The role of networks in mobilising capital in different ethnic groups in South Africa: A mixed embeddedness approach to entrepreneurship.

by

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Bruce Mitchell
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For my wife, Jess,

My son, Dylan

And my daughter, Shauna

My deepest love and gratitude

ABSTRACT

The purpose of the study is to make intelligible how and why different ethnic groups use networking in different ways to acquire and organise capital, within the specific socio-economic and institutional context of South Africa as a developing country in a state of transition.

Presently, South Africa, with the official dismantling of Apartheid in 1990 and the establishment of a democratically elected government in 1994 has resulted in unprecedented changes in the political, economic and social arenas. One aspect of this change is the growing number of African entrepreneurs in various sectors of the economy, sectors from which they were previously excluded by law and social conventions. However, it is imperative to realise black entrepreneurs face certain unique constraints, such as institutional bias in favour of the larger firms, distrust of carryover Apartheid-institutions, too much reliance on non-governmental organisations, and the racially exclusive character of the culture of business networks.

The three ethnic groups chosen for this study will contribute more to the understanding of how networking in entrepreneurs is conducted within a developing country. It will take a mixed embeddedness approach, in that groups' use of networking to mobilise social, human and financial capital will be the focal point. The sample consisted of 325 entrepreneurs from the KwaZulu-Natal province of South Africa, of which there were 111 African, 121 Indian and 90 European entrepreneurs in the sample.

Various quantitative data analysis methods were used in the study. Chi-square and Analysis of Variance was conducted on the data to test for significant differences between the three groups. In addition, factor analysis was conducted in order to identify the underlying constructs in the data. Furthermore multiple regression analysis was used to test for relationships between network variables and other relevant variables. Discriminant analysis was conducted to measure whether the scales are able to classify the entrepreneurs into their ethnic groups, based on various characteristics.

This study has advanced the literature by comparing a number of ethnic groups within the same unique context, by taking a mixed embeddedness approach. It has focussd on a country in transition, and acknowledging the unique history of the country, and the impact that it has had on its people. It has also heeded the call to conduct entrepreneuruial research in the developing world, and Africa in particular. Furthermore, recommendations were made for supporting and developing entrepreneurship in this context.

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CHAPTER ONE
Introduction

This section will give a background to the research, address the problem statement, general purpose and specific objectives of the research. In addition, the contribution of the study, and the delimitations of this research will be presented. Lastly, the structure of the study will be outlined.

Until fairly recently, there has been a lack of empirical studies done on entrepreneurship in South Africa, and existing ones have focused primarily on the psychological traits of entrepreneurs (Van Vuuren & Boshoff, 1994; De Klerk, 1998), demographic differences (Boshoff et al., 1995; De Klerk, 2010), and motivation factors (Mitchell, 2003a; Botha et al., 2007). In addition, although there have been a number of studies comparing ethnic groups' levels of entrepreneurship, there is a dearth of studies on ethnic groups in South Africa. Although there has been one comparative study conducted on ethnic entrepreneurs in South Africa (Godsell, 1991), it merely looked at the characteristics of the entrepreneurs, and failed to examine the opportunities available to them, in addition to ignoring the wider institutional context.

With its many cultures and dynamic and transforming socio-political environment, South Africa represents a particularly problematic case study regarding levels of entrepreneurship. It can be further argued that specifically relative to the Black community, under Apartheid rule there evolved a strong anti-entrepreneurial culture as a result of the political policy of the time (Allie & Human, 1998; Olomi, 1999). The official dismantling of Apartheid and the establishment of a Black-led government have resulted in unprecedented changes in the political, economic and social arenas in South Africa. One aspect of this change is the growing number of Black entrepreneurs in various sectors of the economy from which they were previously excluded by law and social conventions (Iheduru, 1998; Mbaku, 2000). In the search for possible strategies to develop SME's, special attention needs to be given to ethnic communities that have been marginalised and excluded from active and meaningful participation in the South African economy (Lekota, 1995; Gumede, 2004).

Entrepreneurship is critically important in South Africa, given the state of the country's economic, social and political challenges (Herrington et al., 2011). The main argument put forward is that different ethnic groups in South Africa have historically had different levels of access to opportunities, due predominantly to the various pieces of legislation which restricted certain ethnic groups in terms of where they could live, conduct business, and go to school. These opportunities include market forces favouring certain enterprises, access to ownership, personal predisposition towards starting a new firm such as blocked mobility, personal aspirations, education and the ability to mobilise resources from family and government sources (Godsell, 1991; Allie & Human, 1998). The challenge for future research, however, is to determine the relative impact that this lack of opportunities has had on the different ethnic groups in South Africa (Mitchell, 2003b). South Africa is not only a culturally heterogeneous society, but because of its colonial and Apartheid history, different cultural values are expected to influence proclivity towards entrepreneurship among ethnic groups (Urban, 2006).

