).
- **Race distribution.** The respondents were predominantly black (88% – fig 6.6).
- **Education level and business management qualifications.** Although 60 per cent of the respondents (fig 6.7) had a certificate or diploma (discipline unknown), half of them had no business management qualifications or training (fig 6.8) prior to starting on the SAB KickStart Programme. In other words, they lacked general management and people skills, which are requirements for successful entrepreneurial performance. Successful entrepreneurial performance is the outcome of the integration of industry knowledge, general management skills, personal motivation and people skills (sec 2.5.2). The respondents (43%) totally lacked managerial experience, when they started their business (fig 6.9).
- **Industry/product knowledge.** Of the respondents, 52 per cent had no or limited experience in a business similar to the one they had started (fig 6.10). A German

study corroborated the importance of prior knowledge of industry/product for the likelihood of success (sec 2.5.5). The lack of industry knowledge could have caused some SAB KickStarters not to perform optimally. Furthermore, entrepreneurs can also be differentiated on the basis of two basic patterns, namely artisan entrepreneurs with technical expertise and opportunistic entrepreneurs with both business and technical expertise (from sec 1.2.1). Only 22 per cent of the SAB KickStarters could be deemed to be artisan entrepreneurs with technical expertise as they had extensive experience in a similar business prior to starting their business.

- **Distribution by industry.** By industry category, the businesses of the respondents tended to fall in two of the nine categories: “business services” (34%) and “manufacturing” (32%) (tab 6.3).
- **Type of SAB KickStart support.** By type of SAB KickStart support, the respondents were split into two groups: 45 per cent of the respondents had received funding (including mentoring) after their training (17% more than the population average), while 55 per cent had received training only (fig 6.3 and tab 6.2). Eight per cent of the respondents had received a prize in the SAB KickStart national prize competition – a percentage equal to that of the population average.
- **Status of business.** By status of the business, the respondents were split into two groups: 57 per cent of the respondents had start-up businesses when they started on the SAB KickStart Programme while 43 per cent of the respondents had existing businesses (fig 6.11).
- **Ownership of the business, changed nature of the business and expansion into other businesses.** Of the respondents, 80 per cent (fig 6.13) still owned the business they had when they started with the SAB KickStart Programme. This figure can be skewed by the fact that 51 per cent of the respondents were from years 2005 and 2006. Nevertheless, the nature of the businesses had changed in the case of 77 per cent of respondents – diversified the product range and/or service type (tab 6.5). This is a positive trend considering the findings of a German study (sec 2.5.5) that the adaptation of a product line following market entry increases the likelihood of success. Of the respondents, 49 per cent owned only one business (fig 6.14).

To recapitulate, the typical SAB KickStarter is most likely to be a black male, older than 26 years of age with some certificate or diploma but no business management qualifications, no managerial experience and no previous experience in a similar business at the inception of his business; in other words, a man who desperately needs outcomes-based business management training and protracted mentoring. Furthermore, the SAB KickStarter is likely to still own the business he started or owned when he joined the SAB

KickStart Programme. Although the nature of the business has almost certainly changed, he has not yet invested in other businesses. His business probably provides business services or manufactures. He had about a one in four chance of receiving a grant from the SAB KickStart Programme. The term “typical SAB KickStarter” should not be confused with the success profile of a SAB KickStarter, which is discussed in section 7.3.8.

**Table 7.1 Demographic profile of respondents: a summary**

<b>Demographic profile of respondents</b>	
<b>Attributes</b>	<b>Profile of respondents/SAB KickStarters</b>
<i>Relating to the respondent (the person)</i>	
Year of participation (2001-2006)	Each of the years 2001-2006 is represented; 51% from 2005 and 2006
Geographic distribution by SAB region	Each of the SAB regions is represented – similar to SAB KickStart population distribution
Gender distribution	Predominantly male (70%) – same as SAB KickStart population
Age distribution of respondents	74% between 26-35 years (when completing the questionnaire)
Race distribution	Mostly black (88%)
Highest education level	60% certificate/diploma; 11% degrees
Business management qualification prior to starting with SAB KickStart	51% had no business management qualification; 37% had a certificate or diploma
Managerial experience at inception of business	43% had no managerial experience
Experience in a similar business at the inception of his/her business	24% had none and 28% had some similar experience at the inception of the business
<i>Relating to the business</i>	
Type of industry	Business services (34%) and manufacturing (32%)
Type of SAB KickStart support received – trained only versus trained and funded	55% trained only versus 45% trained and funded (17% more than population average)
Status of business – start-up or existing	57% start up versus 43% existing
Continued business ownership	80% still own the business which they owned when they started with SAB KickStart
Nature of the business – changed	77% changed the nature of the business (product/service diversified)
Number of businesses currently owned	49% own only one business; 37% own more than one business; 14% none

Various recommendations emerge from this précis of a profile of a typical SAB KickStarter. These are explained in section 7.5.

The study’s compliance with the secondary objectives concerning the interventions is evaluated in the next sections.

### **7.3.2 Evaluation of the selection of participants for the SAB KickStart Programme**

After submitting the SAB KickStart application form (including a business plan), preliminary selection takes place followed by these candidates completing a General Enterprising Tendency test, after which they do a presentation to an adjudicating panel which selects the participants for the programme for that particular year (detail in ch 4, sec 4.3.1).

#### **7.3.2.1 The aptness of the criteria used for screening the applicants**

The type of information requested on the application form (appendix D) is appropriate for assessing the entrepreneurial adeptness of the applicant, but the depth of information is inadequate. Although some of the information to be filled out on the application form typically appears in a business plan, SAB KickStart requires the applicant to attach a separate business plan. The survey results indicate that about three-quarters of the respondents (74%) had varying degrees of difficulty (slightly to extremely) in submitting a business plan, those with start-up businesses more so than respondents with existing businesses (fig 6.16). Most of the respondents with existing businesses (81%) had difficulty (slightly to extremely) in preparing financial statements (fig 6.17).

To circumvent the possibility of eliminating applicants with excellent business opportunities but incomplete business plans, the application form should be more detailed as set out under recommendations, later in this chapter.

#### **7.3.2.2 Appropriateness of the General Enterprising Tendency (GET) test to evaluate entrepreneurial potential**

The respondents were cautiously positive (50% "quite" and 33% "extremely") about the GET test's ability to assess their potential as an entrepreneur (fig 6.19). The psychometrists who administer the test for the SAB KickStart Programme, have no knowledge or experience of its appropriateness. It seems from the literature review in chapter 3 (sec 3.4.1) that the validity and reliability of this test needs further validation. In fact, research by Stormer et al (1999:47) concluded that the GET test is poor at predicting business success. In section 3.4.1, one of the criteria with which a personality test should comply, is that the subject being tested should give honest answers to the questions and not what he or she believes an entrepreneur should answer. With the GET test it is possible for the potential entrepreneur to answer what he or she believes would be the correct answer.

An alternate test that could be considered by the SAB KickStart administrators is the Torrance Tests of Creative Thinking (TTCT) (discussed in section 3.4.7) because this test scores show a significant relation between creativity scores and actual achievement.

People of all personality types become successful entrepreneurs and exhibit ambition, drive, hard work, effort in learning to understand a business and practise as a manager. No single entrepreneurial personality profile exists. Hence, it is not advisable to use a personality test to discriminate between potential entrepreneurs.

### **7.3.2.3 Criteria used for compiling the regional adjudicating panels**

A regional adjudication panel typically includes a person with financial expertise, such as a banker or venture capitalist, one or two successful entrepreneurs, a person involved in entrepreneurship development, the regional trainer and an SAB KickStart representative. What seems to be missing from the typical panel is someone with marketing acumen to assess the feasibility of the business concepts and their growth potential. This observation is borne out by the fact that respondents were not extremely impressed with the panels' understanding of the growth potential of their businesses (only 24% extremely – fig 6.20) or the panels' ability to ask appropriate questions to evaluate entrepreneurs and their businesses (only 33% extremely – fig 6.20), in spite of the fact that 80 per cent of the respondents found it easy (quite and extremely so) to present their businesses and themselves to the panels (fig 6.20). An academic, specialising in entrepreneurship and with business experience, could also form part of the adjudicating team.

### **7.3.3 Evaluation of the training course offered by the SAB KickStart Programme**

Applicants who pass the selection phase to participate in the SAB KickStart Programme are invited to a two-week live-in training course, presented by an independent trainer, and a training manual is handed out to the SAB KickStarters.

#### **7.3.3.1 Comparison of SAB KickStart training material with internationally acceptable training requirements for SME business owners/entrepreneurs**

The content of entrepreneurial and SME training programmes is reviewed in chapter 3 (sec 3.5.2) and summarised in table 7.2.

**Table 7.2 Comparison of SAB KickStart training material with internationally acceptable training requirements for small and medium-sized enterprise owners/entrepreneurs**

<b>Comparison of SAB KickStart training material with internationally acceptable training requirements for SME owners/entrepreneurs</b>	
<b>Internationally acceptable training requirements (from sec 3.5.2)</b>	<b>SAB KickStart training manual (see content page in appendix F)</b>
1. Demystify entrepreneurship and the entrepreneurial mind in thought and action.	<b>Section 1: The entrepreneur</b> SAQA unit standard: 114598, level 4
2. Develop creativity and practice innovation.	Section 1, points 22 & 23
3. Create, shape, recognise and seize an opportunity, including analysing the gap for the new business, scanning for opportunity, positioning the new venture, analysing the opportunity and gaining commitment.	Section 1, point 6
4. Screen venture opportunities, compile feasibility studies and gain financial support.	Section 1, points 24, 25 & 26
5. Explore new venture options, such as start-up, buy-out, franchise and family business.	
6. Plan and review strategies: define vision and mission, and complete environmental assessments.	Section 6: Business plan, point 17
7. Conduct marketing research and design marketing strategies for customer service, products, pricing, promotion, sales management, distribution, location and new product/service; sustain competitiveness.	<b>Section 3: Marketing</b> SAQA unit standard: 114583, level 4
8. Structure the operational process: manage the manufacturing; schedule workflow and production or service delivery; implement quality and project management; practice inventory and cost control; develop purchasing policies; and negotiate contracts with suppliers.	<b>Section 2: Production</b> SAQA unit standard: none Partly covered
9. Understand and marshal resources.	Section 1, points 16.3 & 20
10. Lead and build management teams and manage the human resources: recruit and select personnel; compensate employees; train and develop employees; adhere to labour laws; and analyse worker productivity.	<b>Section 4: Human resources management</b> SAQA unit standard: 114587, level 4
11. Understand the legal structures for new business ventures and legal issues related to operating the business – equity, labour, tax and other laws.	Only part of one labour law in annexure to section 4
12. Apply financial management: prepare financial statements; complete ratio and break-even analysis; identify sources of capital; raise venture and growth capital; manage cash flow and the venture's assets, risk and insurance; and pay taxes.	Partially in <b>section 5: Financial management</b> SAQA unit standard: None
13. Manage rapid growth and development of the new venture, beyond start-up; and form strategic alliances.	
14. Deal with social and ethical issues.	
15. Structure the organisation; constitute a board of directors.	
16. Draw up and review the business plan.	<b>Section 6: The business plan</b> SAQA unit standard: 114592, level 4
	Record-keeping systems: SAQA unit standard: 115855, level 5

Although the comparison of the content of the SAB KickStart training manual (appendix F) with internationally acceptable training requirements for SME owners/entrepreneurs



reveals that the former covers the standard training topics, a critical area (item 13 in tab 7.2) has been neglected, namely the management of rapid growth and development of the new venture, beyond start-up and the formation of strategic alliances.

Furthermore, financial management (item 12) does not seem to be covered to the required breadth. The SAB KickStart manual should be reviewed to include critical business management skills and people skills not currently covered.

In section 2.4.4.4 it was stated that in evaluating this programme, the extent to which relevant legislation is covered in the training material will be assessed. After perusing the content of the training manual, it seems that legislation critical to South African businesses is not being addressed in the SAB KickStart course material. Only legislation on employee dismissal and disciplinary procedures from the Labour Relations Act 66 of 1995 are addressed in the training manual. None of the legislation pertaining to people and the workplace listed in table 2.6 is covered, nor the different laws pertaining to taxation.

An attempt was made to ascertain the extent to which the mentors were familiar with relevant legislation and able to assist the SAB KickStarters with the implementation and compliance with these laws. During interviews with the mentors they claimed that they were familiar with the relevant laws. To ensure compliance with the relevant laws, the monthly report should request the pertinent particulars.

### **7.3.3.2 The proficiency of the SAB KickStart trainers presenting the course**

The majority of the respondents (78%) were under the impression that the SAB KickStart trainers covered more than 90 per cent of the material of the training manual during the training period (fig 6.26). Not only did the trainers cover most of the material, but they were also perceived to have explained it extremely well according to 64 per cent of the respondents (fig 6.24) and quite well according to a further 29 per cent of the respondents. The SAB KickStarters were equally impressed with the trainers' understanding of operating a business (fig 6.24) and their ability to give business examples (fig 6.25).

However, as regards the trainers' assistance with the business plan, the satisfaction of the respondents waned markedly (fig 6.24), especially those with start-up businesses (fig 6.29). Of the latter group, 39 per cent experienced no or slight assistance from the trainers with their business plans while 25 per cent of the respondents with existing businesses had the same experience. Even though these percentages are not large, they

are of particular importance because they provide insight into the skills levels of the trainers, who are supposed to assist all the SAB KickStarters with their business plans in preparation for the competition. A lack of adequate business plan compilation skills on the part of the trainer is further borne out by the fact that respondents with existing businesses received more assistance than those with start-up businesses – it is usually easier to draw up a business plan for an existing business than for a start-up business. In their integrated definition of entrepreneurship, Kuratko and Hodgetts (sec 2.2.1) identified “the fundamental skill of building a solid business plan” as one of the essential elements of an entrepreneur.

### **7.3.3.3 The impact of the SAB KickStart training and the benefits thereof for the participants**

A considerable percentage of respondents (88%) believed that the training substantially enhanced their ability to manage their businesses (fig 6.31) and that after the training they were able to draw up better business plans (fig 6.31). Such responses are to be expected taking into consideration their low levels of business management qualification prior to joining SAB KickStart Programme (tab 7.1) and the difficulty they experienced in drawing up business plans and financial statements when they applied to participate in the SAB KickStart Programme (sec 7.3.2.1). Yet, these considerably-enhanced business management skills did not translate into critical business outcomes such as an impressive increase in sales or profit or business expansion.

Of the respondents, 43 per cent perceived that the training helped somewhat (quite) to increase the sales of their businesses, while 34 per cent perceived that the training was of no value, or helped only slightly to increase sales (figs 6.31 & 6.34). The percentages were similar (figs 6.31 & 6.35) with regard to training helping to increase profits and cash flow management. *Vis-à-vis* expanding the business after training, the findings were even more dismal; as many as 42 per cent of the businesses had shown either no growth or only a slight growth, following the training (figs 6.31 & 6.37). These findings are perplexing considering the fact that the respondents were supposed to have received sufficient training in marketing to apply their marketing skills in their businesses to increase sales and expand the business. Furthermore, an increase in sales is the most critical outcome of training because it contributes to the growth of the business. A substantially more positive response on increased sales should have been forthcoming.

Contrary to the above findings, 81 per cent of the respondents claimed that they were usually or always allowed to apply the knowledge to their businesses during training (fig 6.38). If the course was indeed that practical, why could they not increase their sales after

training? This question is underscored by the fact that most of the recommendations from the SAB KickStarters on ways to improve the training centred on increasing the practicality of the training, making it more outcomes-based, and inviting different experts to address them (tab 6.8).

Pertaining to the coverage of general management skills (strategising, planning, marketing, financial management, project management and time management) and people skills (leadership, motivation, delegation, communication, negotiation, teamwork/interpersonal skills, coaching, conflict management, problem solving and decision making) during training, the respondents perceived all these skills to be well covered during training, with negotiation and conflict management receiving the lowest ratings (figs 6.39 & 6.40). However, these responses were highly suspect because only the general management skills (strategising, planning, marketing, financial management, project management and time management) appear in the content table of the training manual. Not one of the people skills (leadership, motivation, delegation, communication, negotiation, teamwork/interpersonal skills, coaching, conflict management, problem solving, and decision making) were listed as part of the content of the SAB KickStart training manual (version 2006). It is possible that some of the trainers addressed some of the people skills even though they are not covered in the SAB KickStart training manual.

Respondents indicated that they had benefited from all six sections of the SAB KickStart manual (entrepreneurship, production, marketing, human resources management, financial management and business plan) but mostly from marketing (tab 6.9).

#### **7.3.4 Evaluation of the business plan competition and the impact of the funding**

A month after the training, all the SAB KickStarters were supposed to submit and present their business plans to a regional adjudicating panel to be considered for a grant. All of the respondents should have, but, 13 per cent failed to complete their business plans (sec 6.2.3.7, point 1). This fact is perplexing, taking into consideration the fact that these respondents had received training in the compilation of a business plan and could call on the trainer for assistance with the completion of their business plans. From discussions with some SAB KickStarters, it seems that favouritism on the part of the trainer may have been a seminal factor, and secondly, the trainers' lack of knowledge of a specific industry. The reasons for not submitting business plans merit further investigation.

#### **7.3.4.1 Suitability of the criteria used to judge the business plans and allocate grants**

From the responses it is apparent that the respondents were not informed about the criteria for allocating grants prior to presenting their business plan or at the commencement of the presentation; nor did they receive any feedback afterwards. The impressions of about a quarter of the respondents were that the current status of the business and its actual growth were deciding factors in receiving a grant, while some felt that presentation skill was the deciding factor (tab 6.10). The fact that some respondents identified presentation skill as a deciding factor supports research by Clark (2006:1-12) (sec 3.8) who found in his study of business angels' decision making that the higher the entrepreneur's overall presentation score, the greater the likelihood is that the business angel would be interested in pursuing that entrepreneur's investment opportunity, even though the business angels were reluctant to admit to this.

A different set of criteria were tendered concerning reasons why SAB KickStarters did not qualify for a grant, namely inadequate business plans, inadequate presentations and panel prejudice (tab 6.11).

#### **7.3.4.2 The perceived impact of the SAB KickStart funding on the growth of the business**

Most of the respondents perceived that the funding contributed to business growth (52% – “extremely” plus 24% – “quite”), and respondents with start-up businesses were even more convinced of the impact of the funding on business growth than respondents with existing businesses (fig 6.44). Research underscores this finding: Audretsch (interviewed by Landström 2005:230) (sec 3.9) suggests that “having financial support – not necessarily venture capital, because most small businesses don't use venture capital – but to have the kind of institutions that provide loans to small business seems to be very important”.

#### **7.3.4.3 Application of the grant and its pay-out process**

The opinions of the respondents were split concerning the application of the grant for assets only (fig 6.45). More or less half of the respondents were in favour of the money being used for assets only, while the other half were not. The respondents with start-up businesses, in particular, were in favour of utilising the grant as working capital (80% – fig 6.45), more so than the respondents with existing businesses (68%).

More than half of the respondents indicated dissatisfaction with SAB KickStart's asset payment procedure because of the delays in paying the suppliers (fig 6.46). As explained by some SAB KickStarters, they could not enter for the SAB KickStart national competition because it took several months for them to receive the assets they needed to either establish or expand their business.

#### **7.3.4.4 Submission and value of monthly progress reports to respondents**

The vast majority of the funded respondents (94% – sec 6.2.5.2, point 1) submitted monthly progress reports on their businesses. Not all the respondents benefited from this exercise, but 70 per cent claimed that drawing up the reports helped to manage and grow their business (sec 6.2.5.2, point 2). The respondents were supposed to receive feedback on these reports every month, yet in practice this did not happen (sec 6.2.5.2, point 3). Only a third of the respondents received feedback on every report, and of these respondents, 76 per cent benefited from the feedback (sec 6.2.5, point 4).

#### **7.3.5 Evaluation of the mentoring**

The frequency with which the mentors contacted their five to eight protégés and protégées was shockingly low, taking into consideration the fact that the mentors had a contract with SAB KickStart to mentor the SAB KickStarters and were adequately remunerated for such services. More than two-thirds of the respondents were contacted once a month, or less frequently (fig 6.47). Time is of the essence for the SAB KickStarters who received grants because they only have about eight months in which to grow their business to qualify for the national prizes. During this period, the mentors should contact their SAB KickStarters at least weekly. Although the mentor's preferred method of contact is face to face, they could use telephonic and e-mail contact to increase contact frequency (fig 6.48).

##### **7.3.5.1 The type of mentoring provided**

Based on research among entrepreneurs by Bisk (2002:264) (sec 3.10.3) the type of mentoring provided by the SAB KickStart Programme can be classified as formal mentoring – SAB KickStart selects the mentors and allocates them to protégés or protégées (it is more an allocation than a match). More than 80 per cent of the respondents seemed to be satisfied with the assistance received from mentors with regard to writing monthly reports, financial management and business planning (figs 6.49 & 6.50), while about 70 per cent were satisfied with the marketing assistance from mentors. Of the respondents with start-up businesses, about 44 per cent were dissatisfied

with the assistance received from mentors in the areas of human resources management, operations management and networking (fig 6.49). The overall satisfaction of the respondents with their mentors was high, but this should be mitigated by the fact that they had no or little business management qualifications or managerial experience when they started with SAB KickStart. In such a scenario any assistance would be of value.

### **7.3.5.2 Mentoring needs of the respondents**

The respondents identified marketing assistance as the area of mentor assistance most needed, followed by networking (tab 6.17). This would imply that the mentor needs to be an accomplished marketing professional with a powerful network or networking skills from which the SAB KickStarters can benefit and grow their businesses.

### **7.3.6 Evaluation of the selection process of regional and national winners**

From each of the regions, three SAB KickStarters are selected to participate in the national business plan competition, and of these regional finalists, about seven to eight receive national prizes.

#### **7.3.6.1 Criteria used to select regional and national winners**

As with the selection of participants for grants (sec 7.3.4.1), the respondents were unaware of the criteria used by both the regional and the national panels. Furthermore, they received no feedback after their presentations. They surmised that the panels considered actual growth to be the most important criterion (table 6.18), followed by future potential and actual employment. The respondents were of the opinion that the two most important criteria to be considered by the national panel during adjudicating are actual growth and future potential.

For the 2006 national adjudication, the adjudicators were given the business plans of the 18 qualifying SAB KickStarters and two monthly reports of each competitor prior to the presentations. In addition, they were issued with criteria for scoring the SAB KickStarters, as set out in table 7.3.

No concrete measurements are attached to the criteria, which leaves them open to interpretation, subject to each adjudicator's frame of reference. For example, "overall evaluation" carries a 20 per cent weighting, but the elements comprising this criterion are lacking, and the meaning of the criterion is therefore quite vague. Any adjudicator who is impressed by the SAB KickStarter's presentation skill could give the presenter a high

score on “overall evaluation”. The list of criteria should be more comprehensive and include factors that contribute to business success (from chs 2 & 3), such as innovation/creativity – a typical entrepreneurial characteristic. Where necessary, the criteria should be broken down into subsections.

**Table 7.3 Assessment criteria issued by SAB KickStart to the national adjudicators**

<b>Assessment criteria issued by SAB KickStart to the national adjudicators</b>	
Area	Maximum score
1. Product idea or service	10
2. Management skills	5
3. Marketing and sales plan	20
4. Risk (SWOT analysis)	5
5. Finance	30
6. Overall evaluation	20
7. Job creation	10
Total	100

**Source:** Obtained from one of the 2006 SAB KickStart Programme national adjudicators.

#### **7.3.6.2 Establish the criteria used for the compilation of the regional selection panel and the national adjudicators**

The type of adjudicators invited to form the regional panel for selecting the regional winners to participate in the national competition is similar to the type of adjudicators that form the regional panel to allocate the regional grants, and the same comments apply (sec 7.3.2.3).

The national panel of adjudicators at the 2006 SAB KickStart Programme adjudication consisted of three females and three men. Of these two were successful entrepreneurs, two were in the field of developing SMEs, one was an investment banker for SMEs and one a SAB KickStart winner from a previous year. The two representatives from the SAB Enterprise Development Department introduced the panel, name and title, to the SAB KickStarter and monitored the proceedings. They did not form part of the adjudication. Again, a person with marketing expertise is lacking.

#### **7.3.7 The effect of the funding and mentoring on the success of the SAB KickStart participants**

The SAB KickStart Programme allocates millions in grants to the SAB KickStarters. In 2006 alone, more than R2 million was made available by the programme in grants in the

five SAB regions, as set out in table 7.4. In addition, prize money to the total value of R700 000 is distributed among seven SAB KickStarters during the national competition.

**Table 7.4 Value of grants allocated in 2006 per region (excluding national prizes)**

SAB region – in 2006	Number of grant winners	Rand value
Central	5	300 000
Eastern & Western Cape	9	900 000
Egoli	4	300 000
KZN (East coast)	5	205 000
North	4	300 000
Total	27	2 005 000

Source: [www.sabkickstart.co.za](http://www.sabkickstart.co.za)

When funding is allocated to a SAB KickStarter, mentoring for a period of eight months is included in the package. Do the funding and mentoring make a material difference to the success of the SAB KickStarters?

From statistical analyses described in section 6.2.4.3, one may deduce that funding, together with training and mentoring, added value to the SAB KickStart Programme since profit figures increased significantly for this group, thus adding to the success rate of businesses. The turnover means according to type of SAB KickStart support rendered, indicated that the mean turnover of the respondents whom received both funding/mentoring and training was significantly greater than the turnover of those who received only training.

One may therefore state categorically that the SAB KickStarters who received training, funding and mentoring were more successful than those who received only training.

### **7.3.8 Success profile of SAB KickStart participants**

The typical SAB KickStart profile described in section 3.7.1 should not be confused with a success profile. One of the objectives of the study is to determine whether any relationship exists between the demographic profile of the SAB KickStart participants (the SME owners) and the business success rates. As explained in section 6.3, it was not possible to test the different demographic attributes against success because turnover or profit cut-off points reflecting success could not be defined owing to anomalies in turnover and profit data. A study by Baron and Tang (2007:13) used three different measures of performance of the new ventures (younger than eight years) in their research: adjusted industry-controlled growth rate – average growth in turnover calculated over a fixed four-



year period adjusted by the industry sector average growth over the same four-year period for the industry sector of each new venture; average profit growth calculated using the same formula as for average turnover; and relative employment growth rate (current number of employees minus number of employees when the venture was founded, all divided by the latter). For the SAB KickStart respondents, turnover and profit data over a fixed four-year period for all the respondents did not exist and this measurement could thus not be used to determine success. Secondly, most of the SAB KickStart respondents had fewer than five employees which makes absolute or relative employment increase as a measure of performance meaningless

### **7.3.9 Value of SAB KickStart Programme**

From the data it can be concluded that the SAB KickStart Programme creates an opportunity in South Africa for micro, very small and small businesses to sustain or advance by providing aid in the form of business management skills, funding and mentorship. In particular, the programme (from tab 7.1)

- contributes to the sustainability of the SAB KickStart businesses – 80 per cent of the initial businesses are still in operation, while a further 6 per cent of the SAB KickStarters have started other businesses.
- participates in increasing the number of start-up/nascent firms by selecting more start-ups than existing business to participate in the programme (57% versus 43%).
- extends the life of new firms beyond 3.5 years to become established firms.
- assists in advancing the skills levels of entrepreneurial individuals with little business management knowledge and managerial experience.
- facilitates the securing of contracts by the SAB KickStarters. Subsequent to their participation in the SAB KickStart Programme, the 143 respondents managed to secure contracts totalling more than R183 million (only the value of the three largest contracts were requested) (sec 6.2.4.7).
- participates in creating jobs, albeit at the bottom end of the scale. However, an extenuating fact is that the programme creates opportunities for other individuals and businesses since an increasing number of these SAB KickStarters appoint agents and subcontractors (fig 6.43 & tab 6.16).
- plays a role in raising South Africa's competitiveness from its low levels as discussed in section 2.4.5 and summarised in table 2.8.
- makes a concerted effort to change the South African community to one in which entrepreneurship flourishes (from sec 2.3.7). Firstly, concerning the mobility of resources, the SAB KickStart Programme transfers capital to the SAB KickStarters

and arranges for entrepreneurial and business skill levels to be advanced and offers business mentoring. Secondly, SAB is an example of a company that invests capital in the projects of other community members through several of their entrepreneurial programmes. Thirdly, judging from the popularity of the regional and annual award dinners held by the SAB KickStart Programme, one can conclude that entrepreneurial success is celebrated in all areas of the country. Finally, SAB has always embraced change and this culture is inculcated in their 10 000 employees in South Africa (SABMiller Annual Report 2006).

- addresses critical factors in the micro-environment (fig 1.2 in ch 1). Through the training the programme offers, the entrepreneurs are skilled in the setting of a mission and goals, and understanding the organisation and its management, in particular marketing, financial, purchasing, and production. In addition, to selected SAB KickStarters, resources in the form of capital with which physical assets can be purchased, is provided together with business mentoring. Some expertise is available through the services of a mentor. The programme does not provide human resources and information resources.
- attempts to prevent failure of the businesses by attending to the four statistically significant factors which emerged from research (discussed in ch 1), namely planning, professional advisors, education and staffing. Through the KickStart training, the entrepreneurs are educated in entrepreneurship, SME management, and planning and have to produce a business plan in order to qualify for seed money. A mentor is provided to act as professional advisor, who may or may not assist with staff issues but staffing per se, is not provided.

These facts confirm that the SAB KickStart Programme plays a part in addressing South Africa's low "Total Early-stage Entrepreneurial Activity" (sec 2.3.4).

#### **7.4 LIMITATIONS OF THE SURVEY**

As explained by Hussey and Hussey (1997:129) "a limitation identifies potential weaknesses in the research". In the study, potential weaknesses with regard to the following issues were identified:

- **The effect of mentoring versus funding.** It was impossible to determine which intervention, mentoring or funding, contributes more to business success or whether it is the combination of the two, because the SAB KickStarters who received funding also received mentoring.
- **The length of the questionnaire.** Some respondents felt that the questionnaire was too long and therefore did not to complete it. This reduced the response rate.

- **Time restrictions.** Some of the more successful SAB KickStarters were too busy to complete the questionnaire and not sufficient information about this category of SAB KickStarter could be obtained.
- **Computer illiteracy.** Some SAB KickStarters were not sufficiently computer literate to complete an e-mailed questionnaire. The questionnaires should simultaneously have been e-mailed and posted, even though participants insisted on the questionnaire being e-mailed.
- **Technologically inadequate facsimile machines.** The use of a facsimile-to-e-mail number requires a facsimile machine with a certain technological sophistication, and when the sender does not have access to such a machine the facsimile will be lost or distorted. An unknown quantity of questionnaires was therefore lost.
- **Unavailability of turnover and/or profit figures.** A number of the respondents were not able to provide turnover figures. One reason is that they had only started their business in the year preceding the survey and did not yet actually have annual turnover figures. Another reason is that some of the respondents did not know what their turnover and/or profit figures were. Yet another reason could be that some respondents elected to withhold these figures because of confidentiality, or a fear that the data could be leaked to the South African Revenue Services.
- **Inadequacy of profit figures to measure success.** Some respondents could not provide profit figures because all available capital was invested in growing the enterprise, and the company did not show any profit. Owing to rapid expansion some businesses were showing a loss.
- **Incomplete database of SAB KickStarters.** The database of the SAB KickStarters has not been maintained and therefore not all SAB KickStarters could be located. The fact that half of the respondents were from 2005 and 2006 intake could have skewed the results, with regard to turnover figures in particular.

Despite these limitations the present results appear to offer several useful contributions which resulted in the following recommendations highlighted below.

## 7.5 RECOMMENDATIONS TO IMPROVE THE SAB KICKSTART PROGRAMME

From the preceding discussions (sec 7.3 and 7.4) it is obvious that the interventions implemented by the SAB KickStart Programme are effective to some degree, but this effectiveness should be enhanced in order to ensure a robust growth of the SAB KickStarters to elevate them to the level of the so-called “gazelles” (companies that grow at least at 20%). From section 2.3.6, gazelles contribute more to the creation of new jobs than “mice” (companies that start small and stay small). Further research found that

gazelles as a group pass through a “gradual development phase followed by a robust (but not explosive) growth” and include companies of all sizes, not only small enterprises (Birch, in Case 2001:2). It seems from the data that many of the SAB KickStarters can be classified as “mice”.

Nevertheless, taking into consideration the millions that are spent not only on grants and prizes but also on training, mentoring and the administration of the programme, it is of paramount importance to ensure that an optimum return on the corporate social investment is secured. This is possible by perfecting the existing interventions which form part of the programme and adopting new interventions to increase its success.

Reiterating from the literature review (sec 3.5), factors which may inhibit potential entrepreneurs from pursuing entrepreneurship are a lack of training for entrepreneurs, the risks posed by the business environment, a lack of suitable human resources, and legal restrictions on business activity (Wickham 2004:167). However, to eliminate these inhibitors, entrepreneurs can access a range of support initiatives, such as funding, mentoring, networking, incubation space, start-up training, development training, third-level facilities (institutions) and third-level expertise (De Faoite et al 2004:443). Currently, the SAB KickStart Programme is eliminating these inhibitors by offering training for entrepreneurs, funding, mentoring and limited networking. The programme should consider the other support initiatives mentioned above such as differentiating between start-up and development training, increased networking, incubation space, and third-level facilities and third-level expertise. Through professional mentoring risks posed by the business environment could be eliminated, suitable human resources could be located and legal restrictions on business activity could be circumvented. The incorporation of these approaches and activities in the programme is elaborated in the following recommendations, which are a culmination of the survey results in chapter 6, the summarised findings in this chapter and the literature reviews in chapters 1, 2, 3 and 4.

#### **7.5.1 Recommendations following from the demographic profile of the SAB KickStarters**

- (1) **Maintain the SAB KickStart database.** To assess the success rate of the SAB KickStarters over time it would be essential to maintain the contact information in the database and update the data regularly, at least every six months. With such data it would be possible to conduct a longitudinal study and determine the success rate of the SAB KickStarters past the critical first three-and-a-half years.