1.1 Problem statement

Entrepreneurship is increasingly being recognised as an important vehicle for economic growth and the regeneration of economies (Assudani, 2009; Chand & Ghorbani, 2011), and the critical benefits to the African continent have been reinforced by a number of researchers (Harper, 1991; Adam, 1999; Ramachandran & Shah, 1999; Fink, 2002; Kiggundu, 2002). Small and medium-sized enterprises (SMEs) are the dominant form of entrepreneurial activity in sub-Saharan Africa, and constitute around 90 percent of business operations and create over 50 percent of employment and GDP (Van Vuuren & Groenewald, 2007; Legatum Institute, 2011). In addition, sub-Saharan African economies have enjoyed the second-fastest growth rate in the world for the past decade, and the trend looks set to continue, according to the Institute of International Finance (IFC, Nov. 2011). Despite having a wealth of natural resources, African nations are typically near the bottom of any list measuring entrepreneurial activity. In 2009, 22 of the 24 nations identified as having "Low Human Development" on the United Nations' (UN) Human Development Index were located in sub-Saharan Africa (UNDP, 2011), and 34 of the 50 nations on the UN list of least developed countries are in Africa.

South Africa is sub-Saharan Africa's economic hub and one of the world's largest producers and exporters of gold and platinum (Heritage, 2012). The economy of South Africa is the largest in Africa, and accounts for 24 percent of Gross Domestic product (World Bank, 2012), and although it is not the most populous country in sub-Saharan Africa, it remains the largest economy, outweighing its three closest African rivals combined. The vital contribution that SMEs can make to employment and income generation is recognised worldwide, and in South Africa in particular (Malagas, 2002; Brink et al., 2003; Maas & Herrington, 2007).

It is imperative to consider the environment in which entrepreneurs operate, and Kinunda-Rutashobya (1999: 24) contends that entrepreneurial activities vary from one socio-economic context to another. These differences arise from variances in economic, political, historical and social circumstances, laws and the regulatory framework, policies and levels of state involvement, formal and informal socio-economic institutions, type and distribution of resources and socio-cultural sectors (Buame, 1996; Morrison, 2000; Ucbasaran et al., 2001). Furthermore, Ahwireng-Obeng and Piaray (1999: 78) argue that formal institutional factors exert a powerful negative influence on entrepreneurship in South Africa. In addition, according to the World Bank (2007), Apartheid both limited job opportunities in the formal economy for Black South Africans and restricted the right to establish and own businesses. The long-term impact of Apartheid business legislation has resulted in low skills, lack of an entrepreneurial tradition and weak SME support institutions.

The official dismantling of Apartheid in 1990 and the establishment of a democratically elected government on the 10th May 1994 have resulted in rapid socioeconomic and political change and development (Statistics South Africa, 2011), signalling serious economic problems (Iheduru, 1998). South Africa is a country with First and Third World socioeconomic characteristics in which the distribution of wealth and income is heavily skewed, with the Gini coefficient (measuring income inequality) one of the highest in the world. Compared to other African countries, South Africa may be categorized as a relatively affluent and politically stable country. However, its social and political stability is relatively fragile (Preisendorfer et al., 2012: 3). One aspect of this change is the growing number of Black entrepreneurs in various sectors of the economy, sectors from which they were previously excluded by law and social conventions. Manning and Mashigo (1994: 83) state that: “Black entrepreneurs face certain unique constraints, such as institutional bias in favour of the larger firms, distrust of carryover Apartheid-institutions, too much reliance on non-governmental organisations, and the racially exclusive character of the culture of business networks”. Iheduru (1998) believes that South Africans face a period of political transition from the old system of Apartheid with all its intricate institutional constraints, to a new integrated but still uncertain system of government.

The increasing importance of immigrant entrepreneurship has been highlighted by many authors (Light 1972; Waldinger et al. 1990; Light & Rosenstein 1995; Light & Gold 2000; Rath 2000; Kloosterman & Rath 2001, Kloosterman, 2003). This is not only the case in many high immigration countries such as Australia (Collins 2003), Canada (Razin & Langlois 1996) and the USA (Light & Rosenstein, 1995), but also in many European countries experiencing an increase in immigration in recent years such as the UK (Ram et al., 2001; Ram & Smallbone, 2003), the Netherlands (Kloosterman, 2003) and Germany (Leung, 2003). In these countries, many minority immigrant groups manifest a higher rate of self-employment and entrepreneurship than the indigenous population (Collins & Low, 2010).

Salimath and Cullen (2010) believe that recent evidence points to the fact that entrepreneurship is indeed a vital determinant of economic growth (Carree & Thurik, 1999; Audretsch & Thurik, 2001; Audretsch et al., 2002; Carree et al., 2002). Further, it is has been found that a lack of entrepreneurship results in costs in terms of foregone economic growth (Audretsch et al., 2002), hence a lack of entrepreneurship can have negative cost consequences for the country. Following van de Ven's (1993) suggestion that the study of entrepreneurship is deficient if it focuses exclusively on the characteristics and behaviours of individual entrepreneurs and treats the social, economic, and political infrastructure for entrepreneurship as externalities, a growing body of research has focused on new venture creation and the relation between the environment and the nature of entrepreneurial activity (Gnyawali & Fogel, 1994). The institutional perspective is strengthened by Low and MacMillan's (1988) suggestion that future research should consider contextual issues and identify the processes that explain rather than describe entrepreneurial phenomena.