- (2) **Adjust the male/female split** (currently about 70/30% split). In South Africa, 51 per cent of the population is female (Statistics SA 2007:2) and the SAB KickStart population distribution does not reflect this gender distribution. More females should be considered for participation in the SAB KickStart Programme.
- (3) **Include recent graduates: spread the age of respondents.** A concerted attempt should be made to market the SAB KickStart Programme to recent graduates (22-28 year of age) from universities and technical universities to participate in the programme, because research based on human capital theory argues that high human capital endowment (education and experience) of the entrepreneur reduces the chances of entrepreneurial failure (from sec 2.6.2; also ch 3). University or technical university graduates either have business management training or have been trained in a specific skill, and some may even have both, which increases their probability of being successful entrepreneurs.
- (4) **Reflect on the focus of the programme with regard to the status of the businesses: start-up versus existing.** A policy decision should be made on whether the status of the businesses selected will continue to be about a 57/43 per cent split of start-up businesses to existing businesses, or whether greater consideration should be given to selecting start-up businesses in order to be true to the character of the programme – kick starting businesses. Kick starting businesses could necessitate added marketing, financial and management assistance and greater involvement through, say, professional mentoring, but would greatly assist the country in creating jobs and building a culture of entrepreneurship.
- (5) **Try to consider businesses from all industry sectors.** Currently, the businesses are mainly from manufacturing and financial and business services. Business from the other industry sectors should receive serious consideration, from agriculture in particular, because these entrepreneurs provide the basic needs of South Africans and uplift the rural communities.

#### **7.5.2 Recommendations that apply to the application and selection phase of the SAB KickStart Programme**

- (1) **Adopt a multidimensional approach to entrepreneurial venture assessment.** Selecting entrepreneurs with the potential to succeed is a cognitively challenging exercise because entrepreneurs are heterogeneous, multifaceted individuals operating in a micro-, market and macro-environment (from deliberations in chs 2 &

3). Therefore, the assessment of entrepreneurial SMMEs for inclusion in the SAB KickStart Programme should adopt a multidimensional approach, such as the one described in sections 2.4., 3.2 and 3.3.3. The entrepreneur, the venture and the environment should be assessed qualitatively, quantitatively, strategically and ethically, and the prior experience, education and age of the entrepreneur should also be taken into consideration. Timmons and Spinelli (2004:92-100) (appendix B) provide a “quantitative method in which an entrepreneur or an investor can make judgements about the industry and market issues, competitive advantage issues, economic and harvest issues, management team issues, and fatal flaw issues and whether these add up to a compelling opportunity” (sec 3.6). Based on the literature review and the survey findings, a SMME assessment score sheet has been drafted and appears in table 7.5.

**Table 7.5 Suggested SMME assessment criteria and scores**

<b>Suggested SMME assessment criteria and scores</b>	
Criterion	Maximum score
Product idea or service – relative uniqueness of the venture – new products/services, new markets, new processes/technology, new geographic area; serious need for the product or service	5
Customers: clear concept of customer profile, their needs & wants, buying habits of each market segment	10
Sales projections – realistic (customer/market size x pricing policy) expected growth of sales and/of profits as the venture moves through its start-up phase – anticipated growth rate in sales and profits over a multi-year period	10
Promotion strategy – effort to market the business; sales staff, advertising, other	5
Finance - relative investment size at start up – amount of investment needed and the timing thereof, the financial reserves of the principal entrepreneur, risk attached to the investment	5
Risk (SWOT analysis); competitor analysis	10
Cash flow management - break-even; major expenses; credit policy	15
Access to resources – skilled labour, finance, physical and information/knowledge	5
The entrepreneur Prior experience and knowledge of same or similar business Management training or experience Passionate and knowledgeable about service or product Capable of making a sustained intense effort Solution oriented - creative in dealing with challenges and risks High levels of self-efficacy Networks – powerful Ability to adapt to changing demands	15
Management team – complementary skills and experiences	5
Record keeping and planning – systems in place; computer software	5
Operations management – suitable location and facilities; adequate equipment	5
Job creation	5
Total	100

Firstly, the adjudicators should be carefully selected to represent the different critical disciplines (marketing, finance, operations and entrepreneurship) and be provided with detailed guidelines on evaluating the entrepreneurial ventures, not only quantitatively but also qualitatively.

- (2) **Expand the SAB KickStart Programme application form.** This form should contain all the critical information necessary to make an informed decision without relying on a business plan to avoid eliminating applicants with excellent business opportunities but inadequate business plan skills. The new application form would assist applicants who are not familiar with compiling a business plan but who have sound business concepts to provide all the relevant information. Standardised cash flow and income statements and balance sheets should be available for completion. Applicants with start-up businesses should also have to complete financial statements based on realistic projections. The current application form could be seen as favouring existing businesses.

The fact that researchers, such as Kennedy and Drennan (2000:165, in Watson 2004:4), found that the performance of new ventures improves for those entrepreneurs who have higher levels of education, previous entrepreneurial experience and experience in similar businesses (sec 3.5.1) recommends the inclusion of these criteria in the selection process..

- (3) **Consider an alternate test to identify entrepreneurs who are likely to be successful.** In section 3.3.2, the conclusion drawn was that no single entrepreneurial personality profile exists. The GET test results should therefore merely serve as a rough guideline during the selection process. Another test, the Torrance Tests of Creative Thinking (TTCT) should be considered because the test scores show a significant relation between creativity scores and actual achievement. Creativity contributes to the entrepreneur's ability to find resources, market niches and solutions to business problems. Additional research should be conducted correlating the scores on the GET test with the business success of the SAB KickStart participants.
- (4) **Ensure that the skills of the adjudicators are complementary.** In each region, the panel of judges is drawn from the region itself. It is to be expected that these judges would at least have some understanding of the factors in the market and macro-environment (ch 2) pertaining to that particular region. Selecting entrepreneurs with the potential to succeed is a complex task because

entrepreneurs are multidimensional, and the skills of the adjudicators should therefore be complementary and represent different business disciplines:

- an entrepreneurship expert (academic or other or experienced SME developer)
- a person with marketing acumen to assess the marketability and growth potential of the business concept
- a financial expert (financial manager, accountant, etc)
- operations or production expert
- human resources manager
- a person experienced in the development of SMMEs

In addition, the SAB KickStart Programme should develop detailed criteria for evaluating venture opportunities and business plans. Possible guidelines appear in appendices B and C. The current selection criteria are vague and open to subjective interpretation. Other concerns relating to business plan evaluation, as seen from the perspective of venture capitalists, are explained in section 3.9.

- (5) **Deliberate on the size of the businesses selected to participate in the SAB KickStart Programme.** SAB KickStart Programme is currently ensuring the sustainability of micro, very small and small companies through grants, ranging in value between R7000 and R100 000, and mentoring. These grants can make a material difference to smaller-sized companies, but would not be sufficient for medium-sized companies. Whereas medium-sized companies require larger grants, they are more likely to have access to funding from commercial banks, venture capitalists and business angels. The SAB KickStart Programme should continue assisting the entrepreneurial enterprises that are size-wise at the bottom end of the market.
- (6) **Ponder the pursuit of employment creation.** In 2006, 71 per cent of the respondents employed between zero to five employees. This statistic should be seen in context. In section 2.2.2 it was highlighted that half of all businesses in the USA employ fewer than five people (data from the National Federation of Independent Business, in Kuratko & Welsch 2004:3), while almost 90 per cent of firms employ fewer than 20 people.

Should the SAB KickStart Programme continue to place emphasis on the creation of employment, two avenues open up: invest in gazelles (as explained in the first paragraph, sec 7.5) or in larger numbers of start-up businesses with the potential to employ about five people.



From the definition of a gazelle as a company that grows at least 20 per cent per annum for four years, from a base of at least \$100 000 in revenue – it doubles in size over a four-year period (from section 2.3.6; Birch, in Landström 2005:168) – it is evident that the SAB KickStart Programme should select larger existing companies that already employ 20 people because these tend to grow faster than those with fewer employees. These findings are corroborated by an analysis of the worldwide GEM data (Autio 2005, in Von Broembson et al 2005:25), which suggests that the primary job creators worldwide are firms that employ 20 people or more. Autio found that in both developed and developing countries, these firms are responsible for an estimated 80 per cent of new job creation by entrepreneurs (from sec 2.3.6).

Such a shift in selection criteria would eliminate many of the micro, very small and small companies currently benefiting from the SAB KickStart Programme. Should the SAB KickStart Programme continue to support SMMEs, training and mentoring would have to incorporate a change in the current employment mindset. The 2006 GEM for South Africa found that the mindset of the majority of the respondents (95%) is “not geared towards growing employment in the near future” (Maas & Herrington 2006:24). Of those that will grow business in terms of employment, they expect to do so in the 1-to-5 jobs category (79% of respondents), while 15 per cent expect the number of jobs to range between 6 to 19; and only 6 per cent expect 20 plus number of jobs.

### **7.5.3 Recommendations that apply to the training phase of the SAB KickStart Programme**

- (1) **Accredit the business management training course.** The SAB KickStart Programme should consider formalising the training through the accreditation of the training course to increase the value of the certification of the participants. Although only a few respondents (tab 6.9, point 7) suggested that the training should be accredited according to the South African Qualifications Authority (SAQA) unit standards and registered with the relevant Sector Education and Training Authorities (SETAs), this is an excellent suggestion that should be pursued.

According to the “KickStart Course Assessor guide”, the course is supposed to be assessed against SAQA unit standards for four of the six modules. The assignment questions are predominantly theoretical, and for the most part, do not address the assessment criteria of the unit standards. Regarding the business plan, the

assessment does not even require them to submit a business plan. The toolkits allow the practical application of theory. In the “KickStart learner workbook” assignments appear on topics which are not explained in the “KickStart training manual”. Some trainers were not aware of the existence of a “KickStart learner workbook”. A “KickStart facilitator’s guide” does not seem to exist.

An integral part of accrediting is the assessment of the learner to establish the level of competence achieved as a result of the training. If the course is accredited, learners would be required to submit a portfolio of evidence which could be in the form of a business plan, as part of the portfolio for summative assessment. SAB KickStarters are already required to submit a business plan a month after the two-week training in order to obtain funding. Following accreditation, the certificates presented to the learners (KickStarters) on completion of the training would be of greater value because they would comply with a national standard, and could help in job mobility and advancement.

It is recommended that the SAB KickStart training course be upgraded and accredited. This would involve upgrading the SAB KickStart training manual, compiling a facilitator’s guide, and adjusting the learner workbook and the assessor’s guide in line with the upgraded KickStart training manual and the SAQA requirements.

- (2) **Adopt an outcomes-based education approach for the business management training manual.** Accreditation would probably require upgrading of the existing training manual, particularly regarding an outcomes-based education style. This would be to the advantage of the learners and should allow the material to be more practical (as recommended in tab 6.8). The importance of “deliberate practice – effortful, directed practice focused on building the specific skills necessary for high levels of performance” to ensure exceptional performance was emphasised in section 2.5.4. In addition, Dencker et al (2007:55) found that “learning by doing promotes firm survival and can compensate for lower levels of prior knowledge and management experience” – characteristics which apply to the SAB KickStarters with low levels of prior knowledge and management experience. An increase in deliberate practice was one of the recommendations on the improvement of the programme. The toolkits in the training manual afford the learner the opportunity for deliberate practice, but the researcher did not examine the extent to which these toolkits were utilised by the trainers.

(3) **Upgrade the content of the business management training manual.** Although the content of the training manual covers essential information needed by entrepreneurial SMMEs, it is not exactly adequate and should be reviewed. For example:

- As indicated in section 2.5.2 and figure 2.7, successful entrepreneurial performance is the outcome of the integration of industry knowledge, general management skills, motivation and people skills. In the training manual, the general management skills (strategy, planning, marketing, financial, project management and time management skills) are included but none of the people skills (leadership, motivation, delegation, communication and negotiation skills) per se.
- The fact that SAB KickStarters could not substantially increase sales of their businesses after training highlights the need for a radical rethink of the training in marketing to elevate the level of their marketing skills.
- The finding that respondents had difficulty compiling financial statements when they applied to participate in the SAB KickStart Programme, and some respondents could not submit turnover figures for the questionnaire (even after their training), suggests not only the inclusion of substantial financial training in the SAB KickStart training programme, but also the inclusion of software packages (and computers – preferably laptops) to assist entrepreneurial SMME owners with their financial statements and business plan compilation. In addition, mentors skilled in finance would be of great assistance to the SAB KickStarters; alternately, financial expertise (eg accountants) should be co-opted.
- The management of rapid growth and development of the new venture, beyond start-up, and the formation of strategic alliances should be covered during training.
- The section on innovation and resource management should be upgraded in line with the findings in section 3.5.6.
- The trend among SAB KickStarters to increase their utilisation of agents and subcontractors suggests that the skill of negotiating contracts with agents and subcontractors and managing such relationships would need to be addressed, either during the training period or during mentoring.
- More examples pertaining to start-up businesses should be included in the training manual.
- The business plan is not sufficiently covered, as set out in table 3.1, and training material on the business plan needs improvement, especially as the business

plan forms an integral part of the assessment of the KickStarters, both at regional level for grants and at national level for prizes.

- Trainers should be provided with a facilitator's guide.

(4) **Reassess the facilitation of the business management training.** The training is helping but not making a dramatic difference. A more outcomes-based approach, greater exposure to businesses and the incorporation of marketing experts may alter the current situation. The presentation of the course is perceived to be too theoretical and the preference is for more hands-on business experience and exposure to real businesses, successful entrepreneurial SME owners and successful SAB KickStarters from prior years (tab 6.9).

(5) **Train the trainers.** The trainers have varying skills in training and business planning. A one-day training session for the trainers should be arranged. Prior to the training session, they should each submit a business plan which will be assessed and discussed during the training session. Critical issues, such as target market analysis, sales strategies, start-up or expansion costs, cash flow statement and networking should be revisited to ensure that the trainers all have a common understanding of what is required. Furthermore, during such a session they could be steered through the facilitator's guide and familiarised with the assessment criteria. One of the current trainers submitted her business plan to the researcher for evaluation and it is obvious that she is not skilled in target market analysis. If the trainers are not skilled in target market analysis, how can they assist SAB KickStarters to realistically assess their business potential and plan accordingly?

(6) **Support the trainers – third-level experts.** From the results of the survey it seems that the trainers need assistance pertaining to marketing (in particular how to increase sales), financial management and the compilation of business plans for start-up companies. It is unrealistic to expect the trainers to be experts in all management disciplines and they should therefore have access to specialists who can assist with the training, such as the following:

- experts co-opted from the business community, for example, a marketing expert to present sections on marketing and assist the participants with their sales strategies
- experts in business management disciplines from educational institutions as part of their community involvement
- professionals to facilitate the training, for example, in each region (Cape Town, Durban/Pietermaritzburg, Pretoria, Johannesburg and Bloemfontein) where

there is a university and/or technical university offering entrepreneurship and business management courses. Professionals from these universities could be contracted to facilitate the training.

- (6) **Allow the SAB KickStarters to rate the trainers/mentors.** At the end of the two-week training period, the SAB KickStarters should rate the trainers, but strict confidentiality and anonymity should be ensured to obtain a realistic and honest rating. During mentoring the mentees should also have the opportunity to rate their mentors.
- (7) **Appoint one trainer per region.** Until 2005, a trainer/mentor could be responsible for more than one region. This complicates the logistics of the matter because the same person would have to monitor a large number of SAB KickStarters and cover a large geographic area, as opposed to a trainer/mentor who is responsible for only one region. In 2006, this practice was discontinued and a trainer/mentor was appointed in each region. This practice should continue.

To place the recommendations on training and entrepreneurial training in perspective, Sullivan's comments (2000:172) are summarised (from sec 3.5.7): such programmes tend to "teach" about issues that are mostly of shorter-term benefit or not of immediate relevance to the participants, and fail to develop skills, attributes and behaviours that provide added value to the entrepreneurs, in terms of personal development and improving their ability to learn. It is, however, true that the provision of up-front, prescribed training costs less than the provision of mentoring at regular intervals. The cost-effectiveness of alternative support mechanisms should be considered and even the possibility of the participant entrepreneur paying for such support, at some stage in the programme.

#### **7.5.4 Recommendations that apply to the business plan competition at regional and national level**

- (1) **Develop realistic criteria for venture (business plan) evaluation.** To demystify this critical phase of the SAB KickStart Programme, both at regional and national level, criteria for evaluating the SAB KickStarter business plans should be set and distributed during training to both the trainers and the SAB KickStarters in all the regions so that SAB KickStarters can be well prepared, and to guarantee fair adjudication, based on the same criteria.

- (2) **Provide feedback to SAB KickStarters after adjudication.** SAB KickStarters are entitled to feedback on their business plan presentations as part of the learning process. Constructive feedback would serve as a guide to the SAB KickStarter to improve not only the business plan but the business itself. Adjudicators are likely to demonstrate greater equality in their assessment of individual SAB KickStarters if they are informed at the outset that their assessments are to be given to the SAB KickStarters themselves. This could contribute to increased fairness during adjudication.
- (3) **Re-examine the allocation of the regional grant or prize money and the payment procedure.** The SAB KickStart Programme should consider the allocation of the money not only for the purchase of fixed assets but also for other resources such as vehicles, Internet installation and subscription, computer software packages, and stock, where such a resource is crucial for the business to expand, especially in the case of start-up businesses. Stevenson pointed out in his process definition of entrepreneurship (tab 2.1) that with regard to the control of resources, the Internet world with its network structure offers new forms of control to the entrepreneur, such as alliances, partnerships and market teams, in matching resources with unpredictable needs.

Furthermore, the SAB KickStart procedure to pay should be streamlined, from both the SAB side and the side of the KickStarter, to accelerate the procedure. With regard to the latter, the trainers should play an active role in identifying the “asset” needs of the SAB KickStarter and the SAB KickStarter should submit these needs as part of his or her business plan. On the SAB side, the SAB regional CSI coordinators could assist the SAB KickStarters with the purchasing process to ensure early payment of assets.

#### **7.5.5 Recommendations that apply to the mentoring phase of the SAB KickStart Programme**

One of the SAB KickStart press releases claimed that “intensive and highly interactive mentoring of these winning enterprises continues for a further eight months. SAB also provides direct support through the introduction of high-level networking to stimulate business development, and helps the businesses gain public relations exposure”. Mentoring does not seem to be intensive and highly interactive (monthly contact cannot be deemed to be highly interactive). Respondents identified the need for networking, which means this is not being arranged satisfactorily.

- (1) **Draw up a detailed contract specifying the role and tasks of the mentor.** Mentoring is critical for the acceleration of the establishment and growth of the SAB KickStart businesses, and the role and responsibilities of the mentor therefore need to be clearly defined and set out in a contract between the SAB KickStart Programme and the mentor. Targets should be set for the mentors in terms of turnover increase for their protégés and protégées. The responsibilities of the mentor should also be explained to the SAB KickStarters so that they know exactly what they are entitled to expect and demand from their mentors.
- (2) **Clarify the tasks, roles and responsibilities of the mentor.** In chapter 2, the environments in which the SAB KickStarter operates were explained. During the training, skills required to deal with the micro and partly with the market environment are facilitated, but the KickStarters will need further assistance in the market environment (customers, suppliers, intermediaries and competition) and to deal with any issues emanating from the macro-environment (technology, economic, social, legislative, ecological and international) (sec 2.4.3 & 2.4.4). One of the tasks of the mentor should be to assist the KickStarter to reduce the risks in the market and macro-environment.

Another task of the mentor is to either assist or find assistance for the SAB KickStarters to cope with the “inappropriate complex regulations with regard to labour and tax” which characterise the South African legislative environment (sec 2.4.4.4) in particular, pertaining to the difficulty of doing business in South Africa (tab 2.5) and the plethora of laws in table 2.6 that affect the KickStarters’ businesses and the conditions for setting up a business in South Africa (tab 2.7). To recap, “an entrepreneur needs a strong support and advisory system” (from sec 3.10.4, Hisrich & Peter 2002:73-74, in Watson 2004:6).

Another task of the mentor is to be a facilitator who “enables the entrepreneur to dissect, reflect and learn from ... critical incidents” (Sullivan 2000:163, from sec 3.10.5). To accomplish this, the background, attitude and skills of the mentor become critical. The mentor should support the entrepreneur in every phase of the new venture as set out in tables 3.3. and 3.4.

- (3) **Agree upon the different expectations and ground rules, during the initiation phase of mentoring** (sec 3.10.2 & 3.10.3). Structure the role of the mentor. From table 3.3 the mentor can determine in which management phase the SAB KickStarter’s business finds itself, and from table 3.4 he or she can decide on the type of support that would be appropriate.

- (4) **Time the mentoring – initially intense and then follow-up support.** In section 3.10.5 it was pointed out that much of the learning is experiential (learning by doing – Kolb 1984, in Sullivan 200:161), consideration should therefore be given to adopting a “just-in-time” approach, where specific assistance is offered in response to critical incidents. Initially, the mentoring should be intense and interactive in order for the SAB KickStarter to grow robustly and compete in the KickStart competitions. The mentoring period should be extended because “without follow-up support there is a danger that youth enterprise initiatives are effectively quick fixes which delay rather than solve the problem and their potential contribution to society” (Brooksbank, Jones-Evans, Kwong, Thompson & Williams 2007:30).
- (5) **Match the mentors and the SAB KickStarters.** In matching the mentor and the entrepreneur, the specific needs of the entrepreneur as determined by the management phases in table 3.3 and the corresponding management and leadership skills (tab 3.4) required by the entrepreneur should be acknowledged. Several other factors should also be considered, such as the mentor’s sectoral experience (Deakins et al 1997, in Sullivan 2000:170) and the learning styles of the mentor and the entrepreneur. Mumford (1995, in Sullivan 2000:170) identified four learning styles, namely activist, reflector, theorist and pragmatist, each associated with stages in the learning cycle, namely having an experience, reviewing the experience, concluding from the experience and planning the next steps. Entrepreneurs are by definition “activists” and would therefore require a mentor who could assist them to review their experiences, conclude from the experiences and plan the next steps. An activist mentor would be more inclined to offer a solution rather than allowing the entrepreneur to learn from the experience and formulate his or her own solution. Entrepreneurs (activists) may thus not be the best mentors, unless they are trained in the type of skills needed to be an effective mentor, acting instead as guides rather than directors.
- (6) **Select advisors to assist mentors with marketing expertise.** From the data it seems that marketing expertise is a crucial requirement of the mentor to assist the SAB KickStarter to increase sales and grow the business. Mentors should have a proven record of growing businesses, or alternately, marketing experts (possibly from within SABMiller) should be appointed to provide assistance.
- (7) **Split the trainer/mentor roles.** A person who is good at facilitating training is not necessarily a good mentor. A mentor needs to be more of a business analyst and strategist with the ability to identify areas that need crucial attention in order to grow the business.



- (8) **Co-opt multiple mentors or create a network of mentors.** From the discourse in section 3.10.7, it transpired that when nascent entrepreneurs have rich social networks, they accomplish some critical tasks with greater success, namely attracting financial capital, recruiting skilled labour and accessing tacit knowledge – in other words, resource mobilisation is facilitated.

The range of different skills needed by the SAB KickStarters cannot be provided by a single person. Neither would one person have experience of all the different industries from which the SAB KickStarters originate. SAB should therefore consider appointing more than one mentor; or establish a network of mentors from which the regional mentor or the SAB KickStarter could draw skills and expertise as and when needed.

One option could be to co-opt role models in the community or successful business persons in the same industry as the SAB KickStarter to assist with mentoring.

A second option could be, to replace the mentor with a limited number of hours of access to professionals in the fields of marketing, law, finance, accounting, project management, human resources management, et cetera. These professionals could be selected by the SAB KickStart Programme in each of the SAB regions.

Another alternative is skill sharing through volunteerism – an employee-involvement programme – by SABMiller staff to uplift the community. For example, assistance could be provided by the human resources staff, labour relations specialists, marketing managers, public relations officers, financial managers and accountants, legal advisers, information technologists, production managers, project managers, general managers, et cetera, as and when needed or limited to a specified number of hours.

- (9) **Redesign the monthly feedback report.** Feedback is critical to ensure that the businesses of the SAB KickStarters grow. The type of feedback to be imparted by the mentors needs to be clarified. Structure the report under functional headings with subsections. The information required should be grouped under four headings: marketing, financial, operations and human resources. Currently, only the financial information required from the SAB KickStarters on the monthly reports (see appendix G) is sufficient.

Insist on the setting of strategic objectives. Wickham (sec 2.2.2), in differentiating entrepreneurial ventures from small business, pointed out that even the smallest

firm has sales targets and financial objectives, while the entrepreneurial venture goes beyond these and sets itself strategic objectives in relation to growth targets, market development, market share and market position. None of these objectives are requested in the current monthly report. The SAB KickStarter should describe the sales strategy and have an opportunity to explain any problems with its execution or assistance needed to accelerate its execution, so that the mentor can intervene. In other words, a strategy to expand the business needs to be devised. Specific issues that must be solved should be listed in the report.

Quantify the measurement in the report. The current report requires the mentors to rate the business activities of the SAB KickStarters on a five-point scale, which is highly susceptible to subjective interpretation and is actually quite meaningless. Quantitative measurements need to be incorporated.

- (10) **Give feedback to SAB KickStarters on their monthly reports.** It is imperative that SAB KickStarters receive feedback on their monthly reports, either from the mentor or the SAB Enterprise Development Department at SAB head office. According to the archived monthly reports, feedback used to be provided by the SAB Enterprise Development Department until 2005, and was subsequently discontinued, which coincided with the resignation of the then Enterprise Development Manager who had a BCom degree.

The monthly reports are supposed to be in by the 10<sup>th</sup> of the month. The mentor (or SAB Enterprise development department) should give feedback by the 15<sup>th</sup> to allow the SAB KickStarter enough time to implement changes before the next report. Time is of the essence – there are only six to eight months in which to grow the enterprise.

A decision needs to be made on who will give feedback – the mentor and/or the SAB Enterprise Development Department.

#### **7.5.6 Recommendations regarding the structure of the SAB KickStart Programme**

- (1) **Separate the start-up businesses from the existing businesses.** De Faoite et al (2004:443) distinguish between start-up training and development training. In section 3.5.3 it was pointed out that two types of knowledge are generally the most important for start-up success, but are rarely available, at an extremely high cost only, namely opportunity-specific knowledge which is about the existence of an unserved market and where physical resources to serve it might be obtained and

venture-specific knowledge pertaining to how to produce a particular product or service. Furthermore (from sec 3.6), for start-up businesses, a number of critical factors are vital in new venture assessment, especially during the prestart-up phase when the entrepreneur has the idea and progresses to opening the business, and the start-up phase when the entrepreneur starts selling and delivering products/services (Kuratko & Welsch 2004:166-170):

- the relative uniqueness of the venture – new products/services, new markets, new processes/technology and new geographic area
- relative investment size at start up – the amount of the investment needed and the timing thereof, the financial reserves of the principle entrepreneur and the risk attached to the investment
- the expected growth of sales and/of profits as the venture moves through its start-up phase – anticipated growth rate in sales and profits over a multi-year period
- the availability of products/services – research, development and testing have been completed
- the availability of customers – customer profile and buying habits have been analysed

From the literature review it is clear that the start-up business has different requirements from training.

From the SAB KickStart survey, respondents suggested (to the open-ended question on improving the training) that the training of the two groups should not take place simultaneously because they have different needs and business experience levels. Other survey results endorse these differences. The need for understanding the course material of respondents starting businesses may be greater than the need of respondents with existing businesses, and their demands and expectations are therefore higher (figs 6.27 to 6.29). Significantly more respondents with start-up businesses reported that their sales did not increase after training than respondents with existing businesses (fig 6.34). Proportionately, from figure 6.37, nearly five times more of the respondents with start-up businesses (23%) experienced no expansion of their business than respondents with existing businesses (5%). A possible conclusion from these findings could be that the respondents of start-up businesses need much more training in marketing and more assistance in starting up and/or growing their businesses, than those with existing businesses.

However, from section 3.10.7, it is proposed that start-up enterprises and existing companies should be mixed because this encourages mutual learning and provides a stimulating environment for start-up enterprises.

- (2) **Reflect on the possibility of a longer-term involvement (up to three years) with the SAB KickStarters through extended mentoring, also those who did not receive funding.** Start-up support of SMMEs should last for at least three to five years for optimal sustainability, according to an analysis of the best practices in the USA (UN 2000:40-43, from section 3.10.7). SAB KickStarters who were trained but did not receive funding would like the benefit of mentoring to assist with the implementation of the business management skills acquired during training. Professional mentoring offered for a reasonable period of time, or on an ad hoc basis, could make a critical difference in the establishment and growth of the SAB KickStarters.
- (3) **Assist SAB KickStarters with networking.** In Stevenson's process definition of entrepreneurship (tab 2.1) pertaining to the dimension "management structure", he emphasises the entrepreneur's ability to manage through networks, especially when key resources are external.

Apart from the mentors introducing the SAB KickStarters to their networks, they should assist the SAB KickStarters to establish their own networks. Of the suggestions to improve the programme (tab 6.21), 20 per cent focused on networking. Respondents request that SAB promote the products and services of the SAB KickStarters to the different divisions in SAB, as well as the different branches and subsidiaries in SABMiller and to the business community.

- (4) **Create incubating parks for SAB KickStarters.** Business incubation is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services (from sec 3.10.8). If SAB KickStart could make premises available (eg buildings adjacent to existing breweries or old SAB buildings no longer in use) from where the SAB KickStarters could start and operate their enterprises, logistically this would facilitate the task of mentoring, whether by a single or multiple mentors. With five to 10 SAB KickStarters concentrated on one site, they could share common services such as secretarial services, bookkeeping, boardrooms, et cetera. SAB could consider any of several different types of incubators, but the following three are relevant:

- (1) Classic business incubators provide small start-up firms with premises, infrastructure, and a range of services that can improve their ability to initiate and run their operations during the early development period.
- (2) Virtual business incubators make available services in cyberspace – connect companies to one another, customers, suppliers, partners and operating management through Internet and electronic data interchange, video conference capabilities et cetera.
- (3) Clustering (geographical and sectoral) and networking for SMEs are offered to access skilled and educated labour and to pool business services, including business incubation services.

The range of services that SAB KickStart could offer as a business incubator, varies greatly and may include any of the following (UN 2000:65-85) which are described in substantial detail in section 3.10.8: physical infrastructure, business services, formalised business education, training and business plan development, mentoring and business counselling services, access to capital, legal assistance, technical consultation and analysis, network services, security services, and aftercare services. Some of these are currently being offered by the SAB KickStart Programme.

(5) **Arrange continuity in the administration of the SAB KickStart Programme.**

Among the staff involved in administering the SAB KickStart Programme, both at the regions and at Head Office, a high staff turnover occurs, for example:

- Enterprise Development Manager – from 2001, resigned in October 2005; no replacement until September 2007; person acting in this position from October 2005 promoted to region and left at the end September 2007
- CSI Coordinator – Egoli region – West District – two years in position
- CSI Coordinator – Egoli region – East District – three years in position
- CSI Coordinator – KwaZulu- Natal region – replaced in 2006
- Corporate Affairs Manager – Egoli region – newly appointed in 2006 because previous person promoted to Head Office

To counteract this discontinuity, an individual or company could be contracted for a five-year period (or longer) to assist with the management of the programme. Alternately, SAB could decide to follow the recent trend in CSI which is to find ways for CSI to be more integrated with the business itself by establishing committees whose members are drawn from core business divisions to encourage broader participation, not only in the CSI decision making process, but also in the CSI activities, such as volunteerism and matching-grant schemes (from sec 4.6.2).

- (6) **Review the actual value of some of the grants and the payment of grants.** Although the SAB KickStart Programme maintains that the value of the regional grants ranges from R50 000 to R120 000 (sec 1.3.3, phase 3), some respondents received as little as R7 000, and several respondents mentioned that they never actually received the full amount allocated to them. The actual outpayment of the grants merits further examination.
- (7) **Reinstate the “Best KickStart region of the year” and “Most improved KickStart region” accolades.** In the past, regions were judged on the performance of the KickStart businesses and their growth. Unfortunately, this excellent custom has been discontinued.

These recommendations emanated from the survey results and the literature study, and the most critical recommendations were discussed,

On reflecting on the research process and findings, several ideas for further research surfaced. These are described in the next section.

## 7.6 SUGGESTIONS FOR FURTHER RESEARCH

### 7.6.1 A longitudinal study

According to Hussey & Hussey (1997:63) a longitudinal study ...

is a study, over time, of a variable of subjects. The aim is to research the dynamics of the problem by investigating the same situation or people several times, or continuously, over the period in which the problem runs its course. ... Repeated observations are taken with a view to revealing the relative stability of the phenomena under study; some will have changed considerably, others will show little sign of change. Such studies allow the researcher to examine change processes within the social, economic and political context.

By observing the SAB KickStarters over time, it would be possible to alter interventions and measure the effect on entrepreneurial success. By repeatedly adjusting interventions, it would be possible to eventually, through a process of elimination, select the most effective interventions for entrepreneurial growth.

### **7.6.2 Explore the relationship between cognitive biases and venture formation**

In section 3.3.2.3, reference was made to Baron who makes a compelling case that researchers need to explore cognitive biases, such as the effects of counterfactual reasoning, planning fallacy, affect infusion, attribution style, and self-justification on venture formation. The ability to synthesise information, such as knowledge of markets, of people, and of technology, and to take appropriate decisions, has emerged as the hallmark of the successful entrepreneur. The findings of such a study could be compared with that of a South African study that misconceptions, business risk perception and illusion of control are moderators of the decision whether or not to pursue the venture opportunity (sec 3.3.2.3). Uncovering the entrepreneurial cognitive biases that lead to success would contribute not only to the body of knowledge on entrepreneurship but also to the development of entrepreneurial training and development programmes.

### **7.6.3 Test the validity of the GET test to predict business success**

Research should be conducted correlating the scores on the General Enterprising Tendency test with the business success (increase in turnover) of the SAB KickStarters to determine whether the GET test is indeed a good predictor of business success. Research to confirm the validity and reliability of the test should be conducted. Statistical scores obtained by researchers appear in appendix A to assist in the ongoing validation of the instrument. The GET scores of the disqualified applicants who completed the GET test could be correlated with their business success or lack of it.

### **7.6.4 Use an alternate test and compare its results with the GET test**

Both the Torrance Tests of Creative Thinking (TTCT) and the GET test could be applied to the applicants and the ability of the tests to predict business success could be compared. For each test, two groups could be considered – those who qualified to be part of the SAB KickStart Programme and those who did not.

### **7.6.5 The effect of presentation skills on being selected to participate, receiving a grant and receiving a prize**

From chapter 3 (sec 3.8), research indicate that the higher the entrepreneur's overall presentation scores, the greater the likelihood is that the business angel would be interested in pursuing that entrepreneur's investment opportunity. The effect of presentation skills on the panels' decisions to select applicants to participate in the SAB KickStart Programme, to allocate grants and to allocate prizes could be researched.

#### **7.6.6 The effect of mentoring on business growth.**

Currently, about 25 per cent of the SAB KickStarters receive mentoring for about eight months. If mentoring could be made available to the SAB KickStarters who did not receive funding, it would be possible to test whether funding contributed more to the success of the businesses than the mentoring.

If the mentoring period could be extended to two years for a number of KickStarters, it would be possible to measure whether protracted mentoring contributes more to business growth.