In a study of over 600 entrepreneurs in Africa, Benzing and Chu (2009) researched on what motivated entrepreneurs to start a business. Their study sought to determine if entrepreneurs have similar motivations across countries and across gender or do the motivations among entrepreneurs differ due to environmental factors. In an earlier study, Bewayo (1995) found that entrepreneurs in Uganda indicated that “making a living” or “making money” is the most important motivator, with autonomy, freedom, and independence also being reasons. In addition, Chu et al. (2007) found that increasing income is the most important motivation for entrepreneurs in Ghana and Kenya. These studies show that the motivations of entrepreneurs can differ across countries and even regions of the same country (Benzing et al., 2005a, 2005b). As a result, the historical, economic, political and cultural differences between the various groups in the South African context are likely to influence the importance of motivation factors.

Also, Wong (2007) argues that it is critical to study the role of human capital and social capital simultaneously when looking at ethnic entrepreneurship. Therefore, following suggestions in the more general literature on social capital (Coleman, 1988; Lin, 1999), I will attempt to unite research in the field of ethnic entrepreneurship that has examined either the role of human capital (Friedberg, 2000; Bratsberg & Ragan, 2002; Zeng & Xie, 2004), or the role of social capital (Mouw, 2002; Aguilera & Massey, 2003).

In a comparative study, Dana (1993a: 30), in trying to find the reasons why certain ethnic groups are more entrepreneurial, came to the conclusion that one possible reason is that for some ethnic groups, entrepreneurship is culturally desirable, and for others, it is a means of coping with marginalisation. According to Allie and Human (1998: 31), marginality has been confounded by the negative stereotyping that is reinforced by the maximalist classificatory system of the Apartheid government in South Africa, whereby people were identified firstly by their race, which subsequently determined their path, for example, where they could live, which schools they could go, which jobs they could apply for, and to a large degree their future. However, Hagen (1962) believes that the initial condition leading to eventual entrepreneurial behaviour is the loss of status by a group. This can occur either when the group is displaced by force, or may arise because of status inconsistency or when a group is not accepted in a new society.

In contrast, Kinunda-Rutashobya (1999) maintains that results often reveal that some marginal groups are not entrepreneurial, and she advocates for more empirical work especially in the African context and argues that reasons for success of one ethnic group over another can be further understood by network theory. This perspective is reinforced by the research of Godsell (1991), in her study of four ethnic groups in South Africa. She discovered that although both Indian and Black entrepreneurs were victims of discriminatory legislation, the Indian entrepreneurs were able to utilise resources provided by family and the community, which included the local, national and institutional community. Among the Black entrepreneurs, very few networks were found, which was ascribed to the low status of small business in the Black community. A further explanation for this lack of networks was the perception that traditionally African entrepreneurs have had very few entrepreneurial role models. In trying to explain the lack of entrepreneurship among African entrepreneurs in the UK, (Ram, 1994, 1997; Basu & Goswami, 1999), and in the US, (Light & Gold, 2000; Yoo, 2000), one feasible explanation is that there was a shortage of entrepreneurial role models in their community.

Nonetheless, scholars continue to argue that entrepreneurial variations are better understood by considering the social environment in which the firm is created, because, in addition to economic activity, entrepreneurship is a social phenomenon (Shapero & Sokol, 1982; Berger, 1991; Steyaert, 2007). While the economic conditions may explain some of the variation, any convincing explanation must take account of the social and cultural aspects of entrepreneurial activity (Drakopolou et al., 2002a). Furthermore, the majority of studies on ethnic entrepreneurship have been conducted in developed countries, and subsequently theories have been developed using these samples, and then haphazardly applied to the developing regions of the world. The context in which entrepreneurs do business is vastly different in a developing country, and thus research is urgently needed in these contexts.

However, entrepreneurial activity does not occur in a vacuum. Instead, it is embedded in cultural and social contexts and within webs of human networks that are both social and economic (Johannisson, 1990). In addition, Johannisson (1990: 4; 2000) affirms that entrepreneurs' personal networks are the "most significant resource of the firm". Empirical studies have illustrated that entrepreneurs use informal network contacts (family, friends, and business people) more than formal network contacts (bankers, accountants, and lawyers) as information sources (Aldrich et al., 1987: 158). An entrepreneur's personal network ties can expand the boundaries of rationality by creating and allowing access to knowledge and information. As the boundary is extended, more new venture ideas and opportunities and potential competitive advantages may be recognised, screened and assessed, and then if appropriate, acted upon.

To comprehend the socio-economic position of ethnic entrepreneurs, one needs to take into account not only their embeddedness in social networks, but also their embeddednesss in the socio-economic and politico-institutional environment of the country, which would include both formal and informal institutional factors. Kloosterman and Rath (2001: 2) refer to this approach as "mixed embeddedness". They maintain that opportunity structures are not the same in different regions or cities within one country. Markets, and therefore opportunity structures, are social phenomena and thus are embedded in wider social contexts that may differ. Thus, by using the mixed embeddedness approach, the intricate interplay between individual actors, social networks and opportunities for businesses can be explored.

In order to also better understand the wider context in which the entrepreneurs conduct business, institutional theory will be focused on. The institutional factors impacting entrepreneurship include the direct action of governments in constructing and maintaining an environment supportive of entrepreneurship as well as societal norms toward entrepreneurship (Bruton et al., 2010). Specifically, the level of entrepreneurship in a society is directly related to the society's regulations and policies. This is supported by Ram et al. (2000: 52) and Thornton, Ribeiro-Soriano and Urbano (2011: 14), who contend that an understanding of state and urban governance is a vital factor in studying ethnic entrepreneurs. They argue that one needs to be cognisant of the milieu in which the business operates, as there are vital contextual factors that influence the direction of the business. Furthermore, North (1991: 38) argues that institutions reduce uncertainty by providing dependable and efficient frameworks for socio-economic exchange. It is within this framework that it is crucial to study how entrepreneurs from different ethnic groups are affected by the institutional context. Veciana and Urbano (2008: 373) claim that the process of becoming an entrepreneur is greatly influenced by the formal and informal institutions in their environment. Furthermore, Jones and Ram (2010) reinforce this view, by stating that attention should be paid to changes in the political and economic environment. This is especially pertinent to the state of South Africa at present, with significant changes occurring both in the business, economic and political arenas.

Nevertheless, one needs to take cognisance of the fact that ethnic entrepreneurs create new and enduring economic networks that allow them to raise their economic standards (Galbraith et al., 2004). Often, individuals settle in areas occupied by their own ethnic group. Where there is a dense concentration, an ethnic economy develops, and these groups can become embedded in ethnic enclaves. It is these ties with their co-ethnics that open up various opportunities for ethnic entrepreneurs to start businesses. In addition, as the ties within the ethnic group get stronger, the cost of doing business decreases. With the increase in trust arising from the creation of social capital, entrepreneurs are exposed to information that is not readily available in the market (Galbraith et al., 2004). Therefore, empirical research (Kinunda-Rutashobya, 1999; Kloosterman & Rath, 2001) illustrates that there are differences in rates of entrepreneurship between ethnic groups, and the reason for this lies in the entrepreneur's access to various forms of capital, and ethnic groups with high rates of entrepreneurship utilise networking extensively in order to access resources.

South Africa is a prominent unique example of a country in transition with a long history of domination, suppression and discrimination. Previously a British colony, it then became an independent republic, with a government that preached separate development, based on race. The adopted policy of Apartheid has had a devastating political, social, and economic impact on the lives of South Africans. Therefore South Africa represents a very unique case, and even more so when studying ethnic entrepreneurship. The majority of South Africans were marginalised, whereas in other studies of marginalised groups, they were the minority group. Thus in a study of entrepreneurship in South Africa, it is essential that the wider institutional formal and informal context be addressed. Presently, South Africa is a country undergoing radical change in the political, economic and social spheres and therefore this study will make a significant contribution to research. This in similar to what Welter & Smallbone (2011) recently found in former Soviet republics, where there are major institutional deficiencies in the business environment, the types of entrepreneurship are heavily influenced by the external environment.

The three ethnic groups chosen for this study will contribute more to our understanding of how entrepreneurs utilise networks within a developing country.

The African entrepreneur group is an example of a marginalised group, but in South Africa, they are a majority, rather than a minority group, and they encountered many difficulties in the past, experiencing prejudice and discrimination. Historically, the Apartheid system repressed the informal activities of Black South Africans through restrictive legislation such as the Group Areas Act, harsh licensing, strict zoning regulations, and effective detection and prosecution of offenders (Kingdon & Knight, 2004). Also this group is not an immigrant group, but an indigenous group.

The Indian ethnic group is an example of a group filling the “middleman minority” group. Although the Indian community is small, just over one million, they form a homogeneous and distinctive group. Furthermore, they have not only survived discriminatory legislation, often aimed specifically at impeding their economic progress, but are also marginalised by institutional factors but have actually flourished in economic terms.

The White ethnic group also have a long history in South Africa, but their position in South Africa has always been one of privilege, and was originally one of being the colonial power. Historically, the economic power in South Africa has remained in the hands of the English-speaking section of the community. However, this has not traditionally been entrepreneurial in nature, but has relied heavily on the large mining houses and merchant banks. However, with change, firstly with the Afrikaner-led government and then the Black-led government in 1994, their position in society has changed dramatically.

Furthermore, this research will address a number of key areas which according to the GEM 2008 report require urgent attention (Maas & Herrington, 2009). Firstly, since South Africa is a very diverse culture, it is imperative to understand how the various ethnic entrepreneur groups conduct business. Secondly, there is a need to conduct empirical research in the South African context. Thirdly, there is a shortage of primary research on the various ethnic groups, rather than relying on secondary information. Lastly, this study will attempt to shed more light on networking theory, specifically analysing individual differences between the various groups. Therefore, this research project will focus on fulfilling these crucial shortcomings of previous research in the South African context.