#### **7.6.7 A comparative study with a SAB KickStart Programme in another country**

A comparative study comparing the success of South African SAB KickStarters with those in Colombia where the SAB KickStart Programme was launched in 2006 could be considered. Colombia had the second highest TEA percentage in the 2006 GEM survey, while South Africa ranked 30<sup>th</sup> (Maas & Herrington 2006:15). Some interesting similarities exist between these two countries: both are classified according to the World Development Indicator Database of the World Bank 2006 (Maas & Herrington 2006:15-16) as falling within the “upper-middle income countries” category, where the per capita income is between \$3 466 and \$10 725, both have a population of about 44 million, both cover the same land mass (about 1.2 m sq kms) and in both countries at least three languages (Spanish, Arawak and Carib in Colombia) are spoken.

#### **7.6.8 A comparative study between the SAB KickStart Programme and other similar programmes in South Africa and internationally**

Several private South African organisations are involved in entrepreneurial SME development, and the different approaches of these programmes could be contrasted in terms of the sustainability and success rates of the businesses.

At the overseas distiller, Diageo, the External Affairs function has been able to positively correlate its evolving CSR programme with a year-on-year reduction in weighted-average risk facing the company (Knox & Maklan 2006:30-32). Diageo’s central corporate citizenship group manages a number of global initiatives, such as providing seed capital and management expertise to local business units. This approach to CSR is similar to that of SABMiller, and a comparative study of these CSI programmes relating to entrepreneurship development by these two organisations could be conducted.



### **7.6.9 The importance of networking in growing a business**

Some respondents stressed their need for assistance with networking to establish and expand their businesses. Research into the type of networks of value to entrepreneurial SMMEs and the impact of networking on business growth could be conducted.

### **7.6.10 The effect of contracting sales agents and subcontractors to grow a business**

The SAB KickStarters are increasingly making greater use of sales agents and subcontractors. The fact that entrepreneurs can enhance their service delivery through the utilisation of subcontractors should be further investigated with regard to its effectiveness to contribute to business growth.

### **7.6.11 Unsuccessful applicants: good concepts, but bad business plans**

If the applicants who were selected as SAB KickStart participants found the compilation of business plans difficult, how much more the unsuccessful applicants? One cannot help wondering how many applicants with excellent business concepts are disqualified because of bad business plans. In investigating this would require a study of the applicants who were disqualified.

## **7.7 SUMMARY**

In this chapter, the focus was on “seeing the wood for the trees”. In the previous chapter on the research findings, all the trees were identified, and in this chapter these were integrated into a sensible whole.

In this final chapter, conclusions were drawn from the research results with regard to the objectives of the study, and compared with research findings that emerged from the literature review. The limitations of the study were highlighted. Recommendations to increase the effectiveness of the SAB KickStart Programme were presented. Topics and areas that require further research were identified.

Following the literature study into the characteristics of entrepreneurs and the various factors that contribute to their success and that should be considered in assessing new ventures, Schindehutte's (2007:176) conclusion is supported: entrepreneurship is a “meta-discipline (not merely inter-disciplinary and trans-disciplinary) that integrates activities at different levels of analysis” .

The study reviewed the micro-level factors (ie variables relating to the characteristics, abilities, interests, motives and cognitions of entrepreneurs) (Baron 2007:2), and other factors such as entrepreneurship and business management training, venture capital, mentoring and networking that influence new venture performance, in order to evaluate the effectiveness of the interventions used by the SAB KickStart Programme.

The findings of the research suggest that in the complex process of conceiving, launching and running new ventures, entrepreneurial SMMEs do not only need training in entrepreneurship and business management, but also need funding and mentoring, preferably over an extended period, to support them in their efforts to convert their dreams, ideas, and visions into functioning, profitable companies that create jobs and to boost the growth potential of the venture. It further emerged that the effectiveness of such an entrepreneurial development programme is reliant on professional management at every stage of the programme.

The value of the study lies therein that it

- contributes to the body of knowledge on SMME development in a developing economy by offering guidelines for academia with regard to the value contributed by multiple interventions in entrepreneurship development programmes and the training needs of entrepreneurial SMMEs in a developing economy
- determined the mentoring and networking needs of entrepreneurial SMMEs in a developing economy
- provides practical insights for managers responsible for corporate venture capital investment through corporate social investment in young entrepreneurial firms into the structuring and management of entrepreneurship development programmes

The practical implications of the study reside in contributing to efforts to initiate and support entrepreneurial action and the successful exploitation of promising opportunities by identifying and describing appropriate interventions and structures to help investors, corporate social investment departments, consultants, educators, non-profit organisations, government departments and other professionals understand the benefits – and limitations – of a youth entrepreneurship development programme.

Following Vesper's (2004:22-23) recommendations, the study did not only look for "the typical in populations but also for the outliers and the range". It sought to "identify and map the arrays of venturing methods that are effective and the causes of those arrays that can help change the injunction for would-be company starters from 'just do it' to 'do it better'." Only if more attention is focused on these aspects will there be more value

delivered through the CSI programmes of the SAB and various other corporates in South Africa.

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## APPENDIX A

**MEANS AND STANDARD DEVIATIONS FOR GROUPS OF GIVEN SIZE (N) ON  
COMPONENTS OF THE GENERAL ENTERPRISING TENDENCY (GET) TEST**

<b>Means and standard deviations for groups of given size (n) on components of the General Enterprising Tendency (GET) test</b>								
Group	X SD	Need for achievement (Max score = 12)	Need for autonomy (Max score = 6)	Creative tendency (Max score = 12)	Calculated risk taking (Max score = 12)	Internal locus of control (Max score = 12)	Enterprising tendency (Max score = 54)	n
Business owner/ managers	X SD	9.92 1.56	4.14 1.38	8.77 1.88	8.75 2.00	9.51 1.68	41.04 5.44	73
Lecturers & trainers	X SD	8.88 1.81	4.12 1.33	8.48 2.38	8.64 2.72	8.24 2.07	38.28 7.60	25
Part time MBAs	X SD	19.49 1.58	3.35 1.51	7.86 2.12	8.08 2.54	9.19 1.96	37.86 6.76	101
Teachers	X SD	8.84 1.94	3.32 1.52	8.24 2.03	7.50 1.94	8.17 2.13	35.94 5.69	101
Managers	X SD	8.96 1.85	3.19 1.22	7.63 2.09	7.43 2.54	8.06 2.13	35.29 6.61	194
Civil servants	X SD	8.45 2.44	3.00 1.03	7.70 2.18	6.80 2.07	7.50 2.37	33.55 7.19	20
Nurses	X SD	8.52 1.54	2.85 1.30	7.97 1.85	6.61 1.95	7.76 2.21	33.33 4.48	33
Under- graduates	X SD	7.85 1.99	3.24 1.30	7.48 2.21	7.01 2.24	7.61 2.12	33.20 6.29	661
Clerical trainees	X SD	6.70 2.50	3.00 1.56	6.10 2.33	6.20 1.69	7.90 1.29	29.40 7.18	10

X = Means; SD = Standard Deviations

**Source:** Cromie (2000:23) who adapted from Caird (1991:79), Cromie and O'Donoghue (1992:69), and Cromie and Callaghan (1997:6). The latter paper is held in copyright by John Wiley and Sons Ltd.

## APPENDIX B

## CRITERIA FOR EVALUATING VENTURE OPPORTUNITIES

CRITERIA FOR EVALUATING VENTURE OPPORTUNITIES		
Criteria	ATTRACTIVENESS	
	Highest potential	Lowest potential
<b>Industry and market</b>	Changes way people live	Incremental improvement only
Market:	Market driven; identified; recurring revenue niche	Unfocused; onetime revenue
Customers	Reachable, purchase orders	Loyal to others or unreachable
User benefits	Less than one-year payback	Three years plus payback
Value added	High; advance payments	Low; minimal impact on market
Product life	Durable	Perishable
Market structure	Imperfect, fragmented competition or emerging industry	Highly concentrated or mature or declining industry
Market size	\$100+ million to \$i billion sales potential	Unknown, less than \$20 million or multibillion sales
Growth rate	Growth at 30-50% or more	Contracting or less than 10%
Market capacity	At or near full capacity	Undercapacity
Market share attainable (Year 5)	20% or more; leader	Less than 5%
Cost structure	Low-cost provider; cost advantages	Declining cost
<b>Economics</b>		
Time to break even / positive cash flow	Under 1½-2 years	More than 4 years
ROI potential	25% or more; high value	Less than 15-20%; low value
Capital requirements	Low to moderate; fundable	Very high; unfundable
Internal rate of return potential	25% or more per year	Less than 15% per year
Free cash flow characteristics:	Favourable; sustainable; 20-30% or more of sales	Less than 10% of sales
Sales growth	Moderate to high (+15% to +20%)	Less than 10%
Asset intensity	Low / sales \$	High
Spontaneous working capital	Low, incremental requirements	High requirements
R&D / capital expenditure	Low requirements	High requirements
Gross margins	Exceeding 40% and durable	Under 20%
After-tax profits	High; greater than 10%; durable	Low
Time to break-even / profit and loss	Less than two years; breakeven not creeping	Greater than four years; breakeven creeping up
<b>Harvest issues</b>		
Value-added potential	High strategic value	Low strategic value
Valuation multiples and comparables	Price/earnings = 20 + x <sub>\$</sub> ; 8 – 10 + x <sub>\$</sub> EBIT; 1.5-2 + x <sub>\$</sub> revenue; free cash flow 8 – 10 = x <sub>\$</sub>	Price / earnings ≤ 5x EBIT ≤ 3 – 4x; revenue ≤ .4
Exit mechanism and	Present or envisioned options	Undefined; illiquid investment

strategy		
Capital market context	Favourable valuations, timing, capital available; realizable liquidity	Unfavourable; credit crunch
<b>Competitive advantage issues</b>		
Fixed and variable costs	Lowest; high operating leverage	Highest
Control over costs, prices and distribution	Moderate to strong	Weak
Barriers to entry:		
Proprietary protection	Have or can gain	None
Response /lead time	Competition slow; napping	Unable to gain edge
Legal, contractual advantage	Proprietary or exclusivity	None
Contracts and networks	Well-developed; accessible	Crude; limited
Key people	Top talent; an A team	B or C team
<b>Management team</b>		
Entrepreneurial team	All-star combination; free agents	Weak or solo entrepreneur
Industry and technical experience	Top of the field; super rack record	Underdeveloped
Integrity	Highest standards	Questionable
Intellectual honesty	Know what they do not know	Do not know what they do not know
<b>Fatal-flaw issue</b>	Nonexistent	One or more
<b>Personal criteria</b>		
Goals and fit	Getting what you want; but wanting what you get	Surprises, as in <i>The Crying Game</i>
Upside / downside issues	Attainable success / limited risks	Linear; on same continuum
Opportunity costs	Acceptable cuts in salary, etc	Comfortable with status quo
Desirability	Fits with lifestyle	Simply pursuing big money
Risk / reward tolerance	Calculated risk; low risk / reward ratio	Risk averse or gambler
Stress tolerance	Thrives under pressure	Cracks under pressure
<b>Strategic differentiation</b>		
Degree of fit	High	Low
Team	Best in class; excellent free agents	B team; no free agents
Service management	Superior service concept	Perceived as unimportant
Timing	Rowing with the tide	Rowing against the tide
Technology	Groundbreaking; one of a kind	Many substitutes or competitors
Flexibility	Able to adapt; commit and decommit quickly	Slow; stubborn
Opportunity orientation	Always searching for opportunities	Operating in a vacuum; napping
Pricing	At or near leader	Undercut competitor; low prices
Distribution channels	Accessible; networks in place	Unknown; inaccessible
Room for error	Forgiving strategy	Unforgiving, rigid strategy

## APPENDIX C

### A SYSTEM TO EVALUATE BUSINESS PLANS

The business plan components detailed in table 3.1 of the study can be evaluated on a five-point scale (Kuratko & Hodgetts 2004:315):

- 1 – Poor: no written parts
- 2 – Fair: a few areas covered but very little detail
- 3 – Good: some areas covered in detail but other areas missing
- 4 – Very good: most areas covered but could use improvement in detail
- 5 – Outstanding: thorough and complete in all areas

For each of the ten components critical questions should be asked and a rating should be allocated as in Table 3.10 depending on three aspects: whether the item is covered in the plan, whether the answer is clear and whether the answer is complete. The ratings can be summarised in the following table and then added and scored.

**Table 1 Assessment of business plan**

Component	Points				
	5	4	3	2	1
1. Executive summary	5	4	3	2	1
2. Description of the business	5	4	3	2	1
3. Marketing	5	4	3	2	1
4. Operations	5	4	3	2	1
5. Management	5	4	3	2	1
6. Financial	5	4	3	2	1
7. Critical risks	5	4	3	2	1
8. Succession planning	5	4	3	2	1
9. Milestone schedule	5	4	3	2	1
10. Appendices	5	4	3	2	1

Source: Kuratko and Hodgetts (2004:319)

#### Scoring:

- 50 points – Outstanding! The ideal business plan. Solid!
- 45-49 points – Very good.
- 40-44 points – Good. The plan is sound with a few areas that need polishing.
- 35-39 points – Above average. Plan has some good areas but needs improvement.
- 30-34 points – Average. Some areas are covered in detail but others show weakness.
- 20-29 points – Below average. Most areas need greater detail and improvement.
- Below 20 points – Poor. Plan needs to be researched and documented much better,

**APPENDIX D**

**SAB KICKSTART PROGRAMME: APPLICATION FORM**

# INFORMATION BROCHURE & APPLICATION FORM



The South African  
Breweries Limited

**KickStart**

What is the **KickStart** Competition all about?

### AIMS & OBJECTIVES

KickStart is a project aimed at creating a culture of entrepreneurship among young people between 18 and 35 by promoting business awareness through:

- a media education campaign,
- developing business skills through training,
- providing grants as start-up capital, and
- providing mentorship and assistance during setting up or expansion phase of business.

Visit [www.sabkickstart.co.za](http://www.sabkickstart.co.za) to download an electronic copy of the form.

## KickStart Phases

### Phase 1: Awareness Campaign

Various media campaigns will be run in the regions in order to elevate your awareness of the KickStart Competition during this phase.

If you are interested and want to enter the Competition, you need to complete the attached Registration Form and send it with all necessary attachments to your nearest South African Breweries office. The addresses of the various offices are given at the bottom of the last page.

### Phase 2: Recruitment and Training

- Potential entrepreneurs will be selected in each region by The South African Breweries Ltd (SAB)
- If you are selected, you will be invited to attend a business skills training programme, which will be run over 12 - 14 days.
- Once you have completed the training, you will be required to draw up your own business plan, which will be in line with the business idea you have selected.

### Phase 3: Competition

- During this stage, you will get to present your business plan to a panel of judges, drawn from SAB as well as the SMME development and financial sectors.
- The judges will award grants to the participants who have the most feasible and well-researched business ideas. These grants will form seed capital for your business. Please note that this is a competition, so not everyone will be receiving grants. Note further that the grants will not be in the form of cash.
- A regional **Awards and Certification Ceremony** will then be held. At this event all participants, who have completed the business skills course and their business plans, will receive a certificate. The winners who have been chosen to receive grants will also be named at this function.

### Phase 4: Success Enhancement

- If you are a winner from Phase 3, a KickStart trainer will be contracted to mentor and monitor you and your business for a period of no less than 6 months.
- Monthly progress reports on your business will be submitted to SAB and will form part of the national awards selection criteria.
- The best two performing businesses in each region will be selected to go through to the national finals.

### Phase 5: National Awards

- The regional finalists will be flown to Johannesburg where they will attend the National KickStart Awards Ceremony.
- As a regional finalist you stand the chance of winning more prize money if your business is selected as one of the national winners.
- You will also receive additional mentoring and support from a KickStart trainer in your region.

### Rules of the Competition

1. The competition is only open to youth between the ages of **18 and 35 years**.
2. All entrants must be prepared to run and manage their business on a full-time basis.
3. All registration forms must reach South African Breweries Ltd. by **2 June 2006**
4. The judges' decision is final and no correspondence will be entered into.
5. Winners must be prepared to be photographed, to be flown to Johannesburg, and for follow-up stories to be published in the media.
6. Faxed entries will not be accepted.
7. Entries which do not contain all the necessary attachments will not be considered.
8. South African Breweries Ltd. cannot be held responsible for the loss of entries.
9. The competition is open to youth in South Africa, who are South African citizens. Certified copy of ID to be attached.

## REGISTRATION FORM

### 1. TEAM LEADER'S DETAILS

1.1 Who is (going to be) the Managing Member of the business, and what are their personal details?

Title:..... First Name:..... Surname:.....

Physical Address:.....

City:..... Province:..... Postal Code:.....

Postal Address:.....

City:..... Province:..... Postal Code:.....

Age\*:..... Gender\*..... ID No.:..... (Certified copy attached)

1.2 How do we get to talk to you, i.e. what are your contact details?

Telephone No. (w):..... Code:(.....) Telephone No. (h):..... Code:(.....)

Fax No.:..... Code:(.....) Cell No.:.....

E-mail address:.....

When contacting me, please use my: (Please tick relevant box)  Cell,  Work No.,  Home No.

The best time to contact me is between:.....

When sending me mail, please send it via: (Please tick relevant box)  E-mail,  Fax,  Post

1.3 Please tell us about your Business Team:

Who are the team members/partners?

.....

.....

What qualifications do/does you/your team have, And what courses have they attended?

.....

.....

Tell us about the practical experience that you/your business team has had:

.....

.....

Please attach the CV's of your business team members to the application form.

Do you have your own business?\*  Yes  No

If 'Yes', what is your business annual turnover? R.....

Please attach copies of latest annual financial statements and most recent management accounts for your business, if existing.

If 'No', are you currently employed?  Yes  No

If 'Yes', Name of Employer:..... Current Occupation:.....

How many years has your business been in operation?\*

How many people do you employ?\*..... Name of your Business.....

How did you hear about the KickStart Competition?

.....

Why do you think you should be considered as a KickStart participant?

.....

.....

\*Note that this information is purely used for demographic purposes and has no bearing on the competition's outcome.



## 2. THE BUSINESS:

2.1 Type of Business: Tell us about what you are/will be doing?

---



---

2.2 Business Concept: What is/will be special about your business? Describe your business idea:

---



---

2.3 Location: Where will/is your business situated and why there?

---



---

2.4 Market: Who will/do you sell to and why will/do they buy from you?

---



---

2.5 What is the vision for your business?

---



---

Please attach a copy of a business plan, for your business, to this application.

2.6 How much of your own money have you/will you contribute towards your business?\*(If you have already contributed some of your own money towards the business, please also give details of what you spent this money on.)

---



---

### Check List for attachments

- Certified copy of I.D Book.    CV'S of Business Team Members    Business plan  
 Latest annual financial statements & latest management accounts. (only if business is already operating)

### KickStart REGIONAL ADDRESS LIST

#### ● CENTRAL REGION

(Free State, North-West, Northern Cape, Vaal)

Corporate Affairs Dept.

Tel: (051) 434-1441/5

PO Box 274

BLOEMFONTEIN 9300

#### ● EGOLI REGION

(Johannesburg)

Corporate Affairs Dept.

Tel: (011) 571-1000

PO Box 10

ISANDO 1600

#### ● EAST COAST REGION

(KZN, Eastern Cape - Kei)

Corporate Affairs Dept.

Tel: (031) 910-1386

PO Box 833

DURBAN 4000

#### ● CAPE REGION

(Western Cape / Eastern Cape)

Corporate Affairs Dept.

Tel: (021) 658-7395

PO Box 23012

CLAREMONT 7735

#### ● NORTH REGION

(Pretoria, Limpopo, Mpumalanga)

Corporate Affairs Dept.

Tel: (012) 621-9142

Private Bag X155

CENTURION 0046



KickStart

## APPENDIX E

### SAB KICKSTART PROGRAMME: MARKING GRID FOR SCREENING OF APPLICATION FORMS

APPLICANT:..... AGE: .....

NATURE OF BUSINESS: .....

Criteria	Weighting	Assessment
<b>Business maturity:</b>		
New	2	
Less than a year	4	
1 – 2 years	7	
Longer –	8-10	
<b>Experience:</b>		
Relevant technical experience	10	
Business experience	5	
Management experience	5	
<b>Qualifications:</b>		
Relevant technical	5	
Academic	3	
Other	2	
<b>Current balance sheet / financial standing</b>	20	
Existing assets		
Owner's contribution		
Debts / Loans / Liabilities		
<b>Business concept:</b>		
Viability	15	
Innovation / Creativity	5	
Market feasibility	5	
Relevance to SAB / CE opportunity	5	
Capacity to create jobs	5	
<b>Motivation provided by the applicant to consider:</b>	5	
Level of disadvantage		
Age		
Gender		
Ability to rise above circumstances & deal with challenges		
Achievements thus far		

MARK OBTAINED: .....

ADJUDICATOR: .....

## APPENDIX F

### SAB KICKSTART PROGRAMME TRAINING MANUAL: TABLE OF CONTENT

#### Table of content

#### Section 1: Entrepreneurship

The entrepreneur

- 1 Objectives
- 2 Definition of an entrepreneur
- 3 Problem areas
- 4 Achievement
- 5 Control of destination
- 6 Identify business opportunities
- 7 Initiative
- 8 Ability to live uncertainty
- 9 Perseverance
- 10 Support
- 11 Ten important entrepreneurial traits
- 12 The entrepreneur appraisal
  - 12.1 Entrepreneurial quiz
  - 12.2 Scoring
- 13 Functions of an entrepreneur
  - 13.1 Plan the business
  - 13.2 Carries all the risks
  - 13.3 Grow the business
  - 13.4 Preserve free enterprise
- 14 Economic wealth is not determined by natural resources
- 15 Developing countries
- 16 Economic importance of entrepreneurship
  - 16.1 Creation of job opportunities
  - 16.2 Initiation of the production process
  - 16.3 Utilization of resources
  - 16.4 Generation of wealth and high standards of living
- 17 The advantages / merits of entrepreneurship
  - 17.1 Opportunity to reap excellent rewards
- 18 Risks / Drawbacks of entrepreneurship
- 19 Remuneration for entrepreneurship
- 20 Resources for the small business entrepreneur
  - 20.1 Knowledge and skills
  - 20.2 Contacts
  - 20.3 Funds
- 21 Common misconceptions about entrepreneurs
  - 21.1 Entrepreneurs strike success in their first business
- 22 Creativity
- 23 Ideas and opportunities
  - 23.1 Two steps are involved
- 24 Innovation and creativity
  - 24.1 Adopt a creative attitude
  - 24.2 Looking for business opportunities
  - 24.3 Notebook for ideas
  - 24.4 Challenge existing products and services
  - 24.5 Opportunities first, threats second
  - 24.6 Generating ideas in an informal way

- 24.7 Exercise
- 25 Formal creative methods
- 25.1 Brainstorming
- 25.2 Group discussion
- 26 Protecting ideas
- 26.1 Secrecy
- 26.2 Patents, trademarks and copyright

## **Section 2: Production**

- 1 Production plan
- 1.1 Relating competitive advantage to production and operations
- 1.2 Plant / service location and layout
- 1.3 Production process and plan
- 2 Production capacity
- 2.1 The six ms
- 2.2 Scheduling
- 2.3 Supplies & inventory
- 2.4 Productivity
- 2.5 How to increase productivity
- 2.6 Productivity leaks
- 2.7 Criteria for selecting contracts and suppliers
- 3 Critical paths / methods of scheduling (CPM)
- 4 Quality
- 5 Production toolkit
- 6 Production budget

## **Section 3: Marketing**

- 1 Market research
- 1.1 Market research toolkit
- 2 Developing a marketing strategy
- 3 Consumer analysis
- 3.1 Consumer analysis toolkit
- 4 Marketing analysis
- 4.1 Marketing analysis toolkit
- 5 Marketing positioning
- 5.1 Marketing positioning toolkit
- 6 Distribution channels
- 6.1 Distribution channels toolkit
- 7 Marketing mix
- 7.1 Marketing mix toolkit
- 8 Revision
- 9 Company profile example
- 9.1 Company profile toolkit
- 10 Sales forecast toolkit
- 11 Customer service
- 12 Writing an advert

## **Section 4: Human resources management**

- 1 Human resources management
- 2 Human resource presentation
- 3 Meeting procedures
- 4 Recruitment process
- 4.1 Recruitment guidelines
- 5 Interviews
- 6 "Rules for work"

- 7 Monthly consultations
- 8 Job description and specification
- 9 Policies and procedures

Annexures to this section:

- Summary of the Law of dismissal
- Dismissal for misconduct
- Unfair dismissal
- Code for good practice: Dismissal
- Disciplinary procedure
- Disciplinary code

### **Section 5: Financial management**

- 1 Financial management: Introduction
- 2 Management information system
- 2.1 Monthly management information systems toolkit
- 3 Record keeping
- 3.1 Record keeping toolkit
- 4 Financial viability
- 5 Analysis of financial management
- 6 Profit planning and budgeting

### **Section 6: Business plan**

- 1 Hints for compiling a business plan
- 2 Introduction
- 3 Understanding the business plan
- 4 Preliminaries
- 5 Executive summary
- 6 The offer
- 7 The product/service
- 8 Overview of the organisation
- 9 The marketing plan
- 10 Marketing and sales plan
- 11 The organisational plan
- 12 The financial plan
- 13 Critical risks and problems
- 14 Appendices
- 15 Action plan
- 16 Business plan checklist
- 17 Strategic analysis
- 17.1 Summary: strategic analysis toolkit
- 17.2 SWOT toolkit
- 18 General environmental analysis
- 19 Market analysis toolkit
- 20 Competitive analysis toolkit
- 21 The value chain toolkit
- 22 The business plan - key strategic issues
- 23 Doing business in South Africa

**APPENDIX G****SAB KICKSTART PROGRAMME: MONTHLY REPORT**

Due by the 10<sup>th</sup> of each month

Organisation: \_\_\_\_\_

Month and year: \_\_\_\_\_

Type of business: \_\_\_\_\_

Retail, manufacturing, services or small builders

**SECTION A**

1 Achievements, problems and goals

1.1 Key achievements

1.2 Major problems experienced

1.3 Key goals – next month

**SECTION B**

1 Imperative statistical data

1.1 Job creation (management, owners and staff)

Type	Original destination		Male	Female	Total
	Ex SAB	Other			
White					
Black					
Coloured					
Indian					
Other – specify					
Total					

2 Financial results

2.1 Income statement

Item	Budget	Actual	Variance	%
Sales				
Less: cost of sales				
Gross profit				
Less total expenses				
Rental				
Telephone / faxing				
Admin				
Insurance				
Owner's salaries				
Staff wages				
Advertising				
PAYE				
UIF				
RSC levies				
Vehicle / travelling				
Bad debt provision				
Bookkeeping				
Repairs				
Interest on bank overdraft				
Loan repayment				
Interest on loans				
Net profit/loss before tax				

- 2.2 Trading status  
 Bank balance  
 Outstanding debtors (accounts receivable)  
 Outstanding creditors (accounts payable)  
 Closing stock (inventory)  
 Outstanding loan amount  
 Capital equipment value (at cost)  
 Capital expenditure

2.3 Comments

SECTION C

- 3 Mentors report  
 3.1 Overall impression  
 3.2 Rating – 1-5 excellent, good, average, poor to extremely poor  
 3.2.1 Business activities

No	Activities	Rating 1-5
1.	Professional, organized, neat	
2.	Business planning	
3.	Production management	
4.	Marketing management	
5.	Human resources management	
6.	Financial and admin management	
7.	General management	
8.	PAYE, UIF, RSC, VAT return timeously completed	
9.	Monthly financial statements submitted	
10.	Other	

Training needs identified

Additional goals / action plan

Responsible person

Deadline date

Submitted by (person)

Date:

Discussed with member and signed by mentor on:

Date

Signature

**APPENDIX H**

**QUESTIONNAIRE: SAB KICKSTART PROGRAMME EVALUATION**



**APPENDIX G****SAB KICKSTART PROGRAMME: MONTHLY REPORT**

Due by the 10<sup>th</sup> of each month

Organisation: \_\_\_\_\_

Month and year: \_\_\_\_\_

Type of business: \_\_\_\_\_

Retail, manufacturing, services or small builders

**SECTION A**

1 Achievements, problems and goals

1.1 Key achievements

1.2 Major problems experienced

1.3 Key goals – next month

**SECTION B**

1 Imperative statistical data

1.1 Job creation (management, owners and staff)

Type	Original destination		Male	Female	Total
	Ex SAB	Other			
White					
Black					
Coloured					
Indian					
Other – specify					
Total					

2 Financial results

2.1 Income statement

Item	Budget	Actual	Variance	%
Sales				
Less: cost of sales				
Gross profit				
Less total expenses				
Rental				
Telephone / faxing				
Admin				
Insurance				
Owner's salaries				
Staff wages				
Advertising				
PAYE				
UIF				
RSC levies				
Vehicle / travelling				
Bad debt provision				
Bookkeeping				

Repairs				
Interest on bank overdraft				
Loan repayment				
Interest on loans				
Net profit/loss before tax				

- 2.2 Trading status  
 Bank balance  
 Outstanding debtors (accounts receivable)  
 Outstanding creditors (accounts payable)  
 Closing stock (inventory)  
 Outstanding loan amount  
 Capital equipment value (at cost)  
 Capital expenditure

- 2.3 Comments

### SECTION C

- 3 Mentors report  
 3.1 Overall impression  
 3.2 Rating – 1-5 excellent, good, average, poor to extremely poor  
 3.2.1 Business activities

No	Activities	Rating 1-5
1.	Professional, organized, neat	
2.	Business planning	
3.	Production management	
4.	Marketing management	
5.	Human resources management	
6.	Financial and admin management	
7.	General management	
8.	PAYE, UIF, RSC, VAT return timeously completed	
9.	Monthly financial statements submitted	
10.	Other	

Training needs identified

Additional goals / action plan

Responsible person  
 Deadline date  
 Submitted by (person)

Date:

Discussed with member and signed by mentor on:  
 Date  
 Signature

## SAB KICKSTART YOUTH ENTREPRENEURIAL PROGRAMME EVALUATION

### QUESTIONNAIRE

The aim of this questionnaire is to research the effectiveness of the SAB KickStart Youth Entrepreneurial Programme. The information obtained from you will help to improve the programme.

**INSTRUCTIONS:**

For most of the questions all you have to do is to place a cross 'X' in the block next to the most appropriate answer. For other questions please write/type your answer in the space provided.

**FAX:** If you received the questionnaire by fax, please fax the completed questionnaire to 086 641 5403 or 011 471 3216.

**POST:** If you received the questionnaire by post, please return the completed questionnaire in the addressed & stamped envelop. OR, you can fax the completed questionnaire to 086 641 5403.

**E-MAIL:** If you received the questionnaire by e-mail, first save it in on your computer, then answer questions by typing an X in the appropriate block or type your answer in the space provided. When completed e-mail to [swanee@unisa.ac.za](mailto:swanee@unisa.ac.za) OR from MS Word print the questionnaire. Do not print directly from the e-mail. Complete it and fax to 086 641 5403.

It takes about 20-30 minutes to complete all **8 pages** of the questionnaire. Thank you so much for your co-operation!