1.2 General purpose of the study

The purpose of the study is to make intelligible how and why different ethnic groups use networks in different ways to acquire and organise capital, within the specific socio-economic and institutional context of South Africa as a developing country in a state of transition.

The research will take into consideration several shortcomings of previous research by focusing on three ethnic entrepreneur groups within the same context. In addition, it will take a mixed embeddedness approach and look at a number of interrelated factors affecting the entrepreneurs. In addition, this affirms the recent suggestion made by several authors that when studying entrepreneurship, to consider their links to socio-cultural factors more than economic variables (Thornton, 1999; Downing, 2005; Urbano, 2006; Steyaert, 2007). The institutional approach as well as the mixed embeddedness approach can also provide useful insights for researchers in exploring the complex nature of institutions that affect entrepreneurship in various contexts as well as among different entrepreneurs. (Salimath & Cuthbert, 2010; Urbano et al., 2011). Furthermore, Galbraith and Benitez-Galbraith (2009) argue that most sociologists and ethnic entrepreneurship researchers tend to view social capital within the descriptive framework of networks, relationships, and embeddeness (Rath, 2002).

The specific research objectives of the study derived from the above mentioned purpose of the research seek to:

1. develop a conceptual model explaining ethnic entrepreneurship and its use of different forms of capital within the South African context;

2. describe the three ethnic entrepreneur groups in terms of their demographic variables, business and customers, capitalisation of the business, and employee relations;

3. determine significant motivation factors for starting their businesses;

4. explain how ethnic group members utilise their networks to obtain resources;

5. analyse the relationship between the characteristics of the entrepreneurs and their utilisation of networks;

6. examine if there are any significant differences between the three ethnic groups regarding their utilisation of social capital;

7. ascertain whether there is a relationship between network variables and social capital utilisation;

8. describe and analyse the institutional context in the region, specifically the political, economic, historical and socio-cultural environment;

9. analyse the ethnic entrepreneurs' perception of the institutional context of South Africa, and the impact it has on the success of their business; and

10. present recommendations to improve the institutional environment of entrepreneurship in the province of KwaZulu-Natal, South Africa.

1.3 Contributions of the study

This research will make several unique contributions to the entrepreneurship literature:

Firstly, it will be a comparative study of three ethnic groups within one country, which will allow for inter-group comparisons. It will adopt a mixed embeddedness approach, in that groups' use of networking to mobilise social, human and financial capital will be the focal point. In addition, it will also address the wider economic and institutional context of a developing country.

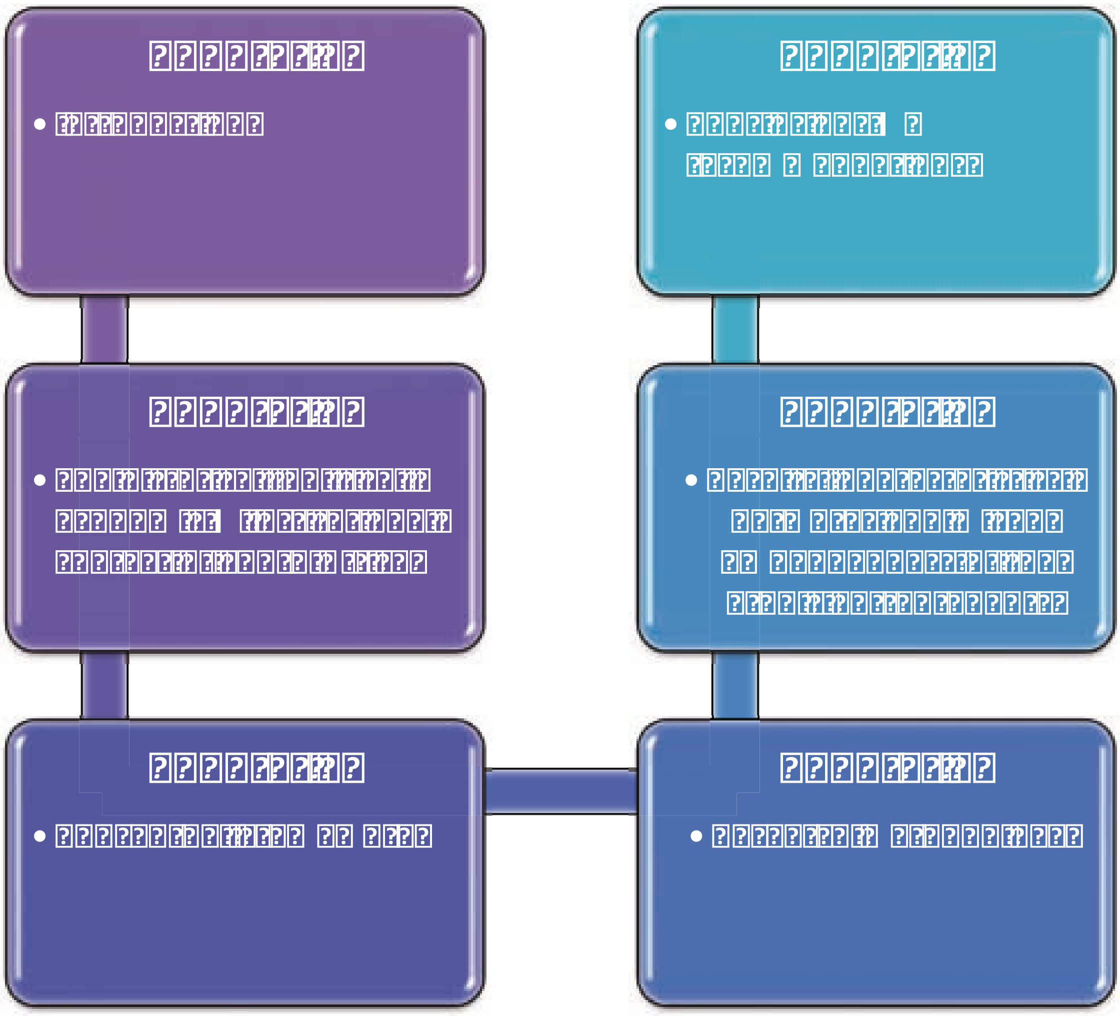
Secondly, it will focus on the unique context of South Africa. Presently, most of the ethnic entrepreneurship theories and literature originate from research in developed countries, so there is a need to focus on other parts of the world. It is clear that findings from other regions of the world may not necessarily be applicable in South Africa due to cultural and socio-economic differences.