	<b>PART 1: SAB KICKSTART PARTICIPATION DEMOGRAPHY</b>	<b>For Official Use</b>																																								
	<b>Your name and surname:</b>	<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table> 1-3																																								
1.1	When were you part of the SAB KickStart Youth Entrepreneurial Programme? Select one. <table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 15%;">1. 2001</td> <td style="width: 15%;"></td> <td style="width: 15%;">2. 2002</td> <td style="width: 15%;"></td> <td style="width: 15%;">3. 2003</td> <td style="width: 15%;"></td> <td style="width: 15%;">4. 2004</td> <td style="width: 15%;"></td> <td style="width: 15%;">5. 2005</td> <td style="width: 15%;"></td> <td style="width: 15%;">6. 2006</td> <td style="width: 15%;"></td> </tr> </table>	1. 2001		2. 2002		3. 2003		4. 2004		5. 2005		6. 2006		<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> </tr> </table> 4																												
1. 2001		2. 2002		3. 2003		4. 2004		5. 2005		6. 2006																																
1.2	In which one of the following SA Breweries regions did your business fall? Select one option. <table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 25%;">1. Eastern &amp; Western Cape</td> <td style="width: 25%;">2. Central</td> <td style="width: 25%;">3. KZN</td> <td style="width: 25%;">4. North</td> <td style="width: 25%;">5. Egoli</td> </tr> </table>	1. Eastern & Western Cape	2. Central	3. KZN	4. North	5. Egoli	<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> </tr> </table> 5																																			
1. Eastern & Western Cape	2. Central	3. KZN	4. North	5. Egoli																																						
1.3.1	What did you receive from the SAB KickStart Youth Entrepreneurial Programme? Select one option. <table border="1" style="width: 100%;"> <tr> <td style="width: 80%;">1. Only training</td> <td style="width: 20%;"></td> </tr> <tr> <td>2. Training plus a regional grant</td> <td></td> </tr> <tr> <td>3. Training plus regional grant plus national prize/grant</td> <td></td> </tr> </table>	1. Only training		2. Training plus a regional grant		3. Training plus regional grant plus national prize/grant		<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> </tr> </table> 6																																		
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1.3.2	If you received a grant from SAB KickStart what was the value of your Regional grant (seed money)? R .....	<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">7</td> <td style="text-align: center;">8</td> <td style="text-align: center;">9</td> <td style="text-align: center;">10</td> <td style="text-align: center;">11</td> <td style="text-align: center;">12</td> </tr> </table> <table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">13</td> <td style="text-align: center;">14</td> <td style="text-align: center;">15</td> <td style="text-align: center;">16</td> <td style="text-align: center;">17</td> <td style="text-align: center;">18</td> </tr> </table>							7	8	9	10	11	12							13	14	15	16	17	18																
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1.4	In which industry (or industries) does your business fall and what do you sell? <table border="1" style="width: 100%;"> <tr> <td colspan="2">Industries (ISIC categories)</td> </tr> <tr> <td style="width: 80%;">1. Agriculture, Forestry, Hunting and Fishing Specify:</td> <td style="width: 20%;"></td> </tr> <tr> <td>2. Mining and Construction Specify:</td> <td></td> </tr> <tr> <td>3. Manufacturing Specify:</td> <td></td> </tr> <tr> <td>4. Transport and Communication utilities Specify:</td> <td></td> </tr> <tr> <td>5. Wholesale, Motor vehicle sales and repair Specify:</td> <td></td> </tr> <tr> <td>6. Retail, Hotels and Restaurants Specify:</td> <td></td> </tr> <tr> <td>7. Business services Specify:</td> <td></td> </tr> <tr> <td>8. Health care, Education and Social services Specify:</td> <td></td> </tr> <tr> <td>9. Customer services Specify:</td> <td></td> </tr> </table>	Industries (ISIC categories)		1. Agriculture, Forestry, Hunting and Fishing Specify:		2. Mining and Construction Specify:		3. Manufacturing Specify:		4. Transport and Communication utilities Specify:		5. Wholesale, Motor vehicle sales and repair Specify:		6. Retail, Hotels and Restaurants Specify:		7. Business services Specify:		8. Health care, Education and Social services Specify:		9. Customer services Specify:		<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">19</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">21</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">22</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">23</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">24</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">26</td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: center;">27</td> <td style="text-align: center;"></td> </tr> </table>			19		20		21		22		23		24		25		26		27	
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PERSONAL DEMOGRAPHICS																														
1.5	What is your gender? <input type="checkbox"/> 1. Female <input type="checkbox"/> 2. Male	<input type="checkbox"/> 28																												
1.6	How old are you now, in completed years? <input type="checkbox"/> 1. 18-20 <input type="checkbox"/> 2. 21-25 <input type="checkbox"/> 3. 26-30 <input type="checkbox"/> 4. 31-35 <input type="checkbox"/> 5. older than 35	<input type="checkbox"/> 29																												
1.7	What is your race? <input type="checkbox"/> 1. Black <input type="checkbox"/> 2. Coloured <input type="checkbox"/> 3. Indian/Asian <input type="checkbox"/> 4. White	<input type="checkbox"/> 30																												
1.8	What was and is your <b>highest</b> formal educational qualification? <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>1. When you started with SAB KickStart</th> <th>2. Now</th> </tr> </thead> <tbody> <tr><td>1. Lower than matric</td><td></td><td></td></tr> <tr><td>2. Matric/Grade 12</td><td></td><td></td></tr> <tr><td>3. Certificate/Diploma</td><td></td><td></td></tr> <tr><td>4. Bachelors degree</td><td></td><td></td></tr> <tr><td>5. Honours degree</td><td></td><td></td></tr> <tr><td>6. Doctorate</td><td></td><td></td></tr> <tr><td>7. Other (specify)</td><td></td><td></td></tr> </tbody> </table>		1. When you started with SAB KickStart	2. Now	1. Lower than matric			2. Matric/Grade 12			3. Certificate/Diploma			4. Bachelors degree			5. Honours degree			6. Doctorate			7. Other (specify)			<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>31</td><td><input type="checkbox"/></td></tr> <tr><td>32</td><td><input type="checkbox"/></td></tr> </table>	31	<input type="checkbox"/>	32	<input type="checkbox"/>
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31	<input type="checkbox"/>																													
32	<input type="checkbox"/>																													
1.9	Before you became part of the SAB KickStart Youth Entrepreneurial Programme what business management qualifications or training did you have? Please specify:	<input type="checkbox"/> <input type="checkbox"/> 33-34																												
1.10	At the time when you started your business, what <b>managerial experience</b> did you have? <input type="checkbox"/> 1. None <input type="checkbox"/> 2. Supervisor <input type="checkbox"/> 3. Middle manager <input type="checkbox"/> 4. Senior manager	<input type="checkbox"/> 35																												
1.11	When you started your business, how much previous experience in a similar business did you have (eg manufacturing or selling a similar product, or delivering a similar service)? <input type="checkbox"/> 1. None <input type="checkbox"/> 2. To some extent <input type="checkbox"/> 3. Quite a bit <input type="checkbox"/> 4. A lot  Specify:	<input type="checkbox"/> 36																												
1.12	When you became part of the SAB KickStart Youth Entrepreneurial Programme, was your business <input type="checkbox"/> 1. A start-up business <input type="checkbox"/> 2. An existing business	<input type="checkbox"/> 37																												
1.13	Do you still have the business that you owned (or shared) when you became part of the SAB KickStart Youth Entrepreneurial Programme? <input type="checkbox"/> 1. Yes <input type="checkbox"/> 2. No  <input type="checkbox"/> If yes, answer question 1.14. <input type="checkbox"/> If no, skip to question 1.15	<input type="checkbox"/> 38																												
1.14	If you are still involved with the same business, has the nature of the business changed? <input type="checkbox"/> 1. Yes <input type="checkbox"/> 2. No  If yes, how has the nature of your business changed? You may select more than one option. <table border="1" style="width:100%; border-collapse: collapse;"> <tbody> <tr><td>1. It no longer manufactures, but still sells the same products.</td><td><input type="checkbox"/></td></tr> <tr><td>2. It no longer manufactures and sells different products.</td><td><input type="checkbox"/></td></tr> <tr><td>3. It now also manufactures.</td><td><input type="checkbox"/></td></tr> <tr><td>4. It sells other different products. It has diversified the product range.</td><td><input type="checkbox"/></td></tr> <tr><td>5. It provides other services. The services are more diversified.</td><td><input type="checkbox"/></td></tr> <tr><td>6. Other (specify)</td><td><input type="checkbox"/></td></tr> </tbody> </table>	1. It no longer manufactures, but still sells the same products.	<input type="checkbox"/>	2. It no longer manufactures and sells different products.	<input type="checkbox"/>	3. It now also manufactures.	<input type="checkbox"/>	4. It sells other different products. It has diversified the product range.	<input type="checkbox"/>	5. It provides other services. The services are more diversified.	<input type="checkbox"/>	6. Other (specify)	<input type="checkbox"/>	<input type="checkbox"/> 39  <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>40</td><td><input type="checkbox"/></td></tr> <tr><td>41</td><td><input type="checkbox"/></td></tr> <tr><td>42</td><td><input type="checkbox"/></td></tr> <tr><td>43</td><td><input type="checkbox"/></td></tr> <tr><td>44</td><td><input type="checkbox"/></td></tr> <tr><td>45</td><td><input type="checkbox"/></td></tr> </table>	40	<input type="checkbox"/>	41	<input type="checkbox"/>	42	<input type="checkbox"/>	43	<input type="checkbox"/>	44	<input type="checkbox"/>	45	<input type="checkbox"/>				
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45	<input type="checkbox"/>																													

1.15	<p>If you no longer own/share that business, what has happened to that business?</p> <table border="1" data-bbox="164 221 943 378"> <tr> <td>1. I sold the business</td> <td></td> </tr> <tr> <td>2. I closed the business.</td> <td></td> </tr> <tr> <td>3. I changed the name of the business.</td> <td></td> </tr> <tr> <td>4. Other (specify)</td> <td></td> </tr> </table> <p>If you closed the business, why did you close it?</p> <table border="1" data-bbox="164 472 943 600"> <tr> <td>1. The business did not make enough money.</td> <td></td> </tr> <tr> <td>2. I was employed by another company.</td> <td></td> </tr> <tr> <td>3. Other (Specify)</td> <td></td> </tr> </table>	1. I sold the business		2. I closed the business.		3. I changed the name of the business.		4. Other (specify)		1. The business did not make enough money.		2. I was employed by another company.		3. Other (Specify)		<input type="checkbox"/> 46  <input type="checkbox"/> 47												
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1.16	<p>In how many businesses do you have some ownership, now?</p> <table border="1" data-bbox="164 647 1198 678"> <tr> <td>1. None</td> <td>2. One</td> <td>3. Two</td> <td>4. Three</td> <td>5. Four</td> <td>6. Five</td> <td>7. More</td> </tr> </table>	1. None	2. One	3. Two	4. Three	5. Four	6. Five	7. More	<input type="checkbox"/> 48																			
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<b>PART 2: APPLICATION AND SELECTION PHASE OF THE SAB KICKSTART PROGRAMME</b>																												
2.1	<p>When you applied to be part of the SAB KickStart Youth Entrepreneurial Programme, how difficult did you find it to provide the following information? For each item below indicate the level of difficulty.</p> <table border="1" data-bbox="164 920 1129 1048"> <thead> <tr> <th></th> <th>1. Not at all</th> <th>2. Slightly</th> <th>3. Quite</th> <th>4. Extremely</th> </tr> </thead> <tbody> <tr> <td>Your business plan</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Annual financial statements (if existing business)</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		1. Not at all	2. Slightly	3. Quite	4. Extremely	Your business plan					Annual financial statements (if existing business)					<table border="1" data-bbox="1401 907 1522 972"> <tr> <td>49</td> <td></td> </tr> <tr> <td>50</td> <td></td> </tr> </table>	49		50								
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50																												
2.2	<p>After you submitted the application form, did you complete a test to determine whether you have the potential to be an entrepreneur? The name of the test is GET (General Enterprise Tendency) test.</p> <table border="1" data-bbox="164 1160 427 1191"> <tr> <td>1. Yes</td> <td>2. No</td> </tr> </table> <p>If you completed this test, how good is this test at assessing your potential as an entrepreneur?</p> <table border="1" data-bbox="164 1252 967 1283"> <tr> <td>1. Not at all</td> <td>2. Slightly</td> <td>3. Quite/fairly</td> <td>4. Extremely</td> </tr> </table>	1. Yes	2. No	1. Not at all	2. Slightly	3. Quite/fairly	4. Extremely	<input type="checkbox"/> 51  <input type="checkbox"/> 52																				
1. Yes	2. No																											
1. Not at all	2. Slightly	3. Quite/fairly	4. Extremely																									
2.3	<p>During the selection interview you appeared before a panel of selectors. For each of the questions, select the option that applies to you.</p> <table border="1" data-bbox="164 1395 1302 1641"> <thead> <tr> <th>Interview to select entrepreneurs</th> <th>1. Not at all</th> <th>2. Slightly</th> <th>3. Quite</th> <th>4. Extremely</th> </tr> </thead> <tbody> <tr> <td>Did you find it easy to tell the panel about your business and yourself?</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Did the panel understand the growth potential of your business?</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Were the questions that the panel asked the right type of questions to evaluate all the entrepreneurs and their businesses?</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Interview to select entrepreneurs	1. Not at all	2. Slightly	3. Quite	4. Extremely	Did you find it easy to tell the panel about your business and yourself?					Did the panel understand the growth potential of your business?					Were the questions that the panel asked the right type of questions to evaluate all the entrepreneurs and their businesses?					<table border="1" data-bbox="1401 1440 1506 1536"> <tr> <td>53</td> <td></td> </tr> <tr> <td>54</td> <td></td> </tr> <tr> <td>55</td> <td></td> </tr> </table>	53		54		55	
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<b>PART 3: TRAINING PHASE OF THE SAB KICKSTART PROGRAMME</b>																												
3.1	<p>Who was your SAB KickStart trainer?</p> <table border="1" data-bbox="164 1816 1158 1973"> <tr> <td>1. Sifiso Ndwandwe</td> <td>6. Wadji Abrahams</td> <td>11. Kenneth Mbili</td> <td></td> </tr> <tr> <td>2. Clifford Mokhuane</td> <td>7. James Wanjohi</td> <td>12. Fezile Mayekiso</td> <td></td> </tr> <tr> <td>3. Nosiphiwo Ncoyo</td> <td>8. Sipho Myende</td> <td>13. Bonga Mhlongo</td> <td></td> </tr> <tr> <td>4. Khaya Zungu</td> <td>9. Mildred Rakale</td> <td>14. Jabulile Maphalala</td> <td></td> </tr> <tr> <td>5. Power Masemola</td> <td>10. Wilfred Nyiki</td> <td>15. Jean Malemo</td> <td></td> </tr> </table>	1. Sifiso Ndwandwe	6. Wadji Abrahams	11. Kenneth Mbili		2. Clifford Mokhuane	7. James Wanjohi	12. Fezile Mayekiso		3. Nosiphiwo Ncoyo	8. Sipho Myende	13. Bonga Mhlongo		4. Khaya Zungu	9. Mildred Rakale	14. Jabulile Maphalala		5. Power Masemola	10. Wilfred Nyiki	15. Jean Malemo		<input type="checkbox"/> <input type="checkbox"/> 56-57						
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3.7.2	What criteria did the regional panel use to decide who should receive a grant (seed money)? Please specify: ..... .....	<input style="width:30px; height:20px;" type="text"/> 95																																															
3.7.3	If you did not received a regional grant, why do you think you and your business did not qualify for a grant? ..... .....	<input style="width:30px; height:20px;" type="text"/> 96																																															

	<b>PART 4: INFORMATION ABOUT YOUR BUSINESS – VERY IMPORTANT</b>	<b>For official use</b>																																																																												
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	% Profit
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2003	
2004	
2005	
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Contract	Rand value
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2.	
3.	

**INSTRUCTION:**

If you did not receive money from the SAB KICKSTART programme, skip to PART 8.

If you received money (regional grant or national prize) from SAB KICKSTART programme, please complete the rest of the questionnaire.

	<b>PART 5: FUNDING FROM THE SAB KICKSTART PROGRAMME – REGIONAL GRANTS (SEED MONEY), NATIONAL PRIZE MONEY</b>	<b>For official use</b>										
5.1	You received a regional grant from the SAB KickStart programme, and some of you also a national prize. For each of the questions below, select the most appropriate option.	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr><td>219</td><td></td></tr> <tr><td>220</td><td></td></tr> <tr><td>221</td><td></td></tr> <tr><td>222</td><td></td></tr> <tr><td>223</td><td></td></tr> </table>	219		220		221		222		223	
219												
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223												
5.2	When you received a grant, you signed a contract with SAB KickStart to complete a monthly progress report on the performance and financial status of your business.	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr><td>224</td><td></td></tr> <tr><td>225</td><td></td></tr> <tr><td>226</td><td></td></tr> <tr><td>227</td><td></td></tr> </table>	224		225		226		227			
224												
225												
226												
227												

Funding from grant/prize money	1. Not at all	2. Slightly	3. Quite	4. Extremely
Did the money help you to grow your business?				
The money may only be used to purchase assets. Is this fair?				
The money should also be available as working capital. Do you agree?				
The SAB procedure to pay for the assets works well. Do you agree?				
It takes a long time for the money to be paid to the supplier. Do you agree?				

Did you submit these reports to SAB KickStart?

1. Monthly	2. Some times	3. No	4. I did not know about it.
------------	---------------	-------	-----------------------------

If you submitted the reports, did the drawing up of the monthly reports help you to manage and grow your business?

1. Not at all	2. Slightly	3. Quite a bit	4. Extremely so
---------------	-------------	----------------	-----------------

Did you receive feedback on the monthly reports from SAB KickStart?

1. Not at all	2. A few times	3. Several times	4. Every time
---------------	----------------	------------------	---------------

If you received feedback, could you use the feedback to improve your business?

1. Not at all	2. Slightly	3. Quite a bit	4. Extremely so
---------------	-------------	----------------	-----------------



<b>PART 6: MENTORING PROVIDED BY THE SAB KICKSTART PROGRAMME</b>																																																																
6.1	When you received money from SAB KickStart, you also received mentoring from your trainer. How frequently did your mentor contact you? Select one option. <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 16.6%;">1. Weekly</td> <td style="width: 16.6%;">2. Two-weekly</td> <td style="width: 16.6%;">3. Monthly</td> <td style="width: 16.6%;">4. Every 2<sup>nd</sup> months</td> <td style="width: 16.6%;">5. Rarely</td> <td style="width: 16.6%;">6. Never</td> </tr> </table>	1. Weekly	2. Two-weekly	3. Monthly	4. Every 2 <sup>nd</sup> months	5. Rarely	6. Never	<input style="width: 30px; height: 20px;" type="text"/> 228																																																								
1. Weekly	2. Two-weekly	3. Monthly	4. Every 2 <sup>nd</sup> months	5. Rarely	6. Never																																																											
6.2	If your mentor contacted you, how did he or she contact you? Select all the options that apply. <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 20%;">1. Telephone</td> <td style="width: 10%;">2. Fax</td> <td style="width: 10%;">3. E-mail</td> <td style="width: 10%;">4. Face-to-face</td> <td style="width: 10%;">5. No contact</td> <td style="width: 10%;"></td> </tr> </table>	1. Telephone	2. Fax	3. E-mail	4. Face-to-face	5. No contact		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30px;">229</td><td style="width: 30px;"></td></tr> <tr><td>230</td><td></td></tr> <tr><td>231</td><td></td></tr> <tr><td>232</td><td></td></tr> <tr><td>233</td><td></td></tr> </table>	229		230		231		232		233																																															
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6.3	How satisfied are you with the support that your mentor provided with regard to each of the following areas of business? Select the appropriate option. <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width: 25%;">SAB KickStart mentoring</th> <th style="width: 12.5%;">1. Not at all</th> <th style="width: 12.5%;">2. Slightly</th> <th style="width: 12.5%;">3. Quite</th> <th style="width: 12.5%;">4. Extremely</th> <th style="width: 12.5%;">5. Not needed</th> </tr> </thead> <tbody> <tr><td>Drawing up monthly reports for SAB KickStart</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Marketing</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Human resources</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Financial management</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Operations management</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Networking – introduction to key business people</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Business planning</td><td></td><td></td><td></td><td></td><td></td></tr> </tbody> </table>	SAB KickStart mentoring	1. Not at all	2. Slightly	3. Quite	4. Extremely	5. Not needed	Drawing up monthly reports for SAB KickStart						Marketing						Human resources						Financial management						Operations management						Networking – introduction to key business people						Business planning						<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30px;">234</td><td style="width: 30px;"></td></tr> <tr><td>235</td><td></td></tr> <tr><td>236</td><td></td></tr> <tr><td>237</td><td></td></tr> <tr><td>238</td><td></td></tr> <tr><td>239</td><td></td></tr> <tr><td>240</td><td></td></tr> </table>	234		235		236		237		238		239		240	
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6.4	What type of assistance or guidance would you like your mentor to provide? Give detail.	<input style="width: 30px; height: 20px;" type="text"/> <input style="width: 30px; height: 20px;" type="text"/> 241-242																																																														
6.5	Overall, how satisfied were you with the mentoring that you received from your mentor? <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 20%;">1. Not at all</td> <td style="width: 20%;">2. Slightly</td> <td style="width: 20%;">3. Quite/fairly</td> <td style="width: 20%;">4. Extremely</td> </tr> </table> Give reasons for your answer: ..... .....	1. Not at all	2. Slightly	3. Quite/fairly	4. Extremely	<input style="width: 30px; height: 20px;" type="text"/> 243  <input style="width: 30px; height: 20px;" type="text"/> <input style="width: 30px; height: 20px;" type="text"/> 244-245																																																										
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<b>FIRST, REGIONAL SELECTION FROM THE SAB KICKSTARTERS</b>																																																																
7.1	For your region were you selected as a candidate for the national awards? <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 33.3%;">1. Yes</td> <td style="width: 33.3%;">2. No</td> </tr> </table> Give reasons for your answer..... .....	1. Yes	2. No	<input style="width: 30px; height: 20px;" type="text"/> 246  <input style="width: 30px; height: 20px;" type="text"/> <input style="width: 30px; height: 20px;" type="text"/> 247-248																																																												
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7.2	To what extent did the regional panel have the necessary skills to judge the businesses fairly, when they selected candidates to qualify for national awards? <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 20%;">1. Not at all</td> <td style="width: 20%;">2. Slightly</td> <td style="width: 20%;">3. Quite/fairly</td> <td style="width: 20%;">4. Extremely</td> <td style="width: 20%;">5. Don't know</td> </tr> </table>	1. Not at all	2. Slightly	3. Quite/fairly	4. Extremely	5. Don't know	<input style="width: 30px; height: 20px;" type="text"/> 249																																																									
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7.3	What criteria did the regional panel use to decide which SAB KickStarters should be entered for the national awards? Please specify ..... .....	<table border="1"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td colspan="2" style="text-align: center;">250-251</td> </tr> </table>			250-251																																													
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<b>SECOND, NATIONAL SELECTION AND ALLOCATION OF NATIONAL PRIZES</b>																																																		
7.4	To what extent did the NATIONAL PANEL have the necessary skills to judge the businesses fairly, when they selected candidates for the national prizes? <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">1. Not at all</td> <td style="width: 20%;">2. Slightly</td> <td style="width: 20%;">3. Quite/fairly</td> <td style="width: 20%;">4. Extremely</td> <td style="width: 20%;">5. Don't know</td> </tr> </table>	1. Not at all	2. Slightly	3. Quite/fairly	4. Extremely	5. Don't know	<table border="1"> <tr> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">252</td> </tr> </table>		252																																									
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7.6	What criteria should the NATIONAL PANEL have used to decide which SAB KickStarters should receive national prizes? Specify ..... .....	<table border="1"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td colspan="2" style="text-align: center;">255-256</td> </tr> </table>			255-256																																													
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<b>PART 8: AT THE END OF THE SAB KICKSTART PROGRAMME</b>																																																		
8.1	Since the end of your contract with the SAB KickStart programme, have you continued to update your business plan? <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">1. Not at all</td> <td style="width: 20%;">2. Monthly</td> <td style="width: 20%;">3. Quarterly</td> <td style="width: 20%;">4. Six-monthly</td> <td style="width: 20%;">5. Annually</td> </tr> </table>	1. Not at all	2. Monthly	3. Quarterly	4. Six-monthly	5. Annually	<table border="1"> <tr> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">257</td> </tr> </table>		257																																									
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257																																																		
8.2	What type of assistance from SAB KickStart would help you now to grow your business even faster? Select only what is critical and give details.  <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 50%;">Specify exactly what you need</th> </tr> </thead> <tbody> <tr><td>Financing</td><td></td></tr> <tr><td>Training</td><td></td></tr> <tr><td>Marketing</td><td></td></tr> <tr><td>Labour relations</td><td></td></tr> <tr><td>Legal assistance</td><td></td></tr> <tr><td>Operations management</td><td></td></tr> <tr><td>Referrals</td><td></td></tr> <tr><td>Business planning</td><td></td></tr> <tr><td>Administration of the business</td><td></td></tr> <tr><td>Professional advisors</td><td></td></tr> <tr><td>Mentoring</td><td></td></tr> </tbody> </table>		Specify exactly what you need	Financing		Training		Marketing		Labour relations		Legal assistance		Operations management		Referrals		Business planning		Administration of the business		Professional advisors		Mentoring		<table border="1"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr> <tr><td style="text-align: center;">258</td><td style="text-align: center;">258</td></tr> <tr><td style="text-align: center;">259</td><td style="text-align: center;">259</td></tr> <tr><td style="text-align: center;">260</td><td style="text-align: center;">260</td></tr> <tr><td style="text-align: center;">261</td><td style="text-align: center;">261</td></tr> <tr><td style="text-align: center;">262</td><td style="text-align: center;">262</td></tr> <tr><td style="text-align: center;">263</td><td style="text-align: center;">263</td></tr> <tr><td style="text-align: center;">264</td><td style="text-align: center;">264</td></tr> <tr><td style="text-align: center;">265</td><td style="text-align: center;">265</td></tr> <tr><td style="text-align: center;">266</td><td style="text-align: center;">266</td></tr> <tr><td style="text-align: center;">267</td><td style="text-align: center;">267</td></tr> <tr><td style="text-align: center;">268</td><td style="text-align: center;">268</td></tr> </table>			258	258	259	259	260	260	261	261	262	262	263	263	264	264	265	265	266	266	267	267	268	268
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268	268																																																	
8.3	Any additional comments on how the SAB KickStart Youth Entrepreneurial Programme can be improved: ..... .....	<table border="1"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td colspan="2" style="text-align: center;">269-270</td> </tr> </table>			269-270																																													
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<b>Your contact details please:</b> Name of Business Postal address:  Cell number: Fax number: E-mail address:																																																		

**APPENDIX I****OFFICIAL LETTERS ACCOMPANYING QUESTIONNAIRE**

- **FAXED**
- **POSTED**
- **E-MAILED**

Attention: Maselaelo Malebo  
Fax number: 015 295 4280  
Number of pages including this one (9)



Department of Business Management

July 02, 2007

Dear Ms Maselaelo Malebo

**Your help is needed to improve the SA Breweries KickStart Youth Entrepreneurial Programme**

You were one of the SAB KickStarters who received training

We kindly request your assistance with research being conducted by Ms Elana Swanepoel, a senior lecturer in Entrepreneurship in the Department of Business Management at Unisa. She is investigating the effectiveness of the interventions used by the SAB KickStart Youth Entrepreneurial Programme on small and medium-sized business development. SAB Miller is supporting this research as they wish to improve the SAB KickStart programme

**Confidentiality.** All information collected for this research will be treated with the utmost confidentiality and under no circumstances will the names of respondents be linked to comments. The information collected will be aggregated and analysed in its totality.

It would be appreciated if you would complete the attached questionnaire and return it as soon as possible, but preferably within four days. Please follow the instructions on the questionnaire.

Your contribution will be of particular value to determine in what way the SAB KickStart Youth Entrepreneurial Programme can be improved.

Should you have any questions contact Elana (contact details below).

Elana is indebted to you for your cooperation and would like to thank you in advance for contributing some of your precious time, experience and expertise to this study.

Kind regards

Mrs C Nieuwenhuizen  
Head: Department of Business Management  
School of Management Sciences  
Faculty of Economic and Management Sciences  
UNIVERSITY OF SOUTH AFRICA

Contact details for  
**ELANA SWANEPOEL**

Postal address: Senior lecturer: Entrepreneurship  
Department of Business Management  
Unisa Florida Campus  
Block B, Room 261  
Private Bag X6  
Florida  
1710

Tel no: (W) 011 471 2241 Cell no: 083 381 1980 Fax no: 086 641 5403 Home no: 011 726 5498  
E-mail address: [swanee@unisa.ac.za](mailto:swanee@unisa.ac.za)

**FAX COMPLETED QUESTIONNAIRE TO 086 641 5403**

**URGENT PLEASE**

Department of Business Management  
School of Management Sciences  
College of Economic and Management Sciences  
UNIVERSITY OF SOUTH AFRICA

June 29, 2007

Dear Candice Zokufa

**Your help is needed to improve the SAB KickStart Youth Entrepreneurial Programme**

In 2001 you were one of the SAB KickStarters who received training.

We kindly request your assistance with research being conducted by Ms Elana Swanepoel, a senior lecturer in Entrepreneurship in the Department of Business Management at Unisa. She is investigating the effectiveness of the interventions used by the SAB KickStart Youth Entrepreneurial Programme on small and medium-sized business development. SAB Miller is supporting this research as they wish to improve the SAB KickStart programme

**Confidentiality.** All information collected for this research will be treated with the utmost confidentiality and under no circumstances will the names of respondents be linked to comments. The information collected will be aggregated and analysed in its totality.

It would be appreciated if you would complete the attached questionnaire and **return within two days.** Please follow the instructions on the questionnaire.

Your contribution will be of particular value to determine in what way the SAB KickStart Youth Entrepreneurial Programme can be improved.

Should have any questions contact Elana (contact details below).

Elana is indebted to you for your cooperation and would like to thank you in advance for contributing some of your precious time, experience and expertise to this study.

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Contact details for  
**ELANA SWANEPOEL**  
Senior lecturer: Entrepreneurship  
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Unisa Florida Campus  
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1710  
Tel no: (W) 011 471 2241  
Cell no: 083 381 1980  
E-mail address: [swanee@unisa.ac.za](mailto:swanee@unisa.ac.za)

Fax no: 086 641 5403  
Home no: 011 726 5498

PO Box 392  
UNISA  
3000  
May 22, 2007

Dear SAB KickStart Trainer

**Research on the effectiveness of the SA Breweries KickStart entrepreneurial programme**

The South African Breweries Limited, Enterprise Development Department has agreed to a research study to be conducted by Ms Elana Swanepoel to evaluate the effectiveness of the interventions used by the SAB KickStart entrepreneurial programme with the view of improving this programme where possible. Elana is a senior lecturer in Entrepreneurship in the Department of Business Management at Unisa and is currently a registered doctorate student.

Your assistance in completing the attached questionnaire is needed and will contribute to a better understanding of the KickStart programme and how to improve it.

All information collected for this research will be treated with the utmost confidentiality and under no circumstances will your name be linked to any specific comments. The information collected will be aggregated and analysed in its totality.

**Instructions to complete the questionnaire electronically:**

The questionnaire is a MicroSoft Word document and can be answered electronically:

1. Please save the questionnaire to your hard drive and close the e-mail.
2. Open the saved questionnaire.
3. Answer the questions by filling in the required information.
4. Save the questionnaire with all the added information.
5. E-mail the completed questionnaire to [swanee@unisa.ac.za](mailto:swanee@unisa.ac.za) as soon as possible, but preferably within a week after receiving the questionnaire.

**Instructions to complete questionnaire manually:**

The questionnaire is a MicroSoft Word document.

1. Print the questionnaire.
2. Answer the questions by filling in the required information by hand. Please write neatly.
3. Fax the completed questionnaire to: FOR ATTENTION: ELANA SWANEPOEL, 012 429 3373, as soon as possible, but preferably within a week after receiving the questionnaire.

If you have any difficulty completing the questionnaire, please phone **Elana Swanepoel at 083 381 1980**.

Your contribution would be of particular value to the meaningful evaluation of the SAB KickStart Programme. Elana is indebted to your cooperation and would like to thank you in advance for contributing some of your precious time, experience and expertise to this study.

Kind regards

Prof C Nieuwenhuizen

Head: Department of Business Management

School of Management Sciences, Faculty of Economic and Management Sciences

UNIVERSITY OF SOUTH AFRICA

Contact details for

ELANA SWANEPOEL

Senior lecturer: Entrepreneurship, and Production and Operations Management

Tel no: (W) 012 429 4732

Fax no: (W) 012 429 3373 ATTENTION: ELANA SWANEPOEL

Cell no: 083 381 1980

Home no: 011 726 5498

## APPENDIX J

## FREQUENCY TABLES FROM WHICH THE FIGURES WERE DRAWN

**Table for figure 6.2 Distribution of respondents and SAB KickStart population by SA Breweries region**

SA Breweries geographical region in which respondent had a business compared to the SAB KickStart population distribution by region				
SA Breweries region	Respondents		SAB KickStart population	
	Freq	%	Freq	%
Eastern/Western Cape	48	33.57	156	31.07
Egoli	34	23.78	118	23.51
KwaZulu-Natal	13	9.09	78	15.54
Northern region	14	9.79	76	15.14
Central region	34	23.78	74	14.74
Total	143	100	502	100

**Table for figure 6.3 Type of support received by the respondents from the SAB KickStart programme**

Type of support received by the respondents from the SAB KickStart programme				
Extent of SAB KickStart support	Respondents		SAB KickStart population	
	Freq	%	Average freq n = 90	Average % n = 90
Training only	79	55.24	65 per annum	72.22
Training & grant & mentoring	53	37.06	18 per annum	20.00
Training & grant & prize & mentoring	11	7.69	7 per annum	7.78
Total	143	100	90 per annum	100

**Table for figure 6.4 Gender distribution of respondents by type of SAB KickStart support and by status of business**

Gender distribution of respondents by type of SAB KickStart support and by status of business										
Gender	Total		SAB KickStart support				Status of business			
	Freq	%	Trained only		Trained, funded & mentored		Start up		Existing	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Female	42	29.79	24	31.17	18	28.12	26	32.50	16	26.23
Male	99	70.21	53	68.83	46	71.88	54	67.50	45	73.77
Total	141	100	77	100	64	100	80	100	61	100



**Table for figure 6.5 Age distribution of respondents**

Age distribution of respondents				
Age of respondent	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
18-20 years	0	0	0	0
21-25 years	10	7.09	10	7.09
26-30 years	57	40.03	67	47.52
31-35 years	48	34.04	115	81.56
35+ years	26	18.44	141	100.00
Total	141	100		

**Table for figure 6.6 Distribution of respondents by race**

Distribution of respondents by race				
Race	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
Black	124	87.94	124	87.94
Coloured	16	11.35	140	99.29
Asian/Indian	1	0.71	141	100.00
White	0	0	141	100.00

**Table for figure 6.7 Highest formal educational qualification of respondents**

Highest formal educational qualification of respondents				
Level of formal education	When started with SAB KickStart		At the time of completing the questionnaire	
	Freq	%	Freq	%
Lower than grade 12	7	5.04	5	3.52
Grade 12	33	23.74	22	15.49
Certificate/Diploma	84	60.43	94	66.20
Bachelors degree	11	7.91	16	11.27
Honours degree	4	2.88	5	3.52
Total	139	100	142	100

**Table for figure 6.8 Business management qualifications of respondents prior to starting on the SAB KickStart programme by SAB KickStart support and by status of business**

Business management qualification or training of respondents before they became part of the SAB KickStart Youth Entrepreneurial Programme									
	Total	Type of SAB KickStart support				Status of business			
		Trained only		Funded		Start up		Existing	
		Freq	%	Freq	%	Freq	%	Freq	%
None	51	39	50.65	33	51.56	36	45.00	36	59.02
Workshop	5	6	7.79	1	1.56	7	8.75	0	0.00
Certificate	22	17	22.08	14	21.88	13	16.25	18	29.51
Diploma	15	11	14.29	10	15.63	16	20.00	5	8.20
B-degree	6	4	5.19	4	6.25	6	7.50	2	3.28
Hon degree	1	0	0.00	2	3.13	2	2.50	0	0.00
Total	100	77	100	64	100	80	100	61	100

**Table for figure 6.8 Business management qualifications of respondents prior to starting on the SAB KickStart programme by SAB KickStart support and by status of business**

Business management qualification or training of respondents before they became part of the SAB KickStart Youth Entrepreneurial Programme							
Business management qualification	Total	Total	$\chi^2 = \text{Chi squared}$	SAB KickStart support		Status of Business	
	Freq	%		Trained only	Trained, funded & mentored	Start up	Existing
None	72	51.06	Freq Cell $\chi^2$ Row %	39 0.0026 54.17	33 0.0031 45.83	36 0.5761 50.00	36 0.7555 50.00
Workshop	7	4.96	Freq Cell $\chi^2$ Row %	6 1.2401 85.71	1 1.492 14.29	7 2.3091 100.00	0 3.0284 0.00
Certificate/ Short course	31	21.99	Freq Cell $\chi^2$ Row %	17 0.0003 54.84	14 0.0004 45.16	13 1.1971 41.94	18 1.57 58.06
Diploma	21	14.89	Freq Cell $\chi^2$ Row %	11 0.0191 52.38	10 0.023 47.62	16 1.4006 76.19	5 1.8369 23.81
Bachelors Degree	8	5.67	Freq Cell $\chi^2$ Row %	4 0.0311 50.00	4 0.0375 50.00	6 0.4703 75.00	2 0.6167 25.00
Honours	2	1.42	Freq Cell $\chi^2$ Row %	0 1.0922 0.00	2 1.3141 100.00	2 0.6598 100.00	0 0.8652 0.00
Total	141	100		77	64	80	61

**Table for figure 6.9 Level of managerial experience of respondents at inception of their business**

Level of managerial experience when respondents started their own business				
Level of managerial experience	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
None	62	43.36	62	43.36
Supervisor	37	25.87	99	69.23
Middle manager	30	20.98	129	90.21
Senior Manager	14	9.79	143	100.00