Furthermore, South Africa is unique because of the historical and political circumstances that led to the majority of the country being marginalised. In addition, social class is race-based in South Africa, due to the effects of colonisation and Apartheid.

Fourthly, this study has used research intermediaries of the same ethnicity as the interviewees in order to gain access to ethnic communities otherwise potentially inaccessible to this researcher. The use of research intermediaries to represent and reflect each ethnic group would allow greater access and trust to the three groups. This was supported by Ram (1991; 1994), whereby having interviewers from the same ethnic background as the interviewees led to more access and acceptance.

Fifthly, this research acknowledges the calls for researchers from the local communities to conduct research on their own people as opposed to visitors from previous colonial powers possibly enforcing their own biases and prejudices upon the local indigenous groups (Galbraith et al., 2006; Foley, 2007).

1.4 Outline of the research



This dissertation will be divided into six chapters, as seen in the above diagram. However, the study is divided into two distinct stages, each consisting of a number of different chapters.

Stage 1: Theoretical Section

The theoretical section will lead to the final development of a conceptual model of ethnic entrepreneurship. In chapter one, the background of the study was presented. It contained the introduction and context in addition to the rationale and significance of the study. It also identified the research problem, in addition to the research questions and objectives, and the unit of analysis and delimitations of the study.

In the following chapter (two), a brief overview of the historical, political and economic perspective of South Africa is presented. This will start with an overview of the different groups of people of the country. An overview of the key political and historical events of the country are also provided. I will elaborate on the context in which small businesses in South Africa operate. A discussion of South African macroeconomic policies, SME strategy, and regulations affecting entrepreneurship will be included in this section. Lastly, an overview of the socio-economic conditions of the province of KwaZulu-Natal will be presented.

Chapter three presents a comprehensive review of related literature. It begins with a thorough analysis of the unique African context, specifically relating to studies on different ethnic groups. Thereafter, an analysis of empirical research in ethnic entrepreneurship followed by a discussion of studies on ethnic networks will be done. Formal institutional factors will then be covered. Lastly, in line with the mixed embeddedness approach, empirical studies focusing on the wider context will be analysed. The conceptual framework is also presented in this chapter. Firstly, the various theories of ethnic entrepreneurship will be critically analysed and evaluated. Secondly, network theory will be presented, focusing on social capital and its relevance to ethnic entrepreneurship. Institutional theory will be discussed and the rationale for taking a mixed embeddedness approach to this study will then follow. Lastly, the conceptual framework and the formulation of the hypotheses for this research will be presented.

Stage 2: Empirical Section

As an introduction to the empirical section of the thesis the rationale of the research methodology is justified. It will detail the underlying assumptions and paradigms guiding this research, as well as the research design. The chapter (four) will also detail the research agenda, and the operationalisation of the relevant terms. Thereafter, focus will be on explaining the entrepreneur and agency questionnaires, including the validity and reliability of the instrument. In addition, details around data collection and analysis will be presented.

In chapter five, an analysis of the three ethnic groups will be conducted, which will include the demographics of the sample, and characteristics of their business and customers. Thereafter, their motivation for going into business and how they capitalised their business will be addressed. Also, the networking activities of the three ethnic groups will be analysed. Specifically, the results concerning network activity, density and diversity will be presented. The results of the social capital instrument will be analysed and comparisons will be made between the three ethnic groups. Lastly, we will discuss the mixed embeddedness of ethnic entrepreneurship in the South African context. It will present the results of the predictability of laws and policies, the characteristics of the institutional context, and the efficiency of the government in providing services. Also, the institutional context in which the entrepreneurs conduct business will be analysed, reflecting how the different groups interpret the cognitive and regulative element of the institutional environment. In addition, programmes and services will be presented and the major problems and constraints faced by the entrepreneurs will be discussed.

The last chapter (six) will contain the conclusions relating to the research questions, empirical study and the hypotheses of the study. In addition, it will summarise the contribution made by this research, and the implications for theory and practice. Lastly, the limitations of the research will be presented, and recommendations made for future research in this area.

CHAPTER TWO
The historical, political, economic and institutional context of South Africa

In discussing entrepreneurship in the South African context, one has to take into account the complexities of the unique cultural, political and socio-economical forces impacting on the country (Iheduru, 1998). Therefore, this chapter will present a historical overview of South Africa in addition to looking at the different groups of people within the country. The second part of the chapter evaluates the institutional context of the country, specifically analysing the business environment facing entrepreneurs.

2.1 The South African Context

The distinctive character and path of South Africa's economic history was greatly influenced by its unique endowment of human and natural resources (Feinstein, 2005). The first of these features was that large numbers of Khoisan and Africans already occupied Southern Africa long before the first Europeans arrival in the seventeenth century. The second noteworthy feature of South Africa's population was the presence, from the nineteenth century onwards, of large numbers of European settlers. When the Dutch East India Company originally sent Jan van Riebeck to establish a base at the Cape of Good Hope in 1652, the intention was to enable the company's ships to replenish stocks and rations en route to the East Indies. By the end of Dutch rule over the Cape in 1806, the European population numbered about 27,000. From the outset there was a fundamental division between the original Black majority and the new White minority (Feinstein, 2005). The third feature was that the country possessed rich mineral resources, in particular gold. Prior to the discovery of this mineral wealth, South Africa was an economy almost entirely dependent on agriculture. The situation was totally transformed by the discovery of diamonds and gold in the late nineteenth century. From that point onwards the economic history of South Africa became a tale of the unique combination of the indigenous population, European settlers, and mineral resources brought together in a process of conquest, dispossession, discrimination, and economic progress.

2.2 The People of South Africa

South Africa is located at the southern most region of Africa, with a coastline that stretches more than 2500 kilometres and across the Atlantic and Indian oceans. At 1,219,912 km^2, South Africa is the twenty-fifth largest country in the world (Beck, 2000), with over 47.9 million people of diverse origins, cultures, languages and beliefs (see figure 2.1).

Figure 2.1 Map of South Africa

Africans are in the majority at over 38 million, making up 79.6 percent of the total population. The White population is estimated at 4.3 million (9.1%), the Coloured (mixed race) population at 4.2 million (8.9%) and the Indian/Asian population at 1.2 million (2.5%) (Statistics South Africa, 2007). While more than three-quarters of South Africa's population is Black African, this category is neither culturally nor linguistically homogeneous, with more than nine different languages, reflecting a variety of ethnic groupings. An overview of the African, Indian (Asian), and White groups will now be addressed, as these are the three groups which form the focus of this research.

Africans (Blacks) in South Africa

It is generally accepted that the African people originated from West Africa around 4000 years ago. The final movement into the southern regions resulted in the displacement of the aboriginal Khoikoi and Khoisan peoples (Qunta, 1995). The Khoisan were the original inhabitants of Southern Africa before the southward African migrations, and are divided into the hunter-gatherer Bushmen and the pastoral Khoi. The San people, called Bushmen by Europeans, are the direct descendants of Southern Africa's ancient inhabitants (Beck, 2000). The African group include the Nguni people, comprising the Zulu, Xhosa, Ndebele and Swazi; the Sotho-Tswana people, comprising the Southern, Northern and Western Sotho (Tswana); the Tsonga, and the Venda.

Indians (Asians) in South Africa

When sugar was first produced in Natal in 1851, the plantation owners lacked cheap labour, and had to import labour from India (Thompson, 2001). The contract, or indenture, provided that a labourer be assigned to a particular planter for a period of three years and then be re-indentured for another two years. After a residence in Natal of five years as a 'free' worker, the labourer had the choice of accepting a free return passage to India or of remaining in Natal on a small grant of Crown land. In addition, some Indians came to Natal at their own expense. Known as Arabs or 'passengers', most of them were Muslims from the state of Gujarat, they began to arrive in the 1870s, often with considerable capital, often becoming storekeepers (Rutten, 2002).

Europeans in South Africa

The people of European descent in South Africa not only included the majority Afrikaner, but also a sizeable population of various European ancestries. About 60 percent of them speak Afrikaans and about 39 percent speak English (Statistics South Africa, 2007). The Afrikaners descended from north-western European settlers who first arrived in the Cape of Good Hope between 1652 - 1795. While the original settlers came mainly from the Netherlands, they also included French and German religious refugees, as well as colonists from Scandinavia, Portugal and Spain (Beinart, 2001). Anglo-Africans number about 2.4 million, and are predominantly of English, Welsh, Scottish, Irish and French Huguenot descent (Beck, 2000).

Coloureds (mixed race) in South Africa

The so-called Cape Coloured, although still a contentious label (Qunta, 1995), are a mixed race people of Khoisan, European, African, a Southeast Asian ancestry developed over time following decades of contact with the European community. With the Afrikaners, they shared common languages, religions, cultures, and histories to the extent that Coloureds were often called 'bruin Afrikaners' ('brown Afrikaners') (Beck, 2000).