**Table for figure 6.10 Extent of respondents' previous experience in a similar business prior to starting an own business by type of SAB KickStart support and by status of business**

Extent of respondents' previous experience in a similar business prior to starting an own business by type of SAB KickStart support and by status of business										
Level of previous experience	Total		SAB KickStart support				Status of business			
	Freq	%	Trained only		Trained, funded & mentored		Start up		Existing	
Freq			%	Freq	%	Freq	%	Freq	%	Freq
None	34	24.11	19	24.68	15	23.44	19	23.75	15	24.59
Some extent	39	27.66	22	28.57	17	26.56	22	27.50	17	27.87
Quite a bit	37	26.24	20	25.97	17	26.56	23	28.75	14	22.95
Extensive	31	21.99	16	20.78	15	23.44	16	20.00	15	24.59
Total	141	100	77	100	64	100	80	100	61	100

**Table for figures 6.11 and 6.12 Status of respondents' business when they started with the SAB KickStart programme by type of SAB KickStart support**

Status of respondents' business when they started with the SAB KickStart programme by type of SAB KickStart support					
Status of business	Total			SAB KickStart support	
	Freq	%		Trained only	Trained, funded & mentored
Start up	80	56.74	Freq	49	31
			Cell $\chi^2$	0.6459	0.7771
			Row %	61.25	38.75
Existing	61	43.26	Freq	28	33
			Cell $\chi^2$	0.8471	1.0191
			Row %	45.90	54.10
Total	141	100		77	64

**Table for figure 6.13 Continued ownership of business owned when respondents started with SAB KickStart programme by type of SAB KickStart support and by status of business**

Continued ownership of business owned when respondents started with SAB KickStart programme by type of SAB KickStart support and by status of business							
Still have original business	Total		X <sup>2</sup> = Chi squared	SAB KickStart support		Status of business	
	Freq	%		Trained only	Trained, funded & mentored	Start up	Existing
Yes	113	80.14	Freq	55	58	60	53
			Column %	71.43	90.63	75.00	86.89
No	28	19.86	Freq	22	6	20	8
			Column %	28.57	9.38	25.00	13.11
Total	141	100	Freq	77	64	80	61
			Column %	100	100	100	100

**Table for figure 6.14 Number of businesses in which respondents currently have some ownership**

Number of businesses in which respondents currently have some ownership				
Number of businesses	Frequency	Percentage	Descending order	
			Cumulative frequency	Cumulative percentage
None	20	14.08	142	100.00
One business	70	49.30	122	85.92
Two businesses	34	23.94	52	36.62
Three businesses	15	10.57	18	12.68
Four businesses	3	2.11	3	2.11
Total	142	100		

**Table for figure 6.15 Comparison by status of business, and by type of SAB KickStart support with regard to extent of respondents' current ownership in businesses**

Comparison by status of business, and by type of SAB KickStart support with regard to extent of respondents' current ownership in businesses							
Ownership in no of businesses	Total			SAB KickStart support		Status of business	
	Freq	%		Trained only	Trained, funded & mentored	Start up	Existing
None	20	14.28	Freq Column %	15 19.74	5 7.81	16 20.00	4 6.67
One	68	48.57	Freq Column %	30 39.47	38 59.38	40 50.00	28 46.67
Two	34	24.29	Freq Column %	18 23.68	16 25.00	15 18.75	19 31.67
three+	18	12.86	Freq Column %	13 17.11	5 7.81	9 11.25	9 15.00
Total	140	100	Freq Column %	76 100	64 100	80 100	60 100

**Table for figure 6.16 Perceived difficulty experienced by the respondents in providing business plan information for the SAB KickStart application**

Difficulty of providing business plan information when applying to participate in the SAB KickStart programme, as experienced by the respondents						
Level of difficulty	Total		Status of business			
			Start up		Existing	
	Freq	%	Freq	%	Freq	%
Not at all	37	26.24	13	16.64	24	38.10
Slightly	46	32.62	23	29.49	23	36.51
Quite	39	27.66	26	33.33	13	20.63
Extremely	19	13.48	16	20.51	3	4.76
Total	141	100	78	100	63	100

**Table for figure 6.17 Difficulty of providing business plan information and annual financial statements for the SAB KickStart application by existing businesses**

For existing businesses: Difficulty of providing business plan information and annual financial statements for the SAB KickStart application						
Type of information		Level of difficulty of providing information				Total
		Not at all	Slightly	Quite	Extremely	
Business plan	Frequency	24	23	13	3	63
	Cell $\chi^2$	1.9432	0.0793	0.5653	2.4744	
	Row %	38.10	36.51	20.63	4.76	
Financial statements	Frequency	11	19	18	11	59
	Cell $\chi^2$	2.0749	0.0847	0.6036	2.6422	
	Row %	18.64	32.20	30.51	18.64	
Total		35	42	31	14	122

**Table for figure 6.18 Completion of the General Enterprise Tendency (GET) test by the respondents**

Completion of the General Enterprise Tendency test by the respondents				
GET completed	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
Yes	113	79.58	113	79.58
No	29	20.42	142	100.00

**Table for figure 6.19 Respondents' perceptions of the adequacy of the GET test to assess entrepreneurial potential**

Adequacy of GET test to assess entrepreneurial potential as perceived by respondents		
Level of adequacy of GET test	Frequency	Percentage
Not at all	6	5.45
Slightly	13	11.82
Quite	55	50.00
Extremely	36	32.73
Total	110	100
No response	3	

**Table for figure 6.20 Respondents' perceptions of the selection process – the presentation and the panel**

Respondents' perceptions of the selection process – the presentation and the panel						
During the selection interview		Level of performance				Total
		Not at all	Slightly	Quite	Extremely	
Ease of presenting business and self to panel	Freq	15	13	40	67	135
	Row %	11.11	9.63	29.63	49.63	100
Panel's understanding of the growth potential of the business	Freq	17	29	57	32	135
	Row %	12.59	21.48	42.22	23.70	100
Panel's ability to ask appropriate questions to evaluate entrepreneurs and their businesses	Freq	12	18	61	44	135
	Row %	8.89	13.33	45.19	32.59	100

**Table for figures 6.21, 6.22 and 6.23 Respondents' evaluation of the selection process by status of business**

Respondents' evaluation of the selection process (the presentation and the panel) by status of business							
During selection interview	Status of business		Level of performance				Total
			Not at all	Slightly	Quite	Extremely	
Ease of presenting business and self to panel	Start up	Freq	9	9	20	38	76
		Row %	11.84	11.84	26.32	50.00	100
	Existing	Freq	6	4	20	29	59
		Row %	10.17	6.78	33.90	49.15	100
Panel's understanding of growth potential of respondent's business	Start up	Freq	11	18	32	15	76
		Row %	14.47	23.68	42.11	19.74	100
	Existing	Freq	6	11	25	17	59
		Row %	10.17	18.64	42.37	28.81	100
Panel's ability to ask appropriate questions to evaluate entrepreneurs and their businesses	Start up	Freq	7	9	37	23	76
		Row %	9.21	11.84	48.68	30.26	100
	Existing	Freq	5	9	24	21	59
		Row %	8.47	15.25	40.68	35.59	100

**Table for figure 6.24, 6.25, and 6.26 Respondents' evaluation of the competencies of SAB KickStart trainers**

Respondents' perception of the competencies of the SAB KickStart trainers						
Competency		Level of competency				Total
		Not at all	Slightly	Quite	Extremely	
Expertise of the trainer to explain course material	Freq	2	8	41	92	143
	Row %	1.40	5.59	28.67	64.34	100
Understanding of the trainer re operating a business	Freq	4	7	43	89	143
	Row %	2.80	4.90	30.07	62.24	100
Assistance provided by the trainer to respondent to complete the business plan	Freq	13	34	60	35	142
	Row %	9.15	23.94	42.25	24.65	100
		Never	Some-times	Usually	Always	
Ability of the trainer to give real life examples	Freq	3	17	37	85	142
	Row %	2.11	11.97	26.06	59.86	100
		≤ 70%	80%	90%	100%	
Volume of material in training manual explained by trainer	Freq	11	21	65	45	142
	Row %	7.75	14.79	45.77	31.69	100

**Table for figure 6.27, 6.28, 6.29 and 6.30 Respondents' perceptions of the competence of the SAB KickStart trainers by status of business**

Perceptions of the competence of the SAB KickStart trainers by status of business							
Competency	Status of business		Level of competency				Total
			Not at all	Slightly	Quite	Extremely	
Expertise of the trainer to explain course material	Start up	Freq	1	6	26	47	80
		Row %	1.25	7.50	32.50	58.75	100
	Existing	Freq	1	2	15	45	63
		Row %	1.59	3.17	23.81	71.43	100
Understanding of the trainer regarding operating a business	Start up	Freq	1	6	28	45	80
		Row %	1.25	7.50	35.00	56.25	100
	Existing	Freq	3	1	15	44	63
		Row %	4.76	1.59	23.81	69.84	100
Degree of assistance provided by the trainer to respondent to complete the business plan	Start up	Freq	11	20	33	15	79
		Row %	13.92	25.32	41.77	18.99	100
	Existing	Freq	2	14	27	20	63
		Row %	3.17	22.22	42.86	31.75	100
			Never	Some-times	Usually	Always	
Ability of the trainer to give real life examples	Start up	Freq	3	13	21	43	80
		Row %	3.75	16.25	26.25	53.75	100
	Existing	Freq	0	4	15	42	61
		Row %	0.00	6.56	24.59	68.85	100

**Table for figures 6.31, 6.32, 6.33, 6.34, 6.35, 6.36, 6.37 and 6.38 Respondents' evaluation of the outcomes of the SAB KickStart training**

Evaluation of the outcomes of the SAB KickStart training: by status of business							
Effect of training	Status of business		Level of competency				Total
			Not at all	Slightly	Quite	Extremely	
Did the training help you to improve your ability to manage your business?	Start up	Freq	3	8	31	37	79
		Row %	3.80	10.13	39.24	46.84	100
	Existing	Freq	1	4	25	33	63
		Row %	1.59	6.35	39.68	52.38	100
	All respondents	Freq	4	12	56	70	142
		Row %	2.82	8.45	39.44	49.30	100
Did the training help you to increase sales?	Start up	Freq	15	15	32	13	75
		Row %	20.00	20.00	42.67	17.33	100
	Existing	Freq	5	12	27	19	63
		Row %	7.94	19.05	42.86	30.16	100
	All respondents	Freq	20	27	59	32	138
		Row %	14.49	19.57	42.75	23.19	100
Did the training help you to increase profit?	Start up	Freq	14	15	29	14	72
		Row %	19.44	20.83	40.28	19.44	100
	Existing	Freq	8	12	30	13	63
		Row %	12.70	19.05	47.62	20.63	100
	All respondents	Freq	22	27	59	27	135
		Row %	16.30	20.00	43.70	20.00	100
After the training did you have better control over the cash flow of your business?	Start up	Freq	10	16	27	21	74
		Row %	13.51	21.62	36.49	28.38	100
	Existing	Freq	5	13	27	18	63
		Row %	7.94	20.63	42.86	28.57	100
	All respondents	Freq	15	29	54	39	137
		Row %	10.95	21.17	39.41	28.47	100
After the training could you draw up a better business plan?	Start up	Freq	4	8	30	37	79
		Row %	5.06	10.13	37.97	46.84	100
	Existing	Freq	1	3	25	33	62
		Row %	1.61	4.84	40.32	53.23	100
	All respondents	Freq	5	11	45	70	141
		Row %	3.55	7.80	31.91	49.65	100
After the training did you expand your business?	Start up	Freq	17	14	24	20	75
		Row %	22.67	18.67	32.00	26.67	100
	Existing	Freq	3	24	20	16	63
		Row %	4.76	38.10	31.75	25.40	100
	All respondents	Freq	20	38	44	36	138
		Row %	14.49	27.54	31.88	26.09	100
			Never	Sometimes	Usually	Always	
During training were you allowed to apply the knowledge to your own business?	Start up	Freq	3	14	20	41	78
		Row %	3.85	17.95	25.64	52.56	100
	Existing	Freq	2	6	16	35	59
		Row %	3.39	10.17	27.12	59.32	100
	All respondents	Freq	5	20	36	76	137
		Row %	3.65	14.60	26.28	55.47	100



**Table for figures 6.39 and 6.40 Respondents' evaluation of the skills covered during SAB KickStart training**

<b>Respondents' evaluation of the skills covered during SAB KickStart training</b>						
Skills addressed		Extent of coverage				Total
		Not at all	Slightly	Quite	Extremely	
<i>General management skills</i>						
Strategizing	Freq	6	20	37	76	139
	Row %	4.32	14.39	26.62	54.68	100
Planning	Freq	3	18	71	49	141
	Row %	2.13	12.77	50.35	34.75	100
Marketing	Freq	2	14	62	63	141
	Row %	1.42	9.93	43.97	44.68	100
Financial management	Freq	2	15	62	62	141
	Row %	1.42	10.64	43.97	43.97	100
Project management	Freq	10	33	63	33	139
	Row %	7.19	23.74	45.32	23.74	100
Time management	Freq	11	30	46	52	139
	Row %	7.91	21.58	33.09	37.41	100
<i>People Skills</i>						
Leadership	Freq	8	28	50	53	139
	Row %	5.76	20.14	35.97	38.13	100
Motivation	Freq	7	24	50	59	140
	Row %	5.00	17.14	35.71	42.14	100
Delegation	Freq	8	34	52	45	139
	Row %	5.76	24.46	37.41	32.37	100
Communication	Freq	8	20	50	61	139
	Row %	5.76	14.39	35.97	43.88	100
Negotiation	Freq	14	30	55	41	140
	Row %	10.00	21.43	39.29	29.29	100
Teamwork/inter-personal skills	Freq	5	23	56	54	138
	Row %	3.62	16.67	40.58	39.13	100
Coaching	Freq	13	28	56	41	138
	Row %	9.42	20.29	40.58	29.71	100
Conflict management	Freq	13	35	57	34	139
	Row %	9.35	25.18	41.01	24.46	100
Problem solving	Freq	6	31	54	47	138
	Row %	4.35	22.46	39.13	34.06	100
Decision making	Freq	6	20	58	56	140
	Row %	4.29	14.29	41.43	40.00	100

**Table for figure 6.41 Age of respondents' business in number of years**

Age of respondents' business in number of years		
Period - Years	Frequency	Percentage
<1	9	6.38
1	13	9.22
2	24	17.02
3	16	11.35
4	20	14.18
5	11	7.80
6	11	7.80
7	8	5.67
8	3	2.13
9	2	1.42
10	1	0.71
15	1	0.71
Closed business or never started	21	14.89
No age given	1	0.71

**Table for figure 6.42 Number of employees employed by respondents**

Number of employees employed by respondents (multiple responses)									
Employees	Finance & business services classification		Year period (number of respondents)						
			2001	2002	2003	2004	2005	2006	
0-5 employees	Micro	Freq	24	26	38	50	60	75	
		Column %	82.76	70.27	70.37	76.92	72.28	71.43	
6-10 employees	Very small	Freq	4	7	11	7	11	14	
		Column %	13.79	18.29	20.37	10.77	13.25	13.33	
11-50 employees	Small	Freq	1	4	5	8	12	15	
		Column %	3.45	10.81	9.26	12.31	14.46	14.29	
51-100 employees	Medium	Freq	0	0	0	0	0	1	
		Column %	0.00	0.00	0.00	0.00	0.00	0.95	
Total number of respondents			Freq	29	37	54	65	83	105
			Column %	100	100	100	100	100	100

**Table for figure 6.43 Number of respondents who appoint agents and/or subcontractors**

Number of respondents who appoint agents and/or subcontractors							
Activity of respondents		Year period (number of respondents)					
		2001	2002	2003	2004	2005	2006
Appoint agents	Freq	5	4	7	12	18	24
	% of 140	3.57	2.86	5.00	8.57	12.86	17.14
Appoint subcontractors	Freq	5	8	11	15	23	37
	% of 140	3.57	5.71	7.86	10.71	16.43	26.43

**Table for figure 6.44, 6.45, and 6.46 Respondents' perceptions of the value and the method of funding by status of business**

Views on the value and the procedure of funding by status of business							
Funding from grant/prize money	Status of business		Level of satisfaction experienced				Total
			Not at all	Slightly	Quite	Extremely	
Funding assisted business growth	Start up	Freq	3	3	6	18	30
		Row %	10.00	10.00	20.00	60.00	
	Existing	Freq	2	7	9	14	32
		Row %	6.25	21.88	28.13	43.75	
	All respondents	Freq	5	10	15	32	62
		Row %	8.06	16.13	24.19	51.61	100
Fairness of funding restriction – to acquire assets	Start up	Freq	8	7	8	7	30
		Row %	26.67	23.33	26.67	23.33	
	Existing	Freq	6	8	8	10	32
		Row %	18.75	25.00	25.00	31.25	
Agreement that funding should also be used as working capital	Start up	Freq	4	2	11	13	30
		Row %	13.33	6.67	36.67	43.33	
	Existing	Freq	7	3	5	17	32
		Row %	21.88	9.38	15.63	53.13	
Efficiency of the SAB payout procedure	Start up	Freq	6	6	7	11	30
		Row %	20.00	20.00	23.33	36.67	
	Existing	Freq	7	4	10	11	32
		Row %	21.88	12.50	31.25	34.38	
Delays in payout to suppliers	Start up	Freq	10	5	7	8	30
		Row %	33.33	16.67	23.33	26.67	
	Existing	Freq	11	7	2	12	32
		Row %	34.38	21.88	6.25	37.50	

**Table for figure 6.47 Frequency with which mentors contact respondents by status of business**

Frequency with which mentors contact respondents by status of business						
Frequency	Status of Business				Total	
	Start up		Existing		Freq	%
	Freq	%	Freq	%		
Weekly	6	20	3	9.38	9	14.52
Two-weekly	4	13.33	7	21.88	11	17.74
Monthly	16	53.33	20	62.50	36	58.06
Bi-monthly	4	13.33	1	3.13	5	8.07
Never	0	0	1	3.13	1	1.61
Total	30	100	32	100	62	100

**Table for figure 6.48 Mentors' preferred method of contacting the respondents by status of business**

Mentors' preferred method of contacting respondents by status of business							
Status of business		Method of contact by mentor					Total responses
		Tele- phone	fax	e-mail	face-to- face	No contact	
Start up	Freq	22	4	14	28	0	68
	Row %	32.35	5.88	20.59	41.18	0.00	
Existing	Freq	23	5	14	30	2	74
	Row %	31.08	6.76	18.92	40.54	2.70	
Total responses	Freq	45	9	28	58	2	142
	Row %	31.69	6.34	19.72	40.85	1.41	
% of respondents	<i>n</i> = 61	73.77	14.75	45.90	95.08	--	--

**Table for figure 6.49 and 6.50 Respondents' level of satisfaction with support provided by mentors in different business areas by status of business**

Respondents' level of satisfaction with support provided by mentors in different business areas by status of business						
Business area		Start-up		Existing		Total Respon- dents
		Satisfaction rating		Satisfaction rating		
		Not at all / slightly	Quite / extremely	Not at all / slightly	Quite / extremely	
Drawing up monthly reports	Freq	4	25	6	26	61
	Row %	13.79	86.21	18.75	81.25	
Marketing	Freq	8	21	10	23	61
	Row %	27.59	72.41	30.30	69.70	
Human resources assistance	Freq	13	16	10	22	61
	Row %	44.83	55.17	31.25	68.75	
Financial management	Freq	5	24	4	28	61
	Row %	17.24	82.76	12.50	87.50	
Operations management	Freq	12	17	7	23	61
	Row %	41.38	58.62	23.33	76.67	
Networking	Freq	13	16	12	20	61
	Row %	44.83	55.17	37.50	62.50	
Business planning	Freq	5	24	8	24	61
	Row %	17.24	82.76	25.00	75.00	

**Table for figure 6.51 Respondents' perception of the adequacy of the skills of regional and national panels to judge businesses fairly**

Respondents' perception of the adequacy of the skills of regional and national panels to judge businesses fairly				
Adequacy of skills to judge	Regional panel ( Q 7.2)		National panel ( Q 7.4)	
	Freq	%	Freq	%
Not at all	2	3.33	1	2.70
Slightly	2	3.33	0	0.00
Quite	15	25.00	13	35.14
Extremely	20	33.33	8	21.62
Don't know	21	35.00	15	40.54
Total - respondents	60	100	37	100

**Table for figure 6.52 Continuance of updating business plan – difference between respondents who received only training and those who received training, funding and mentoring**

Updating of business plans – differences between respondents by type of SAB KickStart support						
Regularity of updating business plan	Support from SAB KickStart				Total	
	Trained only		Trained, funded & mentored			
	Freq	%	Freq	%	Freq	%
Not at all	17	27.87	7	13.21	24	21.05
Monthly	7	11.48	5	9.43	12	10.53
Quarterly	10	16.39	9	16.98	19	16.67
Six-monthly	12	19.67	7	13.21	19	16.67
Annually	15	24.59	25	47.17	40	35.09
Total	61	100	53	100	114	100

## APPENDIX K

STATISTICAL TABLES OF TESTS RESULTS FOR CHI-SQUARED ( $\chi^2$ ) TEST AND OTHER TESTS

Type of support received from the SAB KickStart programme (question 1.3.1) measured against the status of the business (question 1.12)

Table of support by Status			
Support (q1.3.1: KS contribution)	Status (q1.12: Business exist/start-up?)		
Frequency	Start up	Existing	Total
Cell Chi-Squared			
Row Pct			
Trained only	49	28	77
	0.6459	0.8471	
	63.64	36.36	
Funded	31	33	64
	0.7771	1.0191	
	48.44	51.56	
Total	80	61	141

Statistics for Table of support by Status

Statistic	DF	Value	Probability
Chi-Squared	1	3.2892	0.0697
Likelihood Ratio Chi-Squared	1	3.2949	0.0695
Continuity Adj. Chi-Squared	1	2.6992	0.1004
Mantel-Haenszel Chi-Squared	1	3.2659	0.0707
Phi Coefficient		0.1527	
Contingency Coefficient		0.1510	
Cramer's V		0.1527	

Pearson Chi-Squared Test	
Chi-Squared	3.2892
DF	1
Asymptotic Pr > Chi-Squared	0.0697

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0875
99% Lower Conf Limit	0.0802
99% Upper Conf Limit	0.0948
Number of Samples	10000
Initial Seed	123713760

Likelihood Ratio Chi-Squared Test	
Chi-Squared	3.2949
DF	1
Asymptotic Pr > Chi-Squared	0.0695

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0898
99% Lower Conf Limit	0.0824
99% Upper Conf Limit	0.0972
Number of Samples	10000
Initial Seed	1973780645

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	3.2659
DF	1
Asymptotic Pr > Chi-Squared	0.0707

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0924
99% Lower Conf Limit	0.0849
99% Upper Conf Limit	0.0999
Number of Samples	10000
Initial Seed	733285341

Fisher's Exact Test	
Cell (1,1) Frequency (F)	49
Left-sided Pr <= F	0.9765
Right-sided Pr >= F	0.0501
Table Probability (P)	0.0266
Two-sided Pr <= P	0.0881

Business management qualifications of respondents (question 1.9) by status of business and type of SAB KickStart support

Table of Management Qualification by Status			
Management Qualification (q1.9: before KS)	Status (q1.12: Business exist/start-up?)		Total
Frequency Cell Chi-Squared Row Pct	Start up	Existing	
None	36 0.5761 50.00	36 0.7555 50.00	72
Workshop	7 2.3091 100.00	0 3.0284 0.00	7
Certificate/short course	13 1.1971 41.94	18 1.57 58.06	31
Diploma	16 1.4006 76.19	5 1.8369 23.81	21
B Degree	6 0.4703 75.00	2 0.6167 25.00	8
Honours	2 0.6598 100.00	0 0.8652 0.00	2
Total	80	61	141

Statistics for Table of Management Qualification by Status

Statistic	DF	Value	Probability
Chi-Squared	5	15.2856	0.0092
Likelihood Ratio Chi-Squared	5	18.8710	0.0020
Mantel-Haenszel Chi-Squared	1	3.7831	0.0518
Phi Coefficient		0.3293	
Contingency Coefficient		0.3127	
Cramer's V		0.3293	
WARNING: 50% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	15.2856
	6
DF	5
Asymptotic Pr > Chi-Squared	0.0092



Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0057
99% Lower Conf Limit	0.0038
99% Upper Conf Limit	0.0076
Number of Samples	10000
Initial Seed	755928137

Likelihood Ratio Chi-Squared Test	
Chi-Squared	18.871
	0
DF	5
Asymptotic Pr > Chi-Squared	0.0020

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0025
99% Lower Conf Limit	0.0012
99% Upper Conf Limit	0.0038
Number of Samples	10000
Initial Seed	1230043218

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	3.7831
DF	1
Asymptotic Pr > Chi-Squared	0.0518

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0531
99% Lower Conf Limit	0.0473
99% Upper Conf Limit	0.0589
Number of Samples	10000
Initial Seed	1608770185

Sample Size = 141

Status of respondents' business when they were selected for the SAB KickStart programme (question 1.12) compared to type of SAB KickStart support (trained only versus funded)

Table of Status by support			
Status (q1.12: Business exist/start-up?)	Support (q1.2.1: KS contribution)		Total
Frequency Cell Chi-Squared Row Pct	Trained only	Funded	
Start up	49 0.6459 61.25	31 0.7771 38.75	80
Existing	28 0.8471 45.90	33 1.0191 54.10	61
Total	77	64	141

Statistics for Table of Status by support

Statistic	DF	Value	Probability
Chi-Squared	1	3.2892	0.0697
Likelihood Ratio Chi-Squared	1	3.2949	0.0695
Continuity Adj. Chi-Squared	1	2.6992	0.1004
Mantel-Haenszel Chi-Squared	1	3.2659	0.0707
Phi Coefficient		0.1527	
Contingency Coefficient		0.1510	
Cramer's V		0.1527	

Pearson Chi-Squared Test	
Chi-Squared	3.2892
DF	1
Asymptotic Pr > Chi-Squared	0.0697

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0868
99% Lower Conf Limit	0.0795
99% Upper Conf Limit	0.0941
Number of Samples	10000
Initial Seed	1421068221

Likelihood Ratio Chi-Squared Test	
Chi-Squared	3.2949
DF	1
Asymptotic Pr > Chi-Squared	0.0695

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0852
99% Lower Conf Limit	0.0780
99% Upper Conf Limit	0.0924
Number of Samples	10000
Initial Seed	2045721894

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	3.2659
DF	1
Asymptotic Pr > Chi-Squared	0.0707

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0832
99% Lower Conf Limit	0.0761
99% Upper Conf Limit	0.0903
Number of Samples	10000
Initial Seed	1326488694

Fisher's Exact Test	
Cell (1,1) Frequency (F)	49
Left-sided Pr <= F	0.9765
Right-sided Pr >= F	0.0501
Table Probability (P)	0.0266
Two-sided Pr <= P	0.0881

Sample Size = 141

Respondents' continued involvement with their business after SAB KickStart (question 1.13) by type of SAB KickStart support

Table of Same Business by support			
Same Business (q1.13: Same business joined KS?)	Support (q1.2.1: KS contribution)		Total
	Trained only	Funded	
Frequency			
Cell Chi-Squared			
Row Pct			
yes	55 0.7294 48.67	58 0.8776 51.33	113
no	22 2.9438 78.57	6 3.5418 21.43	28
Total	77	64	141

Statistics for Table of Same Business by support

Statistic	DF	Value	Probability
Chi-Squared	1	8.0927	0.0044
Likelihood Ratio Chi-Squared	1	8.5991	0.0034
Continuity Adj. Chi-Squared	1	6.9315	0.0085
Mantel-Haenszel Chi-Squared	1	8.0353	0.0046
Phi Coefficient		- 0.2396	
Contingency Coefficient		0.2330	
Cramer's V		- 0.2396	

Pearson Chi-Squared Test	
Chi-Squared	8.0927
DF	1
Asymptotic Pr > Chi-Squared	0.0044

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0059
99% Lower Conf Limit	0.0039
99% Upper Conf Limit	0.0079
Number of Samples	10000
Initial Seed	745400957

Likelihood Ratio Chi-Squared Test	
Chi-Squared	8.5991
DF	1
Asymptotic Pr > Chi-Squared	0.0034

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0074
99% Lower Conf Limit	0.0052
99% Upper Conf Limit	0.0096
Number of Samples	10000
Initial Seed	1774521131

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	8.0353
DF	1
Asymptotic Pr > Chi-Squared	0.0046

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0062
99% Lower Conf Limit	0.0042
99% Upper Conf Limit	0.0082
Number of Samples	10000
Initial Seed	798018144

Fisher's Exact Test	
Cell (1,1) Frequency (F)	55
Left-sided Pr <= F	0.0035
Right-sided Pr >= F	0.9992
Table Probability (P)	0.0027
Two-sided Pr <= P	0.0055

Sample Size = 141

Respondents' continued involvement with their business after SAB KickStart (question 1.13) by status of business

Table of Same Business by Status			
Same Business (q1.13:Same business joined KS?)	Status (q1.12: Business exist/start-up?)		Total
Frequency Cell Chi-Squared Row Pct	Start up	Existing	
yes	60 0.2639 53.10	53 0.3461 46.90	113
no	20 1.0651 71.43	8 1.3968 28.57	28
Total	80	61	141

Statistics for Table of Same Business by Status

Statistic	DF	Value	Probability
Chi-Squared	1	3.0720	0.0797
Likelihood Ratio Chi-Squared	1	3.1790	0.0746
Continuity Adj. Chi-Squared	1	2.3706	0.1236
Mantel-Haenszel Chi-Squared	1	3.0502	0.0807
Phi Coefficient		- 0.1476	
Contingency Coefficient		0.1460	
Cramer's V		- 0.1476	

Pearson Chi-Squared Test	
Chi-Squared	3.0720
DF	1
Asymptotic Pr > Chi-Squared	0.0797

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0898
99% Lower Conf Limit	0.0824
99% Upper Conf Limit	0.0972
Number of Samples	10000
Initial Seed	1391764548

Likelihood Ratio Chi-Squared Test	
Chi-Squared	3.1790
DF	1
Asymptotic Pr > Chi-Squared	0.0746

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0909
99% Lower Conf Limit	0.0835
99% Upper Conf Limit	0.0983
Number of Samples	10000
Initial Seed	1426300291

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	3.0502
DF	1
Asymptotic Pr > Chi-Squared	0.0807

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0887
99% Lower Conf Limit	0.0814
99% Upper Conf Limit	0.0960
Number of Samples	10000
Initial Seed	154165087

Fisher's Exact Test	
Cell (1,1) Frequency (F)	60
Left-sided Pr <= F	0.0603
Right-sided Pr >= F	0.9770
Table Probability (P)	0.0373
Two-sided Pr <= P	0.0915

Sample Size = 141

Number of businesses currently owned by respondents by SAB KickStart Support (question 1.16)

Table of multiple ownership by Status of business			
Multiple ownership (q1.16: Businesses multiple ownership)	Status (q1.12: Business exist/start-up?)		Total
Frequency Cell Chi-Squared Row Pct	Start up	Existing	
none	16 1.8286 80.00	4 2.4381 20.00	20
one	40 0.0336 58.82	28 0.0448 41.18	68
two	15 1.0095 44.12	19 1.3459 55.88	34
three+	9 0.1607 50.00	9 0.2143 50.00	18
Total	80	60	140
Frequency Missing = 1			

Statistics for Table of Co\_own by Status

Statistic	DF	Value	Probability
Chi-Squared	3	7.0755	0.0695
Likelihood Ratio Chi-Squared	3	7.4433	0.0590
Mantel-Haenszel Chi-Squared	1	5.0197	0.0251
Phi Coefficient		0.2248	
Contingency Coefficient		0.2193	
Cramer's V		0.2248	

Pearson Chi-Squared Test	
Chi-Squared	7.0755
DF	3
Asymptotic Pr > Chi-Squared	0.0695

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0712
99% Lower Conf Limit	0.0646
99% Upper Conf Limit	0.0778
Number of Samples	10000
Initial Seed	584990636

Likelihood Ratio Chi-Squared Test	
Chi-Squared	7.4433
DF	3
Asymptotic Pr > Chi-Squared	0.0590



Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0587
99% Lower Conf Limit	0.0526
99% Upper Conf Limit	0.0648
Number of Samples	10000
Initial Seed	1907084077

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	5.0197
DF	1
Asymptotic Pr > Chi-Squared	0.0251

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0270
99% Lower Conf Limit	0.0228
99% Upper Conf Limit	0.0312
Number of Samples	10000
Initial Seed	994610290

Number of businesses currently owned by respondents by status of business (question 1.16)

Table of multiple ownership by support			
Multiple ownership (q1.16: Businesses multiple ownership)	Support (q1.2.1: KS contribution)		Total
Frequency Cell Chi-Squared Row Pct	Trained only	Funded & mentored	
none	15 1.5808 75.00	5 1.8772 25.00	20
one	30 1.2951 44.12	38 1.5379 55.88	68
two	18 0.0113 52.94	16 0.0134 47.06	34
three+	13 1.0668 72.22	5 1.2668 27.78	18
Total	76	64	140
Frequency Missing = 1			

Statistics for Table of multiple ownership by support

Statistic	DF	Value	Probability
Chi-Squared	3	8.6494	0.0343
Likelihood Ratio Chi-Squared	3	8.9467	0.0300
Mantel-Haenszel Chi-Squared	1	0.1276	0.7209
Phi Coefficient		0.2486	
Contingency Coefficient		0.2412	
Cramer's V		0.2486	

Pearson Chi-Squared Test	
Chi-Squared	8.6494
DF	3
Asymptotic Pr > Chi-Squared	0.0343

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0341
99% Lower Conf Limit	0.0294
99% Upper Conf Limit	0.0388
Number of Samples	10000
Initial Seed	878419646

Likelihood Ratio Chi-Squared Test	
Chi-Squared	8.9467
DF	3
Asymptotic Pr > Chi-Squared	0.0300

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0362
99% Lower Conf Limit	0.0314
99% Upper Conf Limit	0.0410
Number of Samples	10000
Initial Seed	1316770241

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	0.1276
DF	1
Asymptotic Pr > Chi-Squared	0.7209

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.7766
99% Lower Conf Limit	0.7659
99% Upper Conf Limit	0.7873
Number of Samples	10000
Initial Seed	1950957070

Effective Sample Size = 140  
Frequency Missing = 1

Difficulty of providing business plan information and annual financial statements for the SAB KickStart application by existing businesses (question 2.1)