2.3 An historical overview of South Africa

The early inhabitants

Approximately 2500 years ago, some Bushman groups acquired livestock and gradually hunting and gathering gave way to herding. This introduced concepts of personal wealth and property ownership into Bushman society. The pastoral Bushmen began to move further south, reaching as far as the Cape of Good Hope (Christopher, 2000). At about this time, Africans also began arriving in South Africa. Originally from the Niger Delta area in West Africa, they had started to make their way south and eastwards in about 1000 BC, reaching present day KwaZulu-Natal province by 500 AD.

The early colonial period

This period was dominated by various colonial groups arriving in South Africa. Portuguese seafarers, who pioneered the sea route to India in the late fifteenth century, had little competition in the region until the late sixteenth century, when the English and Dutch began to challenge them (Beck, 2000). In 1652, the Dutch East India Company (VOC) set up a station in Table Bay (Cape Town) to give provisions to passing ships. Due to a labour shortage, the VOC released a number of Dutch from their contracts and permitted them to establish farms which supply the settlement from their harvests (Beinart, 2001). Towards the end of the eighteenth century, Dutch power began to fade, and the British moved in to fill the vacuum. They seized the Cape in 1795 to prevent it from falling into rival French hands. One of their first tasks was to resolve a troublesome border dispute between the Boers and the Xhosa on the colony's eastern frontier. In 1820, the British authorities persuaded about 5000 British immigrants to leave England and settle on tracts of land between the feuding groups. The plan was unsuccessful, and within three years, almost half of these “1820 Settlers” had retreated to the towns, notably Grahamstown and Port Elizabeth. This influx of settlers solidified the British presence in the area, thus fracturing the relative unity of White South Africa. A pattern soon emerged whereby the English became urbanised and dominated politics, trade and mining, while the Boers focused on farming (Christopher, 2000). Meanwhile, the Boers had grown dissatisfied with British rule in the Cape Colony, and from 1835, Boers and Khoikhoi moved into the interior in search of independence (Beck. 2000).

The discovery of diamonds and gold

With the discovery of diamonds in the late 1860s, tens of thousands of people, Black and White were drawn to the largest diamond deposit in the world. In 1871, the British annexed the diamond fields, and by 1888, the consolidation of diamond claims led to the creation of the De Beers monopoly (Beck, 2000). Furthermore, the discovery of the Witwatersrand goldfields in 1886 signified the emergence of the modern South African industrial state. In late December 1897, Rhodes launched a raid into Transvaal, which failed, and led to the end of Rhodes' political career, but Sir Alfred Milner, British High Commissioner in South Africa wanted to overthrow the government and establish British rule throughout the subcontinent, and the Boer Government was eventually forced into a declaration of war in October 1899.

The Anglo-Boer / South African War and Unionisation

The war that followed the mineral revolution was mainly a White man's war. In its first phase, the Boer forces took the initiative, besieging the frontier towns of Mafikeng and Kimberley in the Northern Cape, and Ladysmith in northern Natal. But, after a large expeditionary force under Lords Roberts and Kitchener arrived, the British advance was rapid, with Kruger fleeing the Transvaal shortly before Pretoria fell in June 1900. In 1910, the Union of South Africa was created by the unification of the two former independent Boer republics of the South African Republic and the Orange Free State with the British dominated Cape and Natal (Christopher, 2000).

2.4 The Apartheid System

Apartheid (meaning separateness in Afrikaans, cognate to English apart and hood) was a system of racial segregation in South Africa. The first recorded use of the word "Apartheid" was in 1917 during a speech by Jan Smuts, who later became Prime Minister of South Africa in 1919. Although the creation of Apartheid is usually attributed to the Afrikaner-dominated government of 1948-1994, it is partially a legacy of British colonialism which introduced a system of laws in the Cape Colony and Natal during the nineteenth century. This resulted from regulating the movement of Blacks from the tribal regions to the areas occupied by Whites and Coloureds. In the run-up to the 1948 elections, the National Party (NP) campaigned on its policy of Apartheid, and immediately began implementing Apartheid legislation (Beck, 2000).

In table 2.1, an overview of laws that were put in place in South Africa is shown, which directly inhibited entrepreneurship in the African ethnic group.

The use of the poll-tax system, pass laws, segregated housing, job reservation, and influx control laws to force Blacks to work in the mining industry did not dampen their entrepreneurial drive.

Table 2.1 Laws inhibiting African Black entrepreneurship (1910-1975) adapted from Iheduru, 1998:72)

Legislation	Provisions
Master and Servant Act (1911)	Decreed conditions under which Black labour must be available to Whites
Mines and Works Act (1911)	Prohibited Black engagement in certain skilled or semiskilled occupations in the mines exclusively reserved for Whites
Native's land Act (1913)	Prohibited Africans from purchasing land outside the reserves. Listed 22 million acres (7% of the country) as the reserves
Native Urban Areas Act of 1923; replaced by Native Consolidation Act, No