Table 2 of tell2 by diff					
Controlling for Status=Existing					
(q2.1: Difficulty providing required info on:)	diff				Total
Frequency Cell Chi-Squared Row Pct	not at all	slightly	quite	extremely	
Business Plan	24 1.943 2 38.10	23 0.0793 36.51	13 0.565 3 20.63	3 2.4744 4.76	63
Financial statements	11 2.074 9 18.64	19 0.0847 32.20	18 0.603 6 30.51	11 2.6422 18.64	59
Total	35	42	31	14	122
Frequency Missing = 4					

Statistics for Table 2 of tell2 by diff  
Controlling for Status=Existing

Statistic	DF	Value	Probability
Chi-Squared	3	10.4675	0.0150
Likelihood Ratio Chi-Squared	3	10.8664	0.0125
Mantel-Haenszel Chi-Squared	1	10.2448	0.0014
Phi Coefficient		0.2929	
Contingency Coefficient		0.2811	
Cramer's V		0.2929	

Pearson Chi-Squared Test	
Chi-Squared	10.4675
DF	3
Asymptotic Pr > Chi-Squared	0.0150

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0151
99% Lower Conf Limit	0.0120
99% Upper Conf Limit	0.0182
Number of Samples	10000
Initial Seed	993740738

Likelihood Ratio Chi-Squared Test	
Chi-Squared	10.8664
DF	3
Asymptotic Pr > Chi-Squared	0.0125

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0172
99% Lower Conf Limit	0.0139
99% Upper Conf Limit	0.0205
Number of Samples	10000
Initial Seed	313326214

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	10.2448
DF	1
Asymptotic Pr > Chi-Squared	0.0014

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0022
99% Lower Conf Limit	9.931E-04
99% Upper Conf Limit	0.0034
Number of Samples	10000
Initial Seed	698477553

Effective Sample Size = 122  
Frequency Missing = 4

Extent of the ability of the trainers to give real life examples as perceived by the respondents (question 3.2.4)

Ability of trainer to give practical examples			
q3_2_4 (Trainer: practical examples?)	Status (q1.12: Business exist/start-up?)		Total
Frequency Cell Chi-Squared Row Pct	Start up	Existing	
never	3 0.9896 100.00	0 1.2979 0.00	3
sometimes	13 1.1667 76.47	4 1.5301 23.53	17
usually	21 0.0162 58.33	15 0.0212 41.67	36
always	43 0.5665 50.59	42 0.743 49.41	85
Total	80	61	141

Statistics for Table of q3\_2\_4 by Status

Statistic	DF	Value	Probability
Chi-Squared	3	6.3311	0.0966
Likelihood Ratio Chi-Squared	3	7.6240	0.0545
Mantel-Haenszel Chi-Squared	1	5.8263	0.0158
Phi Coefficient		0.2119	
Contingency Coefficient		0.2073	
Cramer's V		0.2119	
WARNING: 25% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	6.3311
DF	3
Asymptotic Pr > Chi-Squared	0.0966

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0852
99% Lower Conf Limit	0.0780
99% Upper Conf Limit	0.0924
Number of Samples	10000
Initial Seed	1112404697

Likelihood Ratio Chi-Squared Test	
Chi-Squared	7.6240
DF	3
Asymptotic Pr > Chi-Squared	0.0545

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0653
99% Lower Conf Limit	0.0589
99% Upper Conf Limit	0.0717
Number of Samples	10000
Initial Seed	887067379

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	5.8263
DF	1
Asymptotic Pr > Chi-Squared	0.0158

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0183
99% Lower Conf Limit	0.0148
99% Upper Conf Limit	0.0218
Number of Samples	10000
Initial Seed	1055569999

Sample Size = 141

Respondents' perceptions of the extent to which selected skills were covered during the SAB KickStart training period (question 3.4) by status of business: Start-up

Covering of skills during SAB KickStart training period - Controlling for Status=Start up				
q3.4: Aspects of skills training		Skills		Total
		non/slightly	quite/extremely	
strategies	Frequency	21	58	79
	Cell Chi-Squared	0.013	0.0046	
	Row Pct	26.58	73.42	
planning	Frequency	13	67	80
	Cell Chi-Squared	2.8904	1.0118	
	Row Pct	16.25	83.75	
marketing	Frequency	9	71	80
	Cell Chi-Squared	6.648	2.3272	
	Row Pct	11.25	88.75	
Financial management	Frequency	10	70	80
	Cell Chi-Squared	5.564	1.9477	
	Row Pct	12.50	87.50	
project management	Frequency	22	57	79
	Cell Chi-Squared	0.1122	0.0393	
	Row Pct	27.85	72.15	
time management	Frequency	21	58	79
	Cell Chi-Squared	0.013	0.0046	
	Row Pct	26.58	73.42	
leadership	Frequency	22	58	80
	Cell Chi-Squared	0.0762	0.0267	
	Row Pct	27.50	72.50	
motivation	Frequency	18	61	79
	Cell Chi-Squared	0.3012	0.1054	
	Row Pct	22.78	77.22	
delegation	Frequency	29	50	79
	Cell Chi-Squared	3.5406	1.2394	
	Row Pct	36.71	63.29	
communication	Frequency	14	65	79
	Cell Chi-Squared	2.0523	0.7184	
	Row Pct	17.72	82.28	
negotiation	Frequency	29	50	79
	Cell Chi-Squared	3.5406	1.2394	
	Row Pct	36.71	63.29	
teamwork	Frequency	19	60	79
	Cell Chi-Squared	0.1075	0.0376	
	Row Pct	24.05	75.95	
coaching	Frequency	26	52	78
	Cell Chi-Squared	1.6493	0.5773	
	Row Pct	33.33	66.67	
conflict resolution	Frequency	34	44	78
	Cell Chi-Squared	9.3829	3.2845	
	Row Pct	43.59	56.41	
problem solving	Frequency	26	52	78
	Cell Chi-Squared	1.6493	0.5773	
	Row Pct	33.33	66.67	
decision making	Frequency	15	64	79
	Cell Chi-Squared	1.4681	0.5139	
	Row Pct	18.99	81.01	
Total		328	937	1265
Frequency Missing = 15				



Statistic	DF	Value	Probability
Chi-Squared	15	52.6637	<.0001
Likelihood Ratio Chi-Squared	15	54.1044	<.0001
Mantel-Haenszel Chi-Squared	1	13.1885	0.0003
Phi Coefficient		0.2040	
Contingency Coefficient		0.1999	
Cramer's V		0.2040	

Pearson Chi-Squared Test	
Chi-Squared	52.6637
DF	15
Asymptotic Pr > Chi-Squared	<.0001

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0000
99% Lower Conf Limit	0.0000
99% Upper Conf Limit	4.604E-04
Number of Samples	10000
Initial Seed	748807000

Likelihood Ratio Chi-Squared Test	
Chi-Squared	54.1044
DF	15
Asymptotic Pr > Chi-Squared	<.0001

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0000
99% Lower Conf Limit	0.0000
99% Upper Conf Limit	4.604E-04
Number of Samples	10000
Initial Seed	1048234202

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	13.1885
DF	1
Asymptotic Pr > Chi-Squared	0.0003

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	4.000E-04
99% Lower Conf Limit	0.0000
99% Upper Conf Limit	9.151E-04
Number of Samples	10000
Initial Seed	195594514

Effective Sample Size = 1265  
Frequency Missing = 15

Respondents' perceptions of the extent to which selected skills were covered during the SAB KickStart training period (question 3.4) by status of business: Existing

Skills covered during training: Controlling for Status=Existing				
q3.4: Aspects of skills training		Skills		Total
		non/slightly	quite/extremely	
strategies	Frequency	13	49	62
	Cell Chi-Squared	0.0016	0.0004	
	Row Pct	20.97	79.03	
planning	Frequency	8	53	61
	Cell Chi-Squared	1.8808	0.506	
	Row Pct	13.11	86.89	
marketing	Frequency	7	54	61
	Cell Chi-Squared	2.7209	0.732	
	Row Pct	11.48	88.52	
Financial management	Frequency	7	54	61
	Cell Chi-Squared	2.7209	0.732	
	Row Pct	11.48	88.52	
project management	Frequency	21	39	60
	Cell Chi-Squared	5.3902	1.4501	
	Row Pct	35.00	65.00	
time management	Frequency	20	40	60
	Cell Chi-Squared	4.1669	1.121	
	Row Pct	33.33	66.67	
leadership	Frequency	14	45	59
	Cell Chi-Squared	0.178	0.0479	
	Row Pct	23.73	76.27	
motivation	Frequency	13	48	61
	Cell Chi-Squared	0.0004	0.0001	
	Row Pct	21.31	78.69	
delegation	Frequency	13	47	60
	Cell Chi-Squared	0.0062	0.0017	
	Row Pct	21.67	78.33	
communication	Frequency	14	46	60
	Cell Chi-Squared	0.1289	0.0347	
	Row Pct	23.33	76.67	
negotiation	Frequency	15	46	61
	Cell Chi-Squared	0.3308	0.089	
	Row Pct	24.59	75.41	
teamwork	Frequency	9	50	59
	Cell Chi-Squared	0.9837	0.2647	
	Row Pct	15.25	84.75	
coaching	Frequency	15	45	60
	Cell Chi-Squared	0.4088	0.11	
	Row Pct	25.00	75.00	
conflict resolution	Frequency	14	47	61
	Cell Chi-Squared	0.0882	0.0237	
	Row Pct	22.95	77.05	
Problem solving	Frequency	11	49	60
	Cell Chi-Squared	0.2325	0.0626	
	Row Pct	18.33	81.67	
decision making	Frequency	11	50	61
	Cell Chi-Squared	0.2886	0.0776	
	Row Pct	18.03	81.97	
Total		205	762	967
Frequency Missing = 41				

Statistic	DF	Value	Probability
Chi-Squared	15	24.7807	0.0530
Likelihood Ratio Chi-Squared	15	24.8218	0.0524
Mantel-Haenszel Chi-Squared	1	0.2335	0.6289
Phi Coefficient		0.1601	
Contingency Coefficient		0.1581	
Cramer's V		0.1601	

Pearson Chi-Squared Test	
Chi-Squared	24.7807
DF	15
Asymptotic Pr > Chi-Squared	0.0530

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0489
99% Lower Conf Limit	0.0433
99% Upper Conf Limit	0.0545
Number of Samples	10000
Initial Seed	1477628956

Likelihood Ratio Chi-Squared Test	
Chi-Squared	24.8218
DF	15
Asymptotic Pr > Chi-Squared	0.0524

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0541
99% Lower Conf Limit	0.0483
99% Upper Conf Limit	0.0599
Number of Samples	10000
Initial Seed	2013901947

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	0.2335
DF	1
Asymptotic Pr > Chi-Squared	0.6289

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.6355
99% Lower Conf Limit	0.6231
99% Upper Conf Limit	0.6479
Number of Samples	10000
Initial Seed	892215953

Effective Sample Size = 967  
Frequency Missing = 41

The extent to which respondents benefited from the different sections covered in the SAB KickStart manual (Question 3.6) by start-up businesses

Benefits from KickStart manual					
Controlling for Status=Start up					
q3.6: Benefits of KS manual)	KickStart Manual				Total
Frequency Cell Chi-Squared Row Pct	not at all	slightly	quite	extremely	
Manual: entrepreneurship?	1 446E-8 1.27	14 0.1345 17.72	40 0.2885 50.63	24 0.7281 30.38	79
Manual: production?	2 0.9937 2.53	12 0.0379 15.19	37 0.0018 46.84	28 0.011 35.44	79
Manual: marketing?	0 1.0021 0.00	9 1.0747 11.39	37 0.0018 46.84	33 0.6902 41.77	79
Manual: human resources?	3 3.9831 3.80	11 0.2259 13.92	46 2.3315 58.23	19 3.2002 24.05	79
Manual: fin. management?	0 1.0021 0.00	15 0.4191 18.99	34 0.2049 43.04	30 0.0726 37.97	79
Manual: Business Plan?	0 0.9894 0.00	15 0.4857 19.23	26 2.9124 33.33	37 2.747 47.44	78
Total	6	76	220	171	473
Frequency Missing = 7					

Statistics for Table 1 of tell3 by KS manual  
Controlling for Status=Start up

Statistic	DF	Value	Probability
Chi-Squared	15	23.5383	0.0734
Likelihood Ratio Chi-Squared	15	25.3213	0.0458
Mantel-Haenszel Chi-Squared	1	1.1200	0.2899
Phi Coefficient		0.2231	
Contingency Coefficient		0.2177	
Cramer's V		0.1288	
WARNING: 25% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	23.538 3
DF	15
Asymptotic Pr > Chi-Squared	0.0734

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0655
99% Lower Conf Limit	0.0591
99% Upper Conf Limit	0.0719
Number of Samples	10000
Initial Seed	619858001

Likelihood Ratio Chi-Squared Test	
Chi-Squared	25.3213
DF	15
Asymptotic Pr > Chi-Squared	0.0458

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0569
99% Lower Conf Limit	0.0509
99% Upper Conf Limit	0.0629
Number of Samples	10000
Initial Seed	250131746

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	1.1200
DF	1
Asymptotic Pr > Chi-Squared	0.2899

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.3021
99% Lower Conf Limit	0.2903
99% Upper Conf Limit	0.3139
Number of Samples	10000
Initial Seed	507490544

Effective Sample Size = 473  
Frequency Missing = 7

Benefits from Kick Start manual					
Controlling for Status=Existing					
q3.6: Benefits of KS manual	KS manual				Total
Frequency Cell Chi-Squared Row Pct	not at all	slightly	quite	extremely	
Manual: entrepreneurship?	0 1 0.00	12 3.5714 19.67	31 0.4919 50.82	18 2.29 29.51	61
Manual: production?	1 0 1.64	9 0.5714 14.75	27 0.0041 44.26	24 0.1082 39.34	61
Manual: marketing?	0 1 0.00	4 1.2857 6.56	26 0.065 42.62	31 1.1082 50.82	61
Manual: human resources?	3 4 4.92	9 0.5714 14.75	25 0.1992 40.98	24 0.1082 39.34	61
Manual: fin. Management?	1 0 1.64	6 0.1429 9.84	30 0.2602 49.18	24 0.1082 39.34	61
Manual: Business Plan?	1 0 1.64	2 3.5714 3.28	25 0.1992 40.98	33 2.0952 54.10	61
Total	6	42	164	154	366
Frequency Missing = 12					

Statistics for Table 2 of tell3 by KSman  
Controlling for Status=Existing

Statistic	DF	Value	Probability
Chi-Squared	15	22.7520	0.0895
Likelihood Ratio Chi-Squared	15	24.2912	0.0603
Mantel-Haenszel Chi-Squared	1	4.9848	0.0256
Phi Coefficient		0.2493	
Contingency Coefficient		0.2419	
Cramer's V		0.1439	
WARNING: 25% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	22.7520
DF	15
Asymptotic Pr > Chi-Squared	0.0895

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0820
99% Lower Conf Limit	0.0749
99% Upper Conf Limit	0.0891
Number of Samples	10000
Initial Seed	300762388

Likelihood Ratio Chi-Squared Test	
Chi-Squared	24.2912
DF	15
Asymptotic Pr > Chi-Squared	0.0603

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0826
99% Lower Conf Limit	0.0755
99% Upper Conf Limit	0.0897
Number of Samples	10000
Initial Seed	779693565

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	4.9848
DF	1
Asymptotic Pr > Chi-Squared	0.0256

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0258
99% Lower Conf Limit	0.0217
99% Upper Conf Limit	0.0299
Number of Samples	10000
Initial Seed	1706386925

Effective Sample Size = 366  
 Frequency Missing = 12

Benefits from KickStart Manual: <b>Start-up &amp; Existing</b>					
q3.6: Benefits of KS manual	KS manual				Total
Frequency Cell Chi-Squared Row Pct	not at all	slightly	quite	extremely	
Manual: entrepreneurship?	1 0.5018 0.71	26 2.0221 18.57	71 0.7481 50.71	42 2.7586 30.00	140
Manual: production?	3 0.497 2.14	21 0.0871 15.00	64 0.0001 45.71	52 0.0918 37.14	140
Manual: marketing?	0 2.0024 0.00	13 2.2731 9.29	63 0.0181 45.00	64 1.7597 45.71	140
Manual: human resources?	6 7.981 4.29	20 0.0049 14.29	71 0.7481 50.71	43 2.326 30.71	140
Manual: fin. management?	1 0.5018 0.71	21 0.0871 15.00	64 0.0001 45.71	54 0.001 38.57	140
Manual: Business Plan?	1 0.4911 0.72	17 0.3325 12.23	51 2.5029 36.69	70 4.8477 50.36	139
<b>Total</b>	12	118	384	325	839
Frequency Missing = 19					

Statistics for Table of tell3 by KSman

Statistic	DF	Value	Probability
Chi-Squared	15	32.5840	0.0054
Likelihood Ratio Chi-Squared	15	32.2180	0.0060
Mantel-Haenszel Chi-Squared	1	5.1173	0.0237
Phi Coefficient		0.1971	
Contingency Coefficient		0.1934	
Cramer's V		0.1138	
WARNING: 25% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	32.5840
DF	15
Asymptotic Pr > Chi-Squared	0.0054

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0051
99% Lower Conf Limit	0.0033
99% Upper Conf Limit	0.0069
Number of Samples	10000
Initial Seed	2065246698



Likelihood Ratio Chi-Squared Test	
Chi-Squared	32.2180
DF	15
Asymptotic Pr > Chi-Squared	0.0060

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0089
99% Lower Conf Limit	0.0065
99% Upper Conf Limit	0.0113
Number of Samples	10000
Initial Seed	1521991201

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	5.1173
DF	1
Asymptotic Pr > Chi-Squared	0.0237

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0279
99% Lower Conf Limit	0.0237
99% Upper Conf Limit	0.0321
Number of Samples	10000
Initial Seed	776703573

Effective Sample Size = 839  
Frequency Missing = 19

After the two-week training did you complete your business plan? (Question 3.7)  
 – by type of SAB KickStart support

Completed business plan by type of SAB KickStart support			
q3_7(completed Business Plan)	support(q1.2.1: KS contribution)		Total
Frequency Cell Chi-Squared Row Pct	Trained only	Funded and mentored	
yes	60 0.2755 50.85	58 0.3288 49.15	118
no	14 1.8061 77.78	4 2.1557 22.22	18
Total	74	62	136
Frequency Missing = 5			

Statistics for Table of q3\_7 by support

Statistic	DF	Value	Probability
Chi-Squared	1	4.5662	0.0326
Likelihood Ratio Chi-Squared	1	4.8576	0.0275
Continuity Adj. Chi-Squared	1	3.5450	0.0597
Mantel-Haenszel Chi-Squared	1	4.5326	0.0333
Phi Coefficient		- 0.1832	
Contingency Coefficient		0.1802	
Cramer's V		- 0.1832	

Pearson Chi-Squared Test	
Chi-Squared	4.5662
DF	1
Asymptotic Pr > Chi-Squared	0.0326

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0450
99% Lower Conf Limit	0.0397
99% Upper Conf Limit	0.0503
Number of Samples	10000
Initial Seed	996626905

Likelihood Ratio Chi-Squared Test	
Chi-Squared	4.8576
DF	1
Asymptotic Pr > Chi-Squared	0.0275

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0404
99% Lower Conf Limit	0.0353
99% Upper Conf Limit	0.0455
Number of Samples	10000
Initial Seed	73229691

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	4.5326
DF	1
Asymptotic Pr > Chi-Squared	0.0333

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0417
99% Lower Conf Limit	0.0366
99% Upper Conf Limit	0.0468
Number of Samples	10000
Initial Seed	2033266526

Fisher's Exact Test	
Cell (1,1) Frequency (F)	60
Left-sided Pr <= F	0.0277
Right-sided Pr >= F	0.9932
Table Probability (P)	0.0209
Two-sided Pr <= P	0.0419

Effective Sample Size = 136  
 Frequency Missing = 5

Age of the respondents' businesses (question 4.1) by type of SAB KickStart support

Age of respondents' businesses by SAB KickStart support			
Q4.1: Age in years from start-up	support(q1.2.1: KS contribution)		
Frequency	T	F	Total
0-5 years	65	45	110
	0.2139	0.27	
	59.09	40.91	
6-10 years	11	14	25
	0.6236	0.7871	
	44.00	56.00	
11-35 years	1	2	3
	0.2713	0.3425	
	33.33	66.67	
Total	77	61	138
Frequency Missing = 3			

Statistics for Table of period by support

Statistic	DF	Value	Probability
Chi-Squared	2	2.5083	0.2853
Likelihood Ratio Chi-Squared	2	2.4981	0.2868
Mantel-Haenszel Chi-Squared	1	2.4871	0.1148
Phi Coefficient		0.1348	
Contingency Coefficient		0.1336	
Cramer's V		0.1348	
WARNING: 33% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	2.5083
DF	2
Asymptotic Pr > Chi-Squared	0.2853

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.3403
99% Lower Conf Limit	0.3281
99% Upper Conf Limit	0.3525
Number of Samples	10000
Initial Seed	520649943

Likelihood Ratio Chi-Squared Test	
Chi-Squared	2.4981
DF	2
Asymptotic Pr > Chi-Squared	0.2868

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.3599
99% Lower Conf Limit	0.3475
99% Upper Conf Limit	0.3723
Number of Samples	10000
Initial Seed	1605857570

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	2.4871
DF	1
Asymptotic Pr > Chi-Squared	0.1148

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.1313
99% Lower Conf Limit	0.1226
99% Upper Conf Limit	0.1400
Number of Samples	10000
Initial Seed	1576934111

Effective Sample Size = 138

Frequency Missing = 3

Effect of the grant on business growth and other issues relating to the grant (question 5.1) by status of the business

Issues relating to the grant					
Controlling for Status=Start up					
Q5.1: Issues relating to the grant	funding(q5_1: Limitations/benefits of grants)				Total
Frequency Row Pct	not at all	slightly	quite	extremely	
Assisted growth	3 10.00	3 10.00	6 20.00	18 60.00	30
Restricted to acquire assets	8 26.67	7 23.33	8 26.67	7 23.33	30
Apply as working capital	4 13.33	2 6.67	11 36.67	13 43.33	30
SAB payout efficient	6 20.00	6 20.00	7 23.33	11 36.67	30
Delays payout to supplier	10 33.33	5 16.67	7 23.33	8 26.67	30
<b>Total</b>	<b>31</b>	<b>23</b>	<b>39</b>	<b>57</b>	<b>150</b>

Frequency Missing = 250

Statistics for Table 1 of tell5a by funding  
Controlling for Status=Start up

Statistic	DF	Value	Probability
Chi-Squared	12	17.6988	0.1251
Likelihood Ratio Chi-Squared	12	17.7551	0.1233
Mantel-Haenszel Chi-Squared	1	4.6200	0.0316
Phi Coefficient		0.3435	
Contingency Coefficient		0.3249	
Cramer's V		0.1983	
WARNING: 25% of the cells have expected counts less than 5. (Asymptotic) Chi-Squared may not be a valid test.			

Pearson Chi-Squared Test	
Chi-Squared	17.6988
DF	12
Asymptotic Pr > Chi-Squared	0.1251

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.1281
99% Lower Conf Limit	0.1195
99% Upper Conf Limit	0.1367
Number of Samples	10000
Initial Seed	369412000

Likelihood Ratio Chi-Squared Test	
Chi-Squared	17.7551
DF	12
Asymptotic Pr > Chi-Squared	0.1233

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.1484
99% Lower Conf Limit	0.1392
99% Upper Conf Limit	0.1576
Number of Samples	10000
Initial Seed	1053518747

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	4.6200
DF	1
Asymptotic Pr > Chi-Squared	0.0316

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0334
99% Lower Conf Limit	0.0288
99% Upper Conf Limit	0.0380
Number of Samples	10000
Initial Seed	984104042

Effective Sample Size = 150

Frequency Missing = 250

WARNING: 63% of the data in this stratum are missing.

Issues relating to the grant/ funding					
Controlling for Status=Existing					
Q5.1: issues relating to the grant	funding(q5_1: Limitations/benefits of grants)				Total
Frequency Row Pct	not at all	slightly	quite	extremely	
Assisted growth	2 6.25	7 21.88	9 28.13	14 43.75	32
Restricted to acquire assets	6 18.75	8 25.00	8 25.00	10 31.25	32
Apply as working capital	7 21.88	3 9.38	5 15.63	17 53.13	32
SAB payout efficient	7 21.88	4 12.50	10 31.25	11 34.38	32
Delays payout to supplier	11 34.38	7 21.88	2 6.25	12 37.50	32
<b>Total</b>	<b>33</b>	<b>29</b>	<b>34</b>	<b>64</b>	<b>160</b>
Frequency Missing = 155					

Statistics for Table 2 of tell5a by funding  
Controlling for Status=Existing

Statistic	DF	Value	Probability
Chi-Squared	12	18.1842	0.1102
Likelihood Ratio Chi-Squared	12	20.1752	0.0638
Mantel-Haenszel Chi-Squared	1	3.1061	0.0780
Phi Coefficient		0.3371	
Contingency Coefficient		0.3195	
Cramer's V		0.1946	

Pearson Chi-Squared Test	
Chi-Squared	18.1842
DF	12
Asymptotic Pr > Chi-Squared	0.1102

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.1100
99% Lower Conf Limit	0.1019
99% Upper Conf Limit	0.1181
Number of Samples	10000
Initial Seed	2139565823

Likelihood Ratio Chi-Squared Test	
Chi-Squared	20.1752
DF	12
Asymptotic Pr > Chi-Squared	0.0638

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0843
99% Lower Conf Limit	0.0771
99% Upper Conf Limit	0.0915
Number of Samples	10000
Initial Seed	1230638761

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	3.1061
DF	1
Asymptotic Pr > Chi-Squared	0.0780

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0821
99% Lower Conf Limit	0.0750
99% Upper Conf Limit	0.0892
Number of Samples	10000
Initial Seed	1827423165

Effective Sample Size = 160

Frequency Missing = 155

WARNING: 49% of the data in this stratum are missing.



How satisfied are you with the support that your mentor provided with regard to each of the following areas of business? (Question 6.3)

satisfaction with mentor assistance			
Controlling for Status=Start up			
q6.3:Satisfaction with mentor assistance)	satisfy(satisfaction rating)		Total
Frequency Cell Chi-Squared Row Pct	non/slightly	quite/extremely	
monthly report	4 2.4381 13.79	25 1.023 86.21	29
marketing	8 0.0381 27.59	21 0.016 72.41	29
human resources	13 2.2881 44.83	16 0.96 55.17	29
Financial management	5 1.4881 17.24	24 0.6244 82.76	29
operations management	12 1.3714 41.38	17 0.5754 58.62	29
networking	13 2.2881 44.83	16 0.96 55.17	29
business planning	5 1.4881 17.24	24 0.6244 82.76	29
Total	60	143	203
Frequency Missing = 356			

Statistics for Table 1 of tell1 by satisfy  
Controlling for Status=Start up

Statistic	DF	Value	Probability
Chi-Squared	6	16.1832	0.0128
Likelihood Ratio Chi-Squared	6	16.5917	0.0109
Mantel-Haenszel Chi-Squared	1	0.8476	0.3572
Phi Coefficient		0.2823	
Contingency Coefficient		0.2717	
Cramer's V		0.2823	

Pearson Chi-Squared Test	
Chi-Squared	16.1832
DF	6
Asymptotic Pr > Chi-Squared	0.0128

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0139
99% Lower Conf Limit	0.0109
99% Upper Conf Limit	0.0169
Number of Samples	10000
Initial Seed	867623000

Likelihood Ratio Chi-Squared Test	
Chi-Squared	16.5917
DF	6
Asymptotic Pr > Chi-Squared	0.0109

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0144
99% Lower Conf Limit	0.0113
99% Upper Conf Limit	0.0175
Number of Samples	10000
Initial Seed	1672985568

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	0.8476
DF	1
Asymptotic Pr > Chi-Squared	0.3572

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.3859
99% Lower Conf Limit	0.3734
99% Upper Conf Limit	0.3984
Number of Samples	10000
Initial Seed	1823538048

Effective Sample Size = 203  
Frequency Missing = 356

WARNING: 64% of the data in this stratum are missing.

Satisfaction with mentor			
Controlling for Status=Existing			
q6.3:Satisfaction mentor assistance)	satisfy(satisfaction rating)		Total
Frequency Cell Chi-Squared Row Pct	non/slightly	quite/extremely	
monthly report	6 0.5807 18.75	26 0.1994 81.25	32
marketing	10 0.2904 30.30	23 0.0997 69.70	33
human resources	10 0.4052 31.25	22 0.1392 68.75	32
fin.management	4 2.1355 12.50	28 0.7333 87.50	32
operations management	7 0.0582 23.33	23 0.02 76.67	30
networking	12 1.7846 37.50	20 0.6128 62.50	32
business planning	8 0.0039 25.00	24 0.0014 75.00	32
Total	57	166	223
Frequency Missing = 213			

Statistics for Table 2 of tell1 by satisfy  
Controlling for Status=Existing

Statistic	DF	Value	Probability
Chi-Squared	6	7.0643	0.3149
Likelihood Ratio Chi-Squared	6	7.3521	0.2895
Mantel-Haenszel Chi-Squared	1	0.3750	0.5403
Phi Coefficient		0.1780	
Contingency Coefficient		0.1752	
Cramer's V		0.1780	

Pearson Chi-Squared Test	
Chi-Squared	7.0643
DF	6
Asymptotic Pr > Chi-Squared	0.3149

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.3110
99% Lower Conf Limit	0.2991
99% Upper Conf Limit	0.3229
Number of Samples	10000
Initial Seed	661078687

Likelihood Ratio Chi-Squared Test	
Chi-Squared	7.3521
DF	6
Asymptotic Pr > Chi-Squared	0.2895

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.3053
99% Lower Conf Limit	0.2934
99% Upper Conf Limit	0.3172
Number of Samples	10000
Initial Seed	360198159

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	0.3750
DF	1
Asymptotic Pr > Chi-Squared	0.5403

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.5374
99% Lower Conf Limit	0.5246
99% Upper Conf Limit	0.5502
Number of Samples	10000
Initial Seed	2110499756

Effective Sample Size = 223

Frequency Missing = 213

WARNING: 49% of the data in this stratum are missing.

Since the end of your contract with SAB KickStart programme, have you continued to update our business plan? Question 8.1

Business plan update by support			
q8.1: still update Business Plan?)	support(q1.2.1: KS contribution)		
Frequency			
Cell Chi-Squared			
Row Pct	T	F	Total
no	17 1.3462 70.83	7 1.5494 29.17	24
monthly	7 0.0522 58.33	5 0.0601 41.67	12
quarterly	10 0.0027 52.63	9 0.0031 47.37	19
six-monthly	12 0.3306 63.16	7 0.3805 36.84	19
annually	15 1.9158 37.50	25 2.205 62.50	40
Total	61	53	114
Frequency Missing = 27			

Statistics for Table of update by support

Statistic	DF	Value	Probability
Chi-Squared	4	7.8457	0.0974
Likelihood Ratio Chi-Squared	4	7.9803	0.0923
Mantel-Haenszel Chi-Squared	1	5.7477	0.0165
Phi Coefficient		0.2623	
Contingency Coefficient		0.2538	
Cramer's V		0.2623	

Pearson Chi-Squared Test	
Chi-Squared	7.8457
DF	4
Asymptotic Pr > Chi-Squared	0.0974

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0946
99% Lower Conf Limit	0.0871
99% Upper Conf Limit	0.1021
Number of Samples	10000
Initial Seed	1811918920

Likelihood Ratio Chi-Squared Test	
Chi-Squared	7.9803
DF	4
Asymptotic Pr > Chi-Squared	0.0923

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0968
99% Lower Conf Limit	0.0892
99% Upper Conf Limit	0.1044
Number of Samples	10000
Initial Seed	559792576

Mantel-Haenszel Chi-Squared Test	
Chi-Squared	5.7477
DF	1
Asymptotic Pr > Chi-Squared	0.0165

Monte Carlo Estimate for the Exact Test	
Pr >= Chi-Squared	0.0205
99% Lower Conf Limit	0.0168
99% Upper Conf Limit	0.0242
Number of Samples	10000
Initial Seed	1377603156

Effective Sample Size = 114  
Frequency Missing = 27

WARNING: 19% of the data are missing.

## APPENDIX L

### SAB KICKSTART QUESTIONNAIRE: ACTUAL RESPONSES TO OPEN-ENDED QUESTIONS

In this appendix the actual responses to the following questions are listed.

- Question 3.5, Question 3.7.2, Question 3.7.3
- Question 6.4, Question 6.5
- Question 7.1, Question 7.3, Question 7.5, Question 7.6
- Question 8.3

#### QUESTION 3.5

**How can the training be improved to be of greater value to you, the group of entrepreneurs?** Multiple responses were given and these are grouped into the following categories. Were the same suggestion was offered by different respondents it appears only once in the list below.

<b>Suggestions to improve training</b>	
<b>Score</b>	<b>TRAINING MANAGEMENT / TRAINING APPROACH</b>
1	<p><b>Spilt heterogeneous groups before training commences – differentiate training</b></p> <ul style="list-style-type: none"> <li>• Split KickStarters according to field of interest eg service providers from manufacturing; have different needs. Cover common areas then split. Training manual focuses on manufacturers</li> <li>• Split existing businesses (older than 2 years) from start-ups (first-time entrepreneurs); Shorter training for existing businesses; avoid repetition</li> <li>• Split KickStarters according to qualifications eg Matriculated versus degreed, they have different levels of experience and thinking; grade them</li> <li>• Split inexperienced and experienced entrepreneurs</li> <li>• Groups must be split by language and training offered in different languages to overcome language barrier</li> <li>• Classify entrepreneurs per industry or per sector</li> <li>• Start-up trainees should be assessed on how much they know of business and what background they have</li> <li>• Smaller groups with similar interests/ideas</li> </ul>
2	<p><b>Increase relevance of the training offered / tailor-make training</b></p> <ul style="list-style-type: none"> <li>• Training must be adapted according to the nature of the business</li> <li>• It must focus on specific needs by category.</li> <li>• The training is too general.</li> <li>• Training should be adapted to the needs of specific businesses, by category</li> <li>• Training should be relevant to both service providers and manufacturers</li> <li>• Tailor-made after businesses of KickStarters have been researched – will improve understanding and participation</li> <li>• For existing businesses some of the training content was ‘redundant’</li> <li>• We had very little discussion during the course because of people who had up and running businesses</li> <li>• Novices should be trained separately because they could lag behind others</li> </ul>
3	<p><b>Increase practical application of theory (more outcomes based)</b></p> <ul style="list-style-type: none"> <li>• More exercises on business planning; implementing the business plan</li> <li>• Discuss everyday happenings</li> <li>• Learn more from other businesses and how they got started and what they did to start off</li> <li>• Give practical homework.</li> <li>• Practical work must be done on real businesses as case studies.</li> <li>• The training must not concentrate on theory only.</li> </ul>

	<ul style="list-style-type: none"> <li>• Practical projects; external workshops</li> <li>• The businesses of the KickStarters should be used as examples and explored</li> <li>• Training is like a school curriculum</li> <li>• Case studies and examples that are relevant to the group should be given</li> <li>• Balance practical and theory or more practical</li> <li>• We spend too much time on group sessions; as a result we did not have enough time to update our business plans</li> <li>• Arrange a network session to be fully involved in business ideas and get help</li> <li>• Learners real businesses must be used as examples in order for the learners to achieve maximum benefit.</li> <li>• Send participants into different companies to learn about operating in existing businesses</li> <li>• Address areas of concern for entrepreneurs</li> <li>• Send KickStarters to different successful companies to see how they operate</li> </ul>
4	<p><b>Develop business skills through business simulation exercises or placement in real businesses for a few days or visiting businesses</b></p> <ul style="list-style-type: none"> <li>• Put trainees in real business for a few days to get practical experience</li> <li>• KickStarters should be given the opportunity to apply knowledge in a real business eg how to negotiate, close a deal</li> <li>• Skills such as negotiation should be practiced among the KickStarters and with outsiders to build the entrepreneurs' confidence</li> <li>• More exposure to the business world</li> <li>• Link Start-ups to established organisations in respective industries</li> <li>• Networking – during training networking should be facilitated</li> <li>• Take KickStarters during training to visit businesses.</li> <li>• Training should help entrepreneurs to think independently and how to start the business even if there is no seed money</li> <li>• We should go out in groups and sell and then return to class to discuss selling tactics. Team spirit. Etc</li> </ul>
5	<p><b>Extend the duration of the training period</b></p> <ul style="list-style-type: none"> <li>• Duration of course too short to grasp all the material</li> <li>• Time too short to understand the manual</li> <li>• Extend to 30 days to get through manual, to increase understanding of how to operate a business</li> <li>• Offer part time to extend time.</li> <li>• 2 weeks too tight to absorb all the information</li> <li>• 2 weeks full time and up to six months on the job</li> </ul>
6	<p><b>Shorten training period and/or spread over a longer time period</b></p> <ul style="list-style-type: none"> <li>• It is too congested – spread out</li> <li>• Workload is too much for short time</li> <li>• Offer on the job training for another 6 months.</li> <li>• Given assignments to complete</li> <li>• The first training should be basic and followed later with specific training in eg marketing, project management, etc</li> <li>• Avoid repetition for existing businesses</li> <li>• Shorten the course and make it more informative</li> <li>• Shorten for existing businesses</li> <li>• Give further training to business still existing</li> </ul>
7	<p><b>Assess competence of trainees / accredit training</b></p> <ul style="list-style-type: none"> <li>• KickStarters (learners) must be allowed to submit a portfolio of evidence on which their achievement will be assessed – competent or not</li> <li>• Training must comply with existing unit standards</li> <li>• Training must be accredited</li> <li>• The learner must be given at least three chances to compile a viable business plan.</li> </ul>



	<ul style="list-style-type: none"> <li>• Only the course material and the associated unit standards should be used to train from.</li> </ul>
8	<p><b>Follow-up training after initial training</b></p> <ul style="list-style-type: none"> <li>• Follow up for 6 month for non-grant winner</li> <li>• Have follow-up training to help those who did not get a grant</li> <li>• Built in three days of revision into the training period</li> <li>• Follow-up training should be arranged for KickStarters who are still in business</li> <li>• At least once a month</li> </ul>
	<b>TRAINING MANUAL</b>
9	<p><b>Distribute training manual in advance – prior to commencement of training</b></p> <ul style="list-style-type: none"> <li>• The training manual should be handed out before the training starts to allow for proper preparation and planning</li> <li>• The trainer only received the manual on the same day as the KickStarters – he should have the manual long before the time to prepare</li> </ul>
10	<p><b>Simplify training manual</b></p> <ul style="list-style-type: none"> <li>• Smaller training manual – will not seem so daunting</li> <li>• Try to simplify the training manual because literacy levels are not the same</li> <li>• Course file to focus on simple business idea addressing local trends and situations</li> </ul>
	<b>TRAINERS</b>
11	<p><b>Select more competent trainers</b></p> <ul style="list-style-type: none"> <li>• Training of service providers – trainers did not know how</li> <li>• Get trainers who own or owned business – not intellectuals</li> <li>• Trainer has to be a good leader.</li> <li>• Trainer who can help more with the business plan.</li> <li>• Trainers are not familiar with the hardships of running a business</li> <li>• Trainers must be fair to all participants and not show favouritism</li> <li>• SAB should select competent trainers that have training experience and the subject matter knowledge.</li> <li>• Trainer must be able to discipline the group</li> <li>• Trainer does not know hardships of being entrepreneur</li> </ul>
12	<p><b>Increase competencies of trainers</b></p> <ul style="list-style-type: none"> <li>• The trainers should visit each project to get a feel for what is needed.</li> <li>• Allow trainees more one-on-one time with trainer</li> <li>• Trainer must get manual in advance so that they can prepare</li> <li>• Trainer has to be aware of different businesses that participants come from.</li> <li>• Trainers should be more aware of business challenges facing entrepreneurs; social and economic challenges in region</li> <li>• A training plan must be created and followed.</li> <li>• A training plan must be created and implemented by the service provider (trainers) facilitating the programme</li> <li>• Lessons must be planned</li> <li>• Facilitators should have understanding of the Eastern Cape social and economic challenges</li> </ul>
13	<p><b>Invite different experts from business to address trainees</b></p> <ul style="list-style-type: none"> <li>• Invite experts to talk on their particular expertise in business; who started own business</li> <li>• A marketing person should be invited to address the KickStarters with real life examples – especially important for those who will not get grants</li> <li>• Guest speakers: Successful business people /entrepreneurs should address us about realities of business and to motivate us; tell us how they made it in business;</li> <li>• Have more than one trainer – bring in people from your industry to help with business plan and coaching</li> </ul>

	<ul style="list-style-type: none"> <li>• Invite real life entrepreneurs</li> </ul>
14	<p><b>Invite KickStarters from previous years to address trainees</b></p> <ul style="list-style-type: none"> <li>• Invite previous KickStarters to inspire us</li> <li>• Arrange networking with previous KickStarters so that we can help/support each other</li> </ul>
	<b>THE CONTENT OF THE CURRICULUM</b>
15	<ul style="list-style-type: none"> <li>• Place greater emphasis on <b>financial management</b>. There should be more days allocated to the financial section of a business. Include financial tools; savings; how to take calculated risks; taxation, economics; calculation of value of contracts</li> </ul>
16	<ul style="list-style-type: none"> <li>• Place greater emphasis on <b>marketing management and strategies</b>; More focus on marketing and advertising strategies, instead of discussing marketing in general; include marketing tools; how to identify target market, estimate size of competition; how to sell product; detailed training on strategy, sales &amp; marketing; product promotion</li> </ul>
17	<ul style="list-style-type: none"> <li>• Place greater emphasis on <b>communication</b>; Training should also teach skills such as communication, presentation; negotiations skills (and offer opportunity to practice); Offer presentations skills to build the confidence of KickStarters and we must practice giving presentations; self-esteem for starters</li> </ul>
18	<ul style="list-style-type: none"> <li>• Provide training in <b>computer literacy</b> on spreadsheets and computer software such as Excel; computer literacy; venue must have Internet access to be trained in Internet usage</li> </ul>
19	<ul style="list-style-type: none"> <li>• Focus more on <b>people skills</b> – decision making, problem solving, leadership, coaching, mentoring, delegation; accountability, motivation</li> </ul>
20	<p><b>Labour laws and labour related issues</b></p> <ul style="list-style-type: none"> <li>• In manufacturing cover labour issues</li> </ul>
21	<p><b>Business planning</b></p> <ul style="list-style-type: none"> <li>• Provide more assistance with the compilation of the business plan and its interpretation and implementation as the driver of business</li> <li>• Be taught how to draw up realistic business plans; how to compile business plan</li> <li>• More time after training to complete the business plan</li> <li>• For people not clued up about business planning, 2 weeks training and 2 weeks preparation time is insufficient</li> <li>• The learner must be given at least three chances to compile a viable business plan.</li> <li>• Pay more attention on drawing up of business plan. Most of us had to find help somewhere else to draw up business plan for the presentation.</li> </ul>
22	<ul style="list-style-type: none"> <li>• How to be <b>innovative and creative</b></li> </ul>
	<b>OTHER</b>
23	<p><b>Satisfied with training:</b></p> <ul style="list-style-type: none"> <li>• No need for change, fine as it is, training was excellent; training was worthwhile</li> <li>• it was satisfactory;</li> <li>• it covers all aspects of business operation;</li> <li>• its good;</li> <li>• For me in the Hospitality industry the course was satisfactory.</li> <li>• It was great but I already knew finance</li> <li>• Happy with training</li> <li>• Training manual is well-compiled;</li> </ul>
24	<p><b>Other comments related to training</b></p> <ul style="list-style-type: none"> <li>• Training material should also address service providers and not only focus on manufacturing and production</li> <li>• Emphasise the fact that training should be taken seriously by KS</li> <li>• Choose participants that will benefit from training not just people that they think could do well</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide a big file for the KS to keep as a working document</li> <li>• Training needs to be taken seriously</li> <li>• Record the training sessions on video/audio so that KickStarters can go through it at later stages</li> <li>• The trainer did not have much feedback from the participants, guess not familiar with the terminology</li> </ul>
25	<b>No suggestions</b>

### QUESTION 3.7.2

**What criteria did the regional panel use to decide who should receive a grant (seed money)? Please specify:**

Multiple responses were given and these are grouped into the following categories. Were the same suggestion was offered by different respondents it appears only once in the list below.

Score	
1	<p><b>Status and growth of the business - Actual and future</b> growth potential; sustainability</p> <ul style="list-style-type: none"> <li>• growth and profit for operating businesses</li> <li>• financial projections; financials</li> <li>• profit; an offering that could create profit</li> <li>• most profitable idea</li> <li>• growth projections</li> <li>• viability</li> <li>• Business going to make quick cash</li> <li>• Potential of the business</li> <li>• Select business with low risk eg catering</li> <li>• Turnover on a monthly basis</li> <li>• Availability of the market</li> <li>• Customers/contracts in place</li> <li>• Who were my clients</li> <li>• Commitment to building the business</li> <li>• Is the business already running, what experience do you have in that industry, the risk involved and the future of the business</li> <li>• Value of business and effort you put in business</li> </ul>
2	<p><b>Employment – actual and potential</b></p> <ul style="list-style-type: none"> <li>• More than 3-5 employees</li> </ul>
3	<p>What the <b>funding is needed</b> for; and how it will help the business;</p> <ul style="list-style-type: none"> <li>• According to need</li> <li>• the value of the grant</li> <li>• Whether what the money was needed for made sense</li> <li>• What you needed the money for according to the business plan</li> <li>• Real needy person</li> <li>• Who needs it most</li> <li>• Why I needed the money</li> <li>• Specified needs clearly</li> <li>• What capital is required, how it will be used, for how long will it keep the company running until the business become financially independent, when should we expect return on investment</li> <li>• Business needs</li> </ul>
4	<p><b>Existing businesses</b> were favoured over start-ups</p> <ul style="list-style-type: none"> <li>• Operating business were selected</li> <li>• Existing businesses were 40 points ahead of start-ups</li> </ul>

	<ul style="list-style-type: none"> <li>• Running businesses for years</li> <li>• Established businesses</li> </ul>
5	<p><b>Business plan</b> quality and knowledge and <b>understanding of your business</b></p> <ul style="list-style-type: none"> <li>• We proved that if money was invested in us we would succeed</li> <li>• Viable</li> <li>• How well you understand your business</li> <li>• know what you are doing</li> <li>• Your business knowledge and willingness to learn</li> <li>• unique business plan</li> <li>• Good business ideas; viable business idea</li> <li>• Management of the business</li> <li>• Financial planning and forecast</li> <li>• The market value of the business</li> <li>• A well researched business</li> <li>• Knowledge of business; how well you know your business</li> <li>• The idea itself</li> </ul>
6	<p><b>Presentation skills</b> and style</p> <ul style="list-style-type: none"> <li>• Way you presented</li> <li>• Failed to present</li> <li>• Passionate about your business and committed</li> <li>• I could not present due to a personal problem</li> <li>• Ability to sell your idea</li> </ul>
7	<p><b>Other</b></p> <ul style="list-style-type: none"> <li>• evaluated by neutral people from the bank</li> <li>• My product not good quality</li> <li>• Return on SABs investment (grant)</li> <li>• Don't know if the criteria were fair; Fair game was never played</li> <li>• Don't know because most of the winners are no longer in business</li> <li>• What the funding is needed for</li> <li>• Panel did not have the right knowledge of the business about the business and did not understand the business</li> <li>• Adjudication</li> <li>• Favouritism by panel; Favouritism – they knew before hand who was going to get it – a whole “chomy chomy” business</li> <li>• Mostly manufacturers received grants</li> <li>• Panel selected those chosen by the SAB KickStart project manager</li> <li>• Points</li> <li>• The maturity of the business</li> <li>• Mostly to services that were needed and who have not started their business</li> <li>• They were looking for a specific type of business</li> <li>• Personal attributes (attitude towards life and capacity, dedication), perseverance</li> <li>• Business X factor</li> <li>• Levels of entrepreneurial flair and maturity; Skill level of the entrepreneur</li> <li>• Innovation</li> <li>• More interested in partnerships</li> <li>• They were empowering women only.</li> <li>• Registered companies</li> <li>• Competent, established and experienced young entrepreneurs were overlooked.</li> <li>• People with perseverance</li> <li>• Smaller businesses – my business was too big, in construction</li> <li>• They excluded mining</li> <li>• Trainer favoured participants</li> <li>• Candidates has political connection</li> </ul>
8	<p><b>Don't know</b> /not sure/we were not told what criteria was going to be used; if</p>

	I knew I would have won; no idea; no one knows; we were not informed; I would love to know
9	<b>No response</b>

### QUESTION 3.7.3

**If you did not received a regional grant, why do you think you and your business did not qualify for a grant**

Multiple responses were given and these are grouped into the following categories. Were the same suggestion was offered by different respondents, it appears only once in the list below.

Score	
1	<p><b>Status of the business</b> – actual and future – not acceptable</p> <ul style="list-style-type: none"> <li>• Business venture is high risk and needed lots of money</li> <li>• My turnover was not up to the expectation of the panel because my business was just starting; I had no contracts</li> <li>• Panel placed too much emphasis on financial projections and growth projections</li> <li>• Because the business was not yet existing and I was employed</li> <li>• My business was a concept/idea; had not assets</li> <li>• Start-up/ not operating</li> </ul>
2	<p><b>Actual employment or potential</b> to create employment not acceptable</p> <ul style="list-style-type: none"> <li>• Not high</li> <li>• Because I did not have more than 3-5 employees</li> </ul>
3	<p><b>Panel had specific preferences and prejudices</b></p> <ul style="list-style-type: none"> <li>• Preferred manufacturers rather than service providers</li> <li>• Because it was a start-up and not yet operating</li> <li>• My business was a start-up and they wanted existing businesses</li> <li>• Because I am an Indian. It was clear from the conversation and remarks that help will be given to black businesses only</li> <li>• Panel is blinded by what is perceived to be men’s business - Gender challenged</li> <li>• I thought they were looking for special projects</li> <li>• The panel said that because I am a single mother of two that I would not be able to balance work and responsibility well while managing a garage</li> <li>• Being a man (women were favoured)</li> <li>• Because I was critical of SAB’s Khaya Ndimba during feedback</li> <li>• Pottery was not popular with the competition anymore</li> <li>• Some of the panellists were from the institutions, which we find difficult to approach for capital investment because of their funding criteria, which is not friendly to SMME owners</li> <li>• Agriculture business</li> <li>• Financial projections and growth projections were over exaggerated.</li> </ul>
4	<p><b>Panel had limited understanding</b></p> <ul style="list-style-type: none"> <li>• The panel did not understand my business idea</li> <li>• Panel did not understand the nature of my business</li> <li>• Got a little money because panel do not understand my industry – creative sector</li> <li>• Classified business like mine dilutes the panel's judgement</li> <li>• My business plan was complicated and the panel did not understand it clearly</li> <li>• Panel do not understand e-business even though I worked hard on my business plan – I had no assets My business was a concept</li> <li>• Not well interpreted by stakeholders</li> </ul>

5	<p><b>Business plan/idea</b> inadequate and lack of business skills</p> <ul style="list-style-type: none"> <li>• My business plan was not thorough enough – not enough planning;</li> <li>• Did not prove sustainability</li> <li>• Business plan not up to scratch</li> <li>• Did not complete the business plan</li> <li>• Had no financial statements; financial statement</li> <li>• No money to type my business plan</li> <li>• I did not complete the business plan; I needed more time and lack experience; I did not show the financial viability</li> <li>• It was a business plan competition</li> <li>• I had no one to assist me with my business plan</li> <li>• My business plan was simple</li> <li>• Lack of business skills, especially financial management and planning</li> <li>• It was a start-up idea, no supporting documentation</li> <li>• Did not complete business plan</li> <li>• No supporting materials</li> </ul>
6	<p><b>Lack of presentation skills or inadequate presentation</b></p> <ul style="list-style-type: none"> <li>• Did not convince the panel</li> <li>• I did not motivate the sustainability of the business enough for the panel to believe I was worth the grant</li> <li>• Lack of presentation skills</li> <li>• Lack charisma or too technical</li> <li>• Not presented our strategies well</li> <li>• I was too broad in terms of my requirements</li> <li>• Our presentation not well interpreted by panel</li> <li>• Prior to presentation I was involved with other business activities, and I did not sleep the night before the presentation – so I was stressed due to lack of sleep and time pressures</li> <li>• I did not break my financial viability according to my business needs</li> </ul>
7	<p><b>Other:</b></p> <ul style="list-style-type: none"> <li>• Tough competition</li> <li>• It was the second time that I entered, 1999 and again in 2003. In 1999 I received a grant.</li> <li>• I was not even asked to present to the panel until I questioned.</li> <li>• Focus was on whether you had the management skills</li> <li>• I did not present because during the training I found out under what conditions SAB makes the funds available</li> <li>• I did not have the equipment to start with</li> <li>• Others needed the money more</li> <li>• Could not present business plan because of personal problem</li> <li>• I needed a large amount of money (in mining) and grant could not cover it. grant is very limited</li> <li>• Product knowledge</li> <li>• Did not have a passion for the business and not the right partners</li> <li>• I was overlooked – my products were of good quality</li> </ul>
8	<p><b>Don't know /</b></p> <ul style="list-style-type: none"> <li>• I would have appreciated it if I was told why I did not qualify</li> <li>• Criteria not explained and no feedback given</li> <li>• I thought my business was viable/good/the best idea but the panel did not think so. I did not convince the panel</li> <li>• Had group problems</li> <li>• I do not know why because I am still running my business</li> </ul>
9	<p><b>No reason given</b></p>

**QUESTION 6.4**

**What type of assistance or guidance would you like your mentor to provide? Give detail.** Multiple responses were allowed.

Score	Answer
1	<b>Networking</b> <ul style="list-style-type: none"> <li>• also with SAB branches &amp; divisions</li> <li>• introduction to key business people</li> <li>• new contacts</li> </ul>
2	<b>Marketing assistance</b> <ul style="list-style-type: none"> <li>• Leads/referrals/contacts to secure business/referrals/introduce to potential customers</li> <li>• to increase sales</li> <li>• sales and advertising; marketing road mapping for future</li> <li>• assist with listing on companies' databases</li> <li>• assistance with stakeholder relations</li> <li>• Hands on support and further guidance in terms of assessing opportunities</li> <li>• Sourcing longer contracts especially with SAB East Coast region</li> <li>• Marketing tips</li> <li>• Assist with marketing especially in other African countries</li> <li>• Networking opportunities</li> </ul>
3	<b>Financial management assistance and obtaining funding</b> <ul style="list-style-type: none"> <li>• Accounting, bookkeeping</li> <li>• tax (SARS)</li> <li>• assistance with monthly reports</li> </ul>
4	<b>Human resources management;</b> <ul style="list-style-type: none"> <li>• Knowledge about running a business eg selection of employees</li> </ul>
5	<b>Assistance with operating the business and monitoring progress</b> <ul style="list-style-type: none"> <li>• completion of monthly reports</li> <li>• More guidance on operations management</li> <li>• day-to-day / overall running of the business</li> <li>• business health checks</li> <li>• more guidance with operations management</li> <li>• general duties</li> <li>• production related</li> </ul>
6	<b>Other</b> <ul style="list-style-type: none"> <li>• Be a part of the business - Spend a day with me to get an understanding of my business</li> <li>• Legal assistance eg signing of contracts</li> <li>• Funding</li> <li>• Legalities affecting certain sectors</li> <li>• Someone with more knowledge of my industry</li> <li>• More industry related advice</li> </ul>
9	<b>No suggestion</b> <ul style="list-style-type: none"> <li>• Provided all I requested, nothing else needed; provided everything I needed for the business</li> </ul>

**QUESTION 6.5**

**Overall, how satisfied were you with the mentoring that you received from your mentor? Give reasons for your answer**

Score	4. <b>Extremely satisfied with mentor because –</b> <b>Reasons</b>
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1	<p><b>Character of mentor</b></p> <ul style="list-style-type: none"> <li>• Availability for assistance; always available,</li> <li>• Approachable</li> <li>• committed to serve</li> <li>• Punctuality</li> <li>• Good listener;</li> <li>• supportive, approachable</li> <li>• Down to earth</li> <li>• Right attitude</li> <li>• Encouraging/motivating</li> <li>• Empathy – could understand what I feel; put himself in my shoes</li> <li>• Attentive, regular, committed, engaged</li> <li>• Passionate</li> <li>• Professionalism</li> <li>• Tries hard to help; Took extra time after work to help us</li> <li>• She is dedicated, in love with her work, focused and very nice.</li> <li>• Dynamic and passionate</li> </ul>
2	<p><b>Skills of the mentor</b></p> <ul style="list-style-type: none"> <li>• Mentor was well informed and knew how to transfer knowledge to me</li> <li>• Mentor is an all-rounder, source of information; knowledgeable,</li> <li>• Knows subject</li> <li>•</li> </ul>
3	<p><b>Services rendered by the mentor</b></p> <ul style="list-style-type: none"> <li>• helped to get new business; contacted us monthly</li> <li>• Give advice/guidance/support where necessary and help with business ideas;</li> <li>• provided guidance when needed;</li> <li>• advice on separating financials of two businesses;</li> <li>• advice on financial targets</li> <li>• Alerted me to the cost of expanding to larger premises and expanding the business</li> <li>• contributed ideas and feedback and always gave input and comment and critique</li> <li>• Introduced us to key business people</li> <li>• Monitored service quality</li> <li>• helped concerning business at night</li> <li>• Gave valuable leads who are still my customers</li> <li>• Every month I had goals to achieve and she saw to it that my business grows and that it is managed</li> <li>• Helped a lot with ground work of getting business started</li> <li>• Helped with selling the product</li> <li>• Financial planning, HR interviews and forms,</li> <li>• Networking</li> <li>• Helped with brainstorming</li> <li>• Assisted in getting finance from financial institutions</li> <li>• We could use his offices</li> </ul>
9	No response /no reason given

### QUESTION 7.1

**For your region were you selected as a candidate for the national awards?  
Give reasons**

Score	Yes
1	<p>Actual Growth of the business</p> <ul style="list-style-type: none"> <li>• Business showed a return on investment</li> <li>• Sales and profit growth</li> </ul>



	<ul style="list-style-type: none"> <li>• My business was doing so well</li> <li>• I managed my business well</li> <li>• Business progress</li> <li>• Business that made a huge profit irrespective of their trading conditions</li> <li>• Huge progress</li> <li>• My innovative idea – different to others</li> <li>• Performance of the company</li> </ul>
2	Future potential of the business and sustainability
3	Actual employment and employment related issues
4	Job creation ability; employment potential
5	Business plan – good <ul style="list-style-type: none"> <li>• We proved that if money was invested in us we would succeed</li> </ul>
6	Presentation – best
7	Other <ul style="list-style-type: none"> <li>• I was informed</li> <li>• I was a candidate but I was not informed further when the national awards began</li> <li>• Not much competition</li> <li>• I think they selected huge projects irrespective of trading conditions</li> <li>• Because I won regional grant</li> <li>• I was the overall winner for Gauteng</li> <li>• Unique business</li> </ul>
8	Don't know
9	No reason given

### QUESTION 7.3

**What criteria did the regional panel use to decide which SAB KickStarters should be entered for the national awards? Specify**

Score	
1	Actual growth of the business – profit/turnover – focus on numbers; showing growth; business performance; biggest progress; business status; Financial statements; performance of the business; financial progress; practicality of the business; highest turnover Growth since received grant
2	Future potential of business; company sustainability; Marketing strategy
3	Actual employment and employment related issues: <ul style="list-style-type: none"> <li>• Actual number of employees</li> <li>• jobs created</li> <li>• Skills transfer in the business</li> <li>• Employee development</li> </ul>
4	Employment potential /job creation ability
5	Monthly reports; submission of correct reports; on time submission
6	Presentation
7	Other: <ul style="list-style-type: none"> <li>• Favouritism</li> <li>• No of contracts signed</li> <li>• Practicality of the business</li> <li>• Professionalism</li> <li>• Leadership of the business</li> <li>• The product</li> <li>• I managed my business well</li> <li>• Industry experience</li> <li>• Entrepreneurial ability</li> <li>• Type of industry</li> </ul>

	• Opportunity to assist something different
8	Don't know/don't remember
9	No response

**QUESTION 7.5**

**What criteria did the National panel use to decide which SAB KickStarters should receive national prizes? Specify**

Score	
1	Actual growth of the business; <ul style="list-style-type: none"> <li>• Business status</li> <li>• Turnover</li> <li>• The improvement in the business</li> <li>• Business performance</li> <li>• Financial return on investment; financial management</li> <li>• Stability of business</li> </ul>
2	Future potential of business; company sustainability <ul style="list-style-type: none"> <li>• Market demand for the business</li> <li>• Marketing strategy</li> <li>• Growth indicators</li> <li>• Business is in demand in the market in terms of BEE and has no competition</li> <li>• Viability</li> </ul>
3	Actual employment and employment related issues: <ul style="list-style-type: none"> <li>• Number of employees</li> </ul>
4	Employment potential /job creation ability
5	Monthly reports/ reports from mentors
6	Presentation
7	Other: <ul style="list-style-type: none"> <li>• Thought they would be more qualitative</li> <li>• Your business knowledge</li> <li>• Practical aspects of growing the business</li> <li>• Eagerness to grow the business; entrepreneurs hungry for success</li> <li>• Whether the business has competition</li> <li>• Trading conditions</li> <li>• Diversification</li> <li>• Management of the business</li> <li>• The product/service</li> <li>• production capacity</li> <li>• Management</li> <li>• The product/service</li> <li>• I was not from Gauteng</li> <li>• Point system but don't know how points work</li> <li>• More emotional</li> </ul>
8	Don't know/don't remember
9	No response

**QUESTION 7.6**

**What criteria should the NATIONAL PANEL have used to decide which SAB KickStarters should receive national prizes? Specify**

Score	Yes
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1	Actual Growth of the business <ul style="list-style-type: none"> <li>• Turnover</li> <li>• Operating with a good profit</li> <li>• Business performance</li> <li>• Financial return on investment</li> <li>• Progress since regional grant</li> <li>• Best effort</li> </ul>
2	Future potential of the business and sustainability; <ul style="list-style-type: none"> <li>• growth potential; growth indicators</li> <li>• Does the business have a market</li> <li>• Viability</li> <li>• marketing strategy</li> <li>• People hungry for success</li> </ul>
3	Actual employment and employment related issues
4	Job creation ability; employment potential
5	Business plan – good; proper
6	Presentation – more time allowed for presentation, 6 KS in one day too many
7	Other <ul style="list-style-type: none"> <li>• They should verify financial statements of businesses – could be fictitious</li> <li>• They should have marketing vision</li> <li>• Management of the business</li> <li>• Product/service</li> <li>• Production capacity</li> <li>• Management</li> <li>• Trading conditions</li> <li>• Diversification</li> <li>• The one that needs more money; need of the business</li> <li>• Good business sense, drive, passion, and ambition</li> <li>• Understand diversity and out of the box thinking</li> <li>• Type of industry</li> <li>• Time frame of the business – start-up or existing business</li> <li>• Passion and vision</li> <li>• Not for existing businesses</li> </ul>
8	Don't know
9	No response, I was happy with the criteria used

### QUESTION 8.3

**Any additional comments on how the SAB KickStart Youth Entrepreneurial Programme can be improved:**

Score	Suggestions
	SELECTION for training of KickStarters
1	Start-ups versus existing businesses <ul style="list-style-type: none"> <li>• I think SAB should concentrate on emerging entrepreneurs rather than considering people who are well established in business. We all dream when entering a programme like SAB KickStart and some of us have no financial backup like others, because of that we are not considered and our hopes are shattered.</li> <li>• SAB has changed their strategy – they choose only existing businesses.</li> <li>• KickStarters should already have started a business</li> <li>• Offer the training to unemployed youth and unemployed graduates</li> <li>• The competition should be split into two categories – one for existing companies and one for start-ups: prizes should be equal</li> <li>• Because of the competition between provinces existing business are boosted</li> </ul>

	<ul style="list-style-type: none"> <li>• People selected to be KickStarters should be people that have done something to start a business and they are serious about it and not waste the trainer's time.</li> </ul>
2	<p>Criteria for selecting KickStarters</p> <ul style="list-style-type: none"> <li>• The first phase of the selection need to be tough to eliminate playful characters who distract serious business-minded people.</li> <li>• More focus on agricultural sector in order to develop rural communities</li> <li>• Should judge businesses according to potential, not whether already operating</li> <li>• Identify real entrepreneurs or most promising ones</li> </ul>
ALLOCATION OF GRANT	
3	<p>Adjudication process needs restructuring</p> <ul style="list-style-type: none"> <li>• Adjudication is not fair</li> <li>• KickStart programme is spoilt during adjudication</li> <li>• No favouritism</li> <li>• The criteria to select the winners must be transparent.</li> <li>• A clear adjudication procedure must be outlined and circulated to participants before the adjudication</li> <li>• SAB KickStart selection panel for grant winners should visit each business site and then evaluate them, not theoretically like currently</li> <li>• Trainer must not be involved in adjudication</li> <li>• People from a different province must be used as adjudicators</li> <li>• Panel – some do not have own businesses, they work in companies and cannot assess us</li> <li>• Use independent panel to decide on allocation of grants and prizes</li> <li>• Judging should be based on viability.</li> <li>• SAB must give feedback why a KickStarter did not get a grant – this will add value. The best business plans did not necessarily get grants – some strong candidates got nothing.</li> <li>• Feedback must be given to both winning and non-winning participants</li> <li>• Panel – short term view “I do not see how your proposal will generate profit if we start it the next day</li> <li>• Judge according to potential and not according to whether in operation</li> <li>• SAB should check the quality of the products presented</li> </ul>
4	<p>Grants – for what the grant should be used</p> <ul style="list-style-type: none"> <li>• Grant must be available for both assets and raw material</li> <li>• Working capital: grant without working capital can cripple a business</li> <li>• Application of grant: also for working capital</li> <li>• SAB KickStart did not pay me the R70000 that I won. I was only given two machines to operate without any stock and till today nothing came of that</li> <li>• Allow the small business owners to access the grant to use it for cash flow</li> <li>• Money should be granted for transport (a vehicle) and for stock eg expensive wood to make coffins.</li> <li>• Grant should also be used to purchase stock</li> <li>• About 20% of the money should be available as liquid cash to help during growth or expansion with things that are not assets</li> </ul>
5	<p>Grants – to whom and other recommendations</p> <ul style="list-style-type: none"> <li>• Categorise businesses per sector and give grants per sector</li> <li>• If one did not get a grant, one must be given another chance especially if you operate in a very poor area and can create jobs for unemployed youth.</li> <li>• Give grants to at least ten people; more than 4</li> <li>• Assist everyone that is enthusiastic and where business plan seems sustainable even if the business has not yet started, to really kick start a business that is about to start</li> <li>• Split grant so that everybody get something</li> <li>• The grant does not seem to make a difference to the businesses who win – hard work should be encouraged after words – I have seen some cases</li> <li>• Increase start-up capital; increase the grant</li> </ul>

	<ul style="list-style-type: none"> <li>• Out payment of grant takes too long – took 4, 6, 8, 10 months and not all of it paid out; should be paid within a month</li> <li>• Some who had hoped to start with the grant, gave up because it took so long for the money to be paid to suppliers</li> <li>• Grant direct to beneficiary</li> <li>• Grant is critical to start-ups because they lack credit worthiness</li> <li>• If they could put more money into it</li> <li>• Get more access to working capital</li> <li>• Shorten time to pay out the grants</li> </ul>
	<b>AFTER GRANTS HAVE BEEN ALLOCATED AND DURING MENTORING</b>
6	<p>Networking must be facilitated – Introduce KickStarters to business community, etc</p> <ul style="list-style-type: none"> <li>• Among KickStarters and in the larger business community</li> <li>• SAB should identify business specialists and link them with KS</li> <li>• Network KS with government departments and parastatals that will help KS in growing their business</li> <li>• Should expose KickStarters to the business sectors in which they are operating</li> <li>• SAB should act as a reference for KickStarters</li> <li>• SAB should recommend KickStarters to their stakeholders</li> <li>• SAB should ask their contractors to partner with the KickStarters</li> <li>• SAB should distribute the database of KickStarters to all the KickStarters so that they can work together on projects and refer business to each other</li> <li>• Assist KickStarters to open business that is relevant to the community</li> <li>• SAB should provide information about support organisations, business organisations and industry organizations, eg BMF, NAFCOC, SETA's</li> <li>• It was indicated that this programme will be used as a vehicle to receive exposure to business and networking opportunities – we have not received any assistance in this regard.</li> <li>• Get some government development corporation eg NWDC to help us</li> <li>• SAB should introduce KickStarters to potential investors</li> <li>• SAB projects – first preference should be given to former KickStarters</li> <li>• SAB should assist with finding capital for non-grantwinners with sustainable businesses</li> </ul>
7	<p>Networking within SABMiller – the group and support from SAB</p> <ul style="list-style-type: none"> <li>• Introduce KickStarters to different divisions of SAB</li> <li>• Introduce KickStarters to their marketing people</li> <li>• SAB should ask KickStarters for quotes to supply or service SAB – not only periodically but frequently</li> <li>• SAB should empower the KickStarters by giving them (small) contracts for 12 months</li> <li>• SAB should provide contact details of KickStarters to SAB branches in all provinces.</li> <li>• SAB should give some preferential treatment to the KickStarters</li> <li>• SAB should business/support past KickStarters</li> <li>• SAB should give leads/referrals to SAB customers</li> <li>• SAB should start a SAB KickStart monthly magazine in which all the businesses of the KickStarters (non-winners and winners) are advertised and it should cover practical solutions from experts. It should be sold nationally</li> </ul>
8	<p>Mentors with business and industry experience must be provided and period extended</p> <ul style="list-style-type: none"> <li>• not only by individuals but also by businesses should be arranged</li> <li>• KickStarter should be placed within relevant businesses to learn first hand</li> <li>• To check if we apply training content to business</li> <li>• Mentorship for non-grant winners will increase success of KickStart programme</li> <li>• Provide effective mentorship</li> </ul>

	<ul style="list-style-type: none"> <li>• Continuous mentoring by qualified mentors to monitor past participants; qualified to enhance coaching, guidance and support</li> <li>• Support after training to all participants will result in greater success of the programme</li> <li>• Provide trainees specific support according to their business</li> <li>• Mentors with industry experience; professional advisors</li> <li>• To all to improve critical areas of business, especially for those who did not qualify for grants, so that they can improve</li> <li>• For KickStarters who won grants and/or prizes extend mentoring up to 24 months</li> <li>• Create a site where I can e-mail my questions and receive direct support</li> <li>• Six months after training meet as a group with Mentor to discuss problems. Sharing experiences and discussing problems</li> <li>• Monitor skills and progress</li> <li>• Mentors should be like bankers who really want to see the right properties before the money is released and after they have surety</li> <li>• More time with mentor – appoint more mentors; one not enough to go round</li> <li>• My mentor had no experience in my industry – mining and construction</li> <li>• Mentors with relevant experience; mentor who understands your field</li> <li>• Industry related mentoring</li> </ul>
9	<p>Support and follow-up for KickStarters who were not awarded a regional grant</p> <ul style="list-style-type: none"> <li>• Arrange some sort of support</li> <li>• Give them a second chance to start-up</li> <li>• Assist non grant winners with marketing and exposing their business to SAB's markets</li> <li>• People who did not win must also be given something to help them carry on with</li> <li>• Support for businesses that did not win a grant – finance and mentoring and feedback on why we did not win, so that we can improve their businesses – small amount of money</li> <li>• Follow up on all businesses whether won or not</li> <li>• Arrange exhibition for products and services of those who did not receive grants – invite possible sponsors</li> <li>• Continuous mentorship – not just in the year of receiving grant; seek advice at any point</li> <li>• Follow-up on those who did not get a grant and are still in business</li> <li>• Help with advertising</li> <li>• Provide trainees with specific individual support</li> </ul>
10	<p>Transparent criteria for selection of prize winners and feedback</p> <ul style="list-style-type: none"> <li>• Some of the grant receivers are now out of business; SAB must find out why some grant/prize winners are now out of business</li> <li>• More feedback should be given to the KickStarters regarding the success or not of their submissions for nationals</li> <li>• SAB should encourage KickStarters to grow and to stay in business</li> <li>• Winners should be selected from different sectors of the economy – different categories</li> <li>• Re-evaluate the selection criteria. To have established businesses with contracts, premises, resources, strong leadership and networks being beaten by those with no access to these is a travesty.</li> </ul>
11	<p>Raise the professionalism of the programme - accreditation</p> <ul style="list-style-type: none"> <li>• Involve accredited service providers, accredited mentors, accredited assessors and accredited moderators</li> <li>• A higher standard of training and professionalism needs to be exhibited by all stakeholders directly involved with the programme.</li> <li>• Unbiased behaviour must be displayed at all times.</li> <li>• The project should be given to professional trainers</li> <li>• Needs a bit of polishing</li> </ul>
12	Marketing of the KickStart programme

	<ul style="list-style-type: none"> <li>• Ensure that more entrepreneurs are aware of the programme and can apply for entry.</li> <li>• Televising the national finalists</li> <li>• Programme is well marketed</li> <li>• Promote program more in rural areas through municipalities; more publicity on the ground</li> <li>• KickStart should be taken to ghost towns - Welkom, Upington</li> </ul>
13	<p>Positive impression of the KickStart programme</p> <ul style="list-style-type: none"> <li>• KickStart gave me a platform</li> <li>• The programme is fantastic and can make a long-term impact</li> <li>• Congratulate SABMiller on their patriotism</li> <li>• KickStart is a very good programme; a fantastic programme; conducted well</li> <li>• KickStart increased my awareness in business with regard to setting up production processes, employment contracts, supplier contracts, research, etc. I still have my hand book (2003) and it is still an excellent reference point</li> <li>• They are doing a wonderful job; everything is Ok</li> <li>• Delighted with the empowerment through knowledge</li> <li>• The programme is very good</li> <li>• I received a lot of knowledge from the training.</li> <li>• SAB keep on opening the doors for us to grow</li> <li>• I would like to say thank you SAB for KickStart project, even if I'm not surviving now, but my future is brighter because of this programme, it really helped me a lot mentally. The only problem is that I do not have capital to run my business according to plans</li> </ul>
14	<p>Negative impression of the KickStart programme</p> <ul style="list-style-type: none"> <li>• SAB has a superficial interest in the well-being of the KickStart businesses</li> <li>• From a chemists point of view, we need to have sustainable businesses. Let's move away from selling cellphones, but rather making them. This is a developing country. Challenges include huge amounts of pollution. Global warming, environmental hazards, etc. Lets start with small processes that will at the same time address these issues while generating incomes. One of the responses I had in my interview was that "I do not see how your proposal will generate profit if we start it the next day". I would like organisations like SAB not to window dress, be seen as contributing to the communities they so much kill with alcohol, rather invest in something worthwhile, something that will benefit the masses</li> <li>• I would like to know how many of the ones who won still exist cause I have gone on to bigger opportunities despite the farce that is this program or competition. It is discouraging and I could not recommend it to someone else.</li> <li>• SAB KickStart lacks depth; they need to take a more holistic approach and develop an understanding of the hardships and sacrifices of starting and running a business</li> <li>• SAB has a superficial interest in KickStarters</li> <li>• Stop telling about management who do not give a damn</li> <li>• It was indicated that this programme will be used as a vehicle to receive exposure to business and networking opportunities – we have not received any assistance in this regard.</li> </ul>
15	<p>Other</p> <ul style="list-style-type: none"> <li>• Warn people up front that they will not be able to attend to their businesses during training</li> <li>• Certificate should have read "in entrepreneurial skills"</li> <li>• After KickStart another competition should be offered for those who stood the test of time to compete on a different programme** at a different level with different adjudication method</li> <li>• After training arrange for KickStarters to keep in touch</li> <li>• SAB must arrange a reunion; to see which businesses grew</li> </ul>

	<ul style="list-style-type: none"><li>• Get more access to working capital</li><li>• Someone who won a grant later requested ECMAC for assistance to develop a business plan to pursue the objectives contained in the plan he submitted to SAB KickStart</li><li>• Update contract to cover improvements in new technology</li><li>• SAB could assist with my difficult transition from small to medium sizes business eg positioning and staff issues; policies, procedures and standards</li></ul>
16	No suggestions



## APPENDIX M

**SUMMARY TABLE ON STATISTICAL RESULTS AND DEDUCTIONS OF TWO-WAY FREQUENCIES ANALYSES BY STATUS OF BUSINESS: START-UP VERSUS EXISTING**

Each row within the summary tables presented below represents the results of a two-way frequency table. For example in the body of the table, row 2 represents the two-way frequency table of q2.1 – a listing of aspects on which information is required, cross-referenced against a level-of-difficulty rating scale, for those respondents whose business-status are graded as ‘existing’. When significance could not be proven, comments on general trend are sometimes included.

**Table 1**  
**Summary table on results and deductions derived from individual two-way frequency tables to investigate the significance of the effect of the indicator variable, *the status of the business (start-up=s or existing=e)* on respondents’ perceptions regarding the issues listed below.**

Each row of the table represents a two-way cross-reference frequency table. In the body of the table, the first column lists the indicator variable (status), the second column the levels of the indicator variable, the third column the exact chi-square probability of Fisher’s Exact test using the Monte Carlo approximation, and significance indicator if applicable, the fifth column lists Pearson’s chi-square probability if applicable, and deductions derived from the test results and relevant frequency table are presented in the last column.

Indicator variable		Question cross-referenced	Prob. Exact test, significance	Prob. Chi-sq, significance	Deductions
	s & e	q1.1: When were you part of the KickStart programme		0.2910	Although significant differences in distribution between start-up and existing businesses does not exist, a general trend however indicates that for both groups participation increased over the years
	s & e	q1.2: Business region		0.3639	Although significant differences in distribution between start-up and existing businesses do not exist, both groups drew the smallest number of participant from the KZN and North regions.
	s & e	q1.3.1: KickStart assistance received	0.0723	0.1036	On the 10% level of significance the distribution of type of assistance received by start-up and existing businesses differed significantly. Proportionately more start-up businesses received training only (T) and existing businesses more training and funding (F)
	s &	q1.4. Industry business	0.4986	n.a.	Not significant, The start-up and existing businesses both

	e	represents			seem to have most of their businesses in the manufacturing and business services industries
	s & e	q1.5	0.7536	0.6133	No significant difference in distribution between genders. In both instances men proportionately received more KickStart assistance than women.
	s & e	q1.6: age	0.3471	0.3396	No significant difference in distribution between two groups regarding age, but in both groups the majority of participants fall in the 26-35 age brackets.
	s & e	q1.7: race	0.1793	0.1189	No significant difference in distributions, but for both groups the majority of KickStart awards were made to blacks.
	s & e	q1.8: highest educational qualification (before KS)	0.1482	n.a.	Although the frequency distributions of the two groups do not differ significantly (thus implying that they 're-act' similarly) if can be deduced that in general the greatest proportion of respondents had a grade 12 or a diploma /certificate qualification
	s & e	q1.8: highest educational qualification (after KS)	0.1511	n.a.	Although the frequency distributions of the two groups do not differ significantly (thus implying that they are-act' similarly) if can be derived that for both groups the number of participants with diplomas had increased (by 11) and that the number of grade 12 respondents had declined by 11 – thus a substantial number of respondents had improved their academic standing.
	s & e	q1.9: Managerial qualifications	0.0057	n.a	Significant difference between distributions of start-up and existing businesses re managerial qualifications was indicated. Although both groups had a substantial proportion of participants without qualifications, (45% for Start-up and 59% for existing businesses) the existing group's proportion was greater. The start-up group had a significantly greater combined proportion

					of participants with workshop, diplomas, degrees and honours qualifications.
	s & e	q1.10: managerial experience	0.7014	0.6242	No significant difference in distribution between groups re experience. Approximately 30% had middle or senior management experience. (combined)

	s & e	q1.13: same business when joined KickStart	0.0502*	0.0657	Significant difference in distribution between start-up and existing businesses re original business. Those with existing businesses tend to stick to their original business, while more of the start-up participants have other businesses. (87% vs 75%)
	s & e	q1.14: nature of business changed?	0.8640	n.a.	Although no significant distribution-differences between start-up and existing businesses has been indicated, in general a substantial proportion of respondents indicated a shift towards a more diversified sales range and/or diversified business services offered.
	s & e	q1.15: What happened to business?	0.8899	0.4321	NO significant difference between distributions
##		q1.15.2: Why close?	0.4873	n.a.	Due to limited number of responses no significant distribution differences between groups were indicated.
	s & e	q1.16: How many businesses co- ownership?	0.0669?	0.0695?	Significant difference in distributions between two groups re number of businesses participants are involved in. A tendency exists for existing business-participants to be involved in more businesses than start-up respondents.

## q2: Application and selection phase

Status	s	q2.1: Difficulty providing info to panel	0.3400	n.a.	Non significance implies that respondents found it equally difficult to supply info in the two aspects.
	E		0.0167 **	0.0150**	Significance implies that

					respondents rated levels of difficulty differently for the two aspects, indicating info on Business Plan (BP) easier to provide than fin. statements
	s & e	q2.2: Completed GET-test?	0.6390	0.8872	No significant difference between two groups' distribution re writing of the test. The majority of both groups wrote the test.
##		q2.2: How good is GET-test?	0.8337	0.8097	Though significant differences between the groups re aptness of the test was not indicated, in general a substantial proportion of both groups rated the test as extremely good.
	s	q2.3: Perceptions on Selection Panel	0.0023**	0.0016**	
	e		0.2928	0.2923	
<b>q3: Training phase of KickStart programme</b>					
	s & e	q3.1: Kick Start trainer			
	s	q3.2. Quality of trainer	0.0000***	<.0001***	Significance indicated which implies that respondents did not perceive all aspects to be equally well covered in the course. Aspects such as delegation, negotiation, coaching and problem solving were perceived as not that well covered (30% not at all/ or slightly covered). Conflict resolution was perceived as not well covered. (44% indicating not at all or only slightly addressed.).
	e		0.0000***	<.0001***	
	s & e	q3.2.4: practical examples presented by trainer?	0.0833?	n.a.	Significance indicates that a tendency exists for start-up participants to perceive less practical examples presented than existing respondents
	s & e	q3.2.5: Trainer covers all course material?		0.1179	Not significant. The majority (more than 85% of respondents) in both groups perceived that at least 70% of the work had been covered.
	s	q3.3: Benefits derived from KickStart training.	0.0000***	<.0001***	Highly significant distribution differences indicated regarding rating of various aspects training benefits. Start-up group especially indicated improved

					management and drawing up of business plan skills.
	E		0.0000***	<0.0001***	Highly significant distribution differences indicated regarding rating of various aspects training benefits. Existing group especially indicated improved management and drawing up of business plan skills.
		q3.3.7: Allow to apply knowledge to business?		0.6007	No significance distribution difference between start-up and existing respondents, although majority of respondents are in agreement that they can apply acquired knowledge to a great extent
	s	q3.4: Skills addressed	0.0000***	<0.0001***	Significant distribution differences imply that start-up respondents did not rate all aspects equally. Marketing and financial management were for example rated as adequately to very well covered, whereas the aspects of delegation, negotiation, coaching, conflict resolution and problem solving were rated as not adequately covered.
	e		0.0489*	0.0530*	Significance in distribution differences implies that existing business respondents did not rate all aspects equally. For example marketing and financial management were rated as adequately to well covered but project management and time management aspects as poorly covered.
		q3.5: Suggested training improvements	0.3478	n.a.	Non-significance in this instance implies that the improvement-suggestions-distribution for start-up and existing businesses do not differ significantly. Both groups strongly suggest outcomes based training, an extended training period, and invited business experts.

	s	q3.6: Benefits gained from KickStart manual	0.0650?	n.a.	For the start-up group: On the 10% level of significance rating-distribution differences exist over the various benefit-areas. Although all were rated as beneficial, marketing skills seems to rate best
	e		0.0825?	n.a.	For the existing group: On the 10% level of significance rating-distribution differences exist over the various benefit-areas. Although all were rated as beneficial, marketing and drawing up of business plan-skills seems to rate best.
	s & e	q3.7: Complete business plan after training course?	0.1168	0.1496	No significance distribution difference between two groups re business plan completion, but overall the majority of respondents did complete their business plans.
		q3.7.2: Regional panel criteria	0.1770	n.a.	Non-significance in this instance implies that the grant-criteria distribution of the existing and start-up respondents do not differ significantly. Both groups perceive growth of the business, understanding of the business and presentation skills to be the most important criteria
##	s & e	q3.7.3: Reason no regional grant	0,2126	n.a.	Non-significance implies that the reasons for no-grants-award distribution of the start-up and existing respondents do not differ significantly. Both groups perceive inadequate BP, inadequate presentations and panel prejudice the most important reasons for grant rejections. n

<b>q4: Information about the business</b>					
	s & e	q4.1: how long has business been operational?	0.3797	n.a.	NO significant difference in age-distribution of business. Both start-up and existing businesses show a declining trend over years ( it appears as though the decline is more marked for the existing group, but significance cannot be attached to this comment)
		q4.2-.5: refer to regression analyses			
<b>q5: SAB KickStart funding. Regional and National</b>					
##	s	q5.1: Benefits funding	0.0173*	0.0175*	Significant distribution differences imply that start-up respondents did not rate all aspects equally. They were for example divided whether grants should be restricted to the acquisition of assets and whether delays in payouts to supplier occurred. On the other hand they were positive about grants stimulating growth and that grants should be made available as working capital as well
	e		0.1433	0.1356	No significant distribution differences imply that there is no evidence that existing business respondents did not rate all benefit aspects more or less in the same way.
##	s e	q5.2: Extent to which respondent sticks to SAB grant agreements re: submit reports	1.000	n.a.	Not significant. Monthly submission were indicated by both groups in general
		did monthly report help to grow business	1.0000	n.a.	Not significant: In general large proportion indicated that drawing up of reports did grow business to some extent
		did you receive feedback from monthly reports	0.2862	n.a.	Not significant: In general indications were that feedback on reports was not always experienced
		Was feedback useable?	0.9042	n.a.	Not significant: Feedback received back were in general experienced as very useful

q6: SAB KickStart monitoring					
##		q6.1: Frequency of mentor contact	0.2738	n.a.	NO significant distribution difference between start-up and existing groups, although the majority of respondents in both groups indicated that monitoring is conducted on a monthly basis.
	s & e	q6.2: Contact method	0.7941	n.a.	Non-significance in this instance implies that mentors' contact method distribution for existing and start-up respondents do not differ. Mentors most often contact respondents telephonically or in face-to-face meetings for both groups.
	s	q6.3: Extent of mentor support satisfaction re:	0.0139**	0.0128**	start-up group: Significant distribution differences indicated between groups re various mentor satisfaction aspects. The greatest proportion of respondents rated most of the mentor assistance aspects as satisfactory. Indecision was expressed regarding networking, operations management and human resources
	e		0.3110	0.3149	Existing businesses group: Not significant. All aspects were rated as satisfactory assisted
		q6.4: Suggested mentor support	0.4574	n.a.	Not significant. Due to limited number of responses no general pattern can be derived.
	s & e	q6.5.1: Overall mentor satisfaction	0.4818	n.a.	Although distribution differences between the two groups are not indicated, the majority of respondents indicated that they were satisfied, to highly satisfied with their mentors.
		q6.5.2: reason for mentor dissatisfaction	0.8383	n.a.	Although not significant, a general uncertainty regarding the listed criteria seems to exist. ( approx 50-50% distribution)



<b>q7: National KickStart awards.</b>					
	s & e	q7.1: Were you selected for National Awards?	0.7885	0.5926	Although no significant distribution differences between the two groups was indicated, the majority of respondents in both cases indicated that they had been selected for the national awards. (70 and 64% respectively)
##	Y ?	q7.1: Reasons for being selected	0.6528	n.a.	Non-significance indicated. Limited responses hamper interpretation.
##	N ?	q7.1: Reasons for not being selected	0/7958	0.7127	No significance indicated, which implies that both groups responded similarly – greatest proportion indicated that they had been selected for National awards.
		q7.2: Regional panel's judgement skills	0.4899	n.a.	No significance indicated. Interesting to note is the high frequency of undecided responses.
		q7.3: Regional panel's criteria,	0.7133	n.a.	Non-significance indicated. Limited number of responses hamper interpretation, although a tendency towards indecisiveness seems to be resented in the responses
	s & e	Q7.4: National panel 's judgement skills	0.1899	n.a.	No significance indicated, but existing businesses group seems more content with panels' competence than start-up participant group. Only a comment – not proven significant.
		Q7.5: National panel's criteria	0.9183	n.a.	Non-significance indicated. Limited number of responses. Indecisiveness?
		q7.6: Suggested national panel criteria	0.4566	n.a.	Non-significance indicated. Limited number of responses hampers interpretation.

<b>q8: Final stage of KickStart programme</b>					
	s & e	q8.1: Frequency of BP-update		0.5121	NO significant distribution differences indicated re updating between two groups. But it is interesting to not the substantial proportion of respondents in both groups which indicated that they do not update their business

					plans anymore (20+%)
		q8.2. Suggested future KickStart assistance	0.8946	0.8932	No significant difference in suggestions-distributions of start-up and existing businesses. Both groups suggest finance, referrals, marketing and mentoring as aspects where more assistance would be beneficial
		q8.3: KickStart improvement suggestions	0.8581	n.a.	Non-significance indicated. Limited number of responses per category. Although suggestions re networking within SABMiller, experienced mentors, support to non-awardants, etc are suggested quite often by respondents as possible improvements.
<p><b>Significance level:</b></p> <p>*** : Probability (test statistic = calculated value) &lt; 0.001  ** : Probability (test statistic = calculated value) &lt; 0.01  * : Probability (test statistic = calculated value) &lt; 0.05  ? : Probability (test statistic = calculated value) &lt; 0.1</p>					

## APPENDIX N

### SUMMARY TABLE ON STATISTICAL RESULTS AND DEDUCTIONS OF TWO-WAY FREQUENCY ANALYSES BY TYPE OF SAB KICKSTART SUPPORT RECEIVED: TRAINED ONLY VERSUS TRAINED AND FUNDED AND MENTORED

Each row within the summary tables presented below represents the results of a two-way frequency table. When significance could not be proven, comments on general trend are sometimes included

#### Significance levels:

\*\*\* : Probability (test statistic = calculated value) < 0.001

\*\* : Probability (test statistic = calculated value) < 0.01

\* : Probability (test statistic = calculated value) < 0.05

? : Probability (test statistic = calculated value) < 0.1

**Table 2**

**Summary table on results and deductions derived from individual two-way frequency tables to investigate the significance of the effect of the indicator variable , *type of KickStart assistance received (training = T or training, funding and mentoring = F)*, on respondents' perceptions regarding the issues listed below.**

Each row of the table represents a two-way cross-reference frequency table. In the body of the table, the first column lists the indicator variable (status), the second column the levels of the indicator variable, the third column the exact chi-square probability of Fisher's Exact test using the Monte Carlo approximation , and significance indicator if applicable, the fifth column lists Pearson's chi-square probability if applicable, and deductions derived from the test results and relevant frequency table are presented in the last column

Indicator variable		Question cross-referenced	Prob. Exact test, significance	Prob. Chi-sq, significance	Deductions
	t & f	q1.1: When were you part of the KickStart programme	0.0332*	0.0340*	Significant distribution differences between training and funding assistance do exist. Although numbers assisted increased over the years for both groups, in 2001 significantly more funding were granted, and in 2003 and 2005 proportionately more training were provided than funding (where 'funding' implies training and funding in this table) assistance
	t & f	q1.2: Business region	0.9018	0.8943	Although significant differences in distribution between training and funding assistance have not been indicated, both groups drew the smallest number of

					participant from the KZN and North regions.
	t & f	q1.4. Industry business represents	0.8874	n.a.	Not significant, The training and funding assistance-groups both seem to have most of their businesses in the manufacturing and business services industries
	t & f	q1.5 Gender	0.7185	0.6940	No significant difference in distribution between genders. In both instances men proportionately received more KickStart assistance than women.
	t & f	q1.6: age	0.8398	0.8077	No significant distribution differences between type of assistance provided regarding age, but in both groups the majority of participants fell in the 26-35 age brackets.
	t & f	q1.7: race	0.4438	0.3839	No significant distribution differences between the type of assistance provided regarding race, but for both assistance groups the greatest proportion of KickStart assistance was rendered to blacks.
	t & f	q1.8: highest educational qualification (before KS)	0.1313	n.a.	Although the frequency distribution of the two groups do not differ significantly (thus implying that they 'behave' similarly), if can be derived that for both groups over 80% of the respondents had a grade 12 qualification or a diploma.
	t & f	q1.8: highest educational qualification (after KS)	0.6839	n.a.	Although the frequency distribution of the two groups do not differ significantly (thus implying that they 'behave' similarly),,if can be derived that for both groups the majority of respondents had a post-grade 12 certificate. It cab further be deduced that respondents upgraded their qualifications for both groups, since the higher qualification levels all gained in frequency.
	t & f	q1.9: Managerial qualifications	0.4013	n.a.	no significant difference between distributions of training and funding assistance-groups regarding managerial qualifications. It can however still be deduced that both groups had a

					substantial proportion of participants without qualifications or with a post-grade 12 certificate.
	t & f	q1.10: managerial experience	0.3937	0.3888	No significant difference in distribution between groups re experience. Twenty six percent of the training group and 36% of the funded group had middle or senior management experience. The greater majority had no or supervisory experience.

	t & f	q1.11 Prior experience in similar businesses	0.9840	0.9792	NO significant distribution differences indicated between the two assisted groups re prior similar experience. Frequencies indicate that the proportion of inexperienced to experienced respondents for both groups was more or less equally distributed over experience categories.
	t & f	q12: Status of business on joining KickStart	0.0904?	0.0697?	On the 10% level of significance distribution-differences between training and funded assistance groups re start-up and existing businesses exist. Proportionately start-up businesses received more training and existing businesses received almost equal occurrences of training and funding/training
	t & f	q1.13: same business when joined KickStart	0.0044*	0.0044*	Significant differences in distributions between training and funding assistance re original business. Those with funding assistance tend to stick to their original businesses (91%0, while more of the training participants have other businesses. (71%)
	t & f	q1.14. nature of business changed?			
	t & f	q1.15.1 What happened to business?	0.3499	n.a.	NO significant difference between distributions
##	t & f	q1.15.2: Why was business closed?	0.5931	n.a.	No significant distribution differences indicated. (Cell-Frequencies very low.)
	t	q1.16. How	0.0332*	0.0343*	Significant difference in

	& f	many businesses do respondent co-own?			distribution between two groups re number of businesses participants co-own. A tendency exists for funded-group participants to be proportionately involved in more businesses than training respondents. (63% training group co-own one or two businesses, while the corresponding figure is 84% for the funded group)
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<b>q2: Application and selection phase</b>					
Status	t	q2.1. Difficulty providing info to panel	0.9328	0.9212	Non significance for training-group implies that respondents found it equally difficult to supply info on the two aspects.
	f		0.0321*	0.0343*	Funded group: Significance implies that respondents rated levels of difficulty differently for the two aspects, indicating info on Business Plan (BP) easier to provide than fin. statements
	t & f	q2..2. Did respondent do the GET-test?	1.0000	0.9833	No significant difference between two groups' distributions re writing of the test. The majority in both groups wrote the test,.
##		q2..2. How good is the GET-test?	0.4195	n.a.	Though significant distribution differences between the two type-of-assistance-groups are not indicated, a substantial proportion of both groups rated the test highly to extremely good.
	s	q2.3. Perceptions on Selection Panel	0.0116*	0.0119*	Significance indicated between interview aspects distributions. Growth potential was perceived as aspects which panel did not fully perceive, while the other two aspects were perceived as more easy to converse about.
	e		0.0000***	n.a.	Significance indicated between interview aspects distributions. Growth potential was perceived as an aspect which panel did not fully perceive, as well as the fairness of the evaluation questions. But the greater

					proportion of respondents still indicated appreciation for the panel's judgement.
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q3: Training phase of KickStart programme					
	t & f	q3.1: Kick Start trainer			Frequencies listed.
	f	q3.2. Quality of trainer			Significance indicated which implies that respondents did not perceive all aspects to be equally well covered in the course. Aspects such as delegation, negotiation, coaching and problem solving were perceived as not that well covered (30% not at all/ or slightly covered). Conflict resolution was perceived as not well covered. (44% indicating not at all or only slightly addressed.).
	t & f	q3.2.4: practical examples presented by trainer?	0.0686?	n.a.	Significance on the 10% level indicates that a tendency exists for training-group participants to perceive that less practical examples are presented than funding-group respondents (79% vs. 94%)
	t & f	q3.2.5: Trainer cover all course material?	0.3194	0.3127	Not significant. The majority (more than 90% of respondents) in both groups perceived that at least 70% of the work was covered.
	t	q3.3, Quality of KickStart training.	0.0000***	<0.0001***	Highly significant distribution differences indicated regarding rating of various aspects of training benefits. Training group especially indicated improved ability to draw up business plan
	f		0.0000***	n.a.	Highly significant distribution differences indicated regarding rating of various aspects of training benefits. Funded group especially indicated improved management and drawing up of business plan skills.



	t & f	q3.3.7. Allow to apply knowledge to business?	0.0257*	n.a.	Significance distribution-differences between training and funding respondent-groups indicated. In relation proportionately substantially more respondents in the training-group (23%) indicated that they were only allowed to apply acquired knowledge to some extent in their businesses ('slightly'), as opposed to the proportion of only 5% of the funded-group. Distribution-differences also manifest with 92% of the funded-group indicating that they could apply their knowledge to a greater extent ( quite to extremely) with the corresponding figure being 73% for the training-group.
	t	q3.4. Skills addressed	0.0030**	0.0034**	Significant distribution differences imply that training-group respondents did not rate all aspects equally. Marketing, was for example rated as adequately to very well covered, whereas the aspects of conflict resolution and negotiation were rated as less adequately covered.
	f		0.0013**	0.0014**	Significance in distribution differences implies that funded-group respondents did not rate all aspects equally. For example financial management was rated as adequately to well covered but project management and problem solving were rated as not that well covered (although more than 50% still indicated adequacy) .
	t & f	q3.5. Suggested training improvements	0.2101	n.a.	Non-significance in this instance implies that the improvement-suggestions-distribution for training and funding assistance do not differ significantly. Generally both groups strongly suggest outcomes based training, extended training period, and invited business experts.

	t	q3.6. Extent to which manual was covered	0.1210	n.a.	Significance not indicated which implies that training-group respondents viewed all aspects equally beneficial
	f		0.0420	n.a.	Significance rating-distribution differences exist over the various benefit-areas for the funded-group. Although all were rated as beneficial, marketing and drawing up of business plan-skills and financial management seemed to benefit most.
	t & f	q3.7 Complete business plan after training course?	0.0431*	0.0326*	Significant distribution-difference between two groups re business plan completion was indicated. Proportionately significantly more funded-group respondents completed their business plan (94%) as compared to training group respondents.
		q3.7.2. Regional panel criteria			Non-significance in this instance implies that the grant-criteria distribution of the funding and training respondents do not differ significantly. Both groups perceive growth of the business, understanding of the business and presentation skills to be the most important criteria
##	f	q3.7.3. Reason no regional grant	n.a.	n.a.	Applies to funded group only

#### q4: Information about the business

	t & f	q4.1: how long has business been operational?	0.0044*	n.a. (time-categories can be compressed. Redo analysis?)	Significant difference in age-distribution of business. A significant trend difference over time exists between the two groups. Eighty four percent of the training-group respondents' businesses had existed for less than 6 years, while 74% of funded businesses were in existence for the corresponding period. Twenty three percent of Funded-group businesses had been in existence for 6-10 years compared to 15% for the training-group
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					businesses. The same trend applies to the period 11-20+ years. (1% vs 3%).
	f	q6.5.1	n.a.	n.a.	Naturally only funded-group responses were recorded and the majority (70%) of respondents indicated satisfaction to greatly satisfied ('quite' and 'extremely')
		q4.2-q4-.5 : please refer to regression analyses			

#### q5: SAB KickStart funding. Regional and National

##	t		1.0000	n.a.	Very few respondents
	f	q5.1. Benefits funding	0.0029**	0.0020**	Significant distribution differences imply that funded group respondents did not rate all aspects equally. They were for example divided whether grants should be restricted to the acquisition of assets, whether SAB payout was efficient and whether delays in payouts to supplier occurred. On the other hand they were positive about grants stimulating growth and that grants should be made available as working capital as well

##	f	q5.2.Extent to which respondent sticks to SAB grant agreements re: q5.2.1 submit reports	n.a. Naturally no training-group respondents	-	Majority indicated monthly submission
		q5.2.2 did monthly report help to grow business	n.a.	-	Majority indicated that they did benefit from the monthly reports
		q5.2.3 did you receive feedback from monthly reports	n.a.	-	Majority indicated that feedback was received
		q5.2.4 was feedback valuable?	n.a.	-	Majority indicated that feedback was valuable

#### q6: SAB KickStart monitoring

##		q6.1.	n.a.	n.a.	Mentor contact could
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		Frequency of mentor contact			naturally only be established for the funded group. Monthly mentoring was most often indicated. (frequency of 36)
	f	q6.2. Contact method	n.a.	n.a.	Naturally only funded respondents included. Mentors contact respondents telephonically or in face-to-face meetings most often
	f	q6.3. Extent of mentor support satisfaction re:	0.0026**	0.0033**	Significant distribution differences indicated between various mentor satisfaction-aspects. The greatest proportion of respondents rated most of the mentor assistance aspects as satisfactory. Indecision was expressed regarding networking and human resources
	f	q6.4. Suggested mentor support	-	-	Naturally restricted to funded-group. Marketing assistance from mentor was most strongly suggested
	f	q6.5.1. Overall mentor satisfaction	-	-	Naturally restricted to funded group. The majority of respondents indicated that they were satisfied to highly satisfied with their mentors.
	f	q6.5.2. reason for mentor dis/satisfaction	-	-	Restricted to funded-group respondents. majority of respondents indicated that character and services of mentor were the most important reasons
<b>q7: National KickStart awards.</b>					
	f	q7.1: Were you selected for National Awards?	n.a.	n.a.	Only funded-group responses were recorded, and 68% indicated that they were selected.
##	f	q7.1 Selection criteria	-	-	Business growth was indicated as single most important criterium
	f	q7.2. Regional panel's judgement skills	n.a	n.a.	Applicable only to funded-group. Sixty percent indicated that panel were aptly skilled to judge fairly ( 'quite' and 'extremely') But 33% indicated indecision.
	f	q7.3. Regional Panel's criteria,	-	-	Applicable only to funded-group responses. Actual growth was again indicated as single most important criterion
	f	q7.4. Nas. Panel 's judgement	n.a.	n.a.	Only applicable to funded group. Fifty seven percent indicated that panel was aptly

		skills			skilled and 41% indicated undecidedness.
	f	q7.5. Nas. Panel's criteria	-	-	Actual growth followed by future potential was strongly suggested. Great proportion indicated 'do not know'
	f	q7.6. Suggested national panel criteria	-	-	Actual growth, future potential were strongly suggested
<b>q8: Final stage of KickStart programme</b>					
	t & f	q8.1. Still updating business plan?	0.0981?	0.0974?	On the 10% level of significance distribution-differences between training and funded-groups are indicated. A larger proportion of the training group do not update at all, and a trend exists over update-periods indicating that a greater proportion of funded-respondents update annually (47% vs. 25% for training-groups respondents)
		q8.2. Suggested future KickStart assistance			No significant difference in suggestions-distributions of training and funding assistance. Both groups suggest finance, referrals, marketing and mentoring as aspects where more assistance would be beneficial
<b>Significance level:</b> *** : Probability (test statistic = calculated value) < 0.001 ** : Probability (test statistic = calculated value) < 0.01 * : Probability (test statistic = calculated value) < 0.05 ? : Probability (test statistic = calculated value) < 0.1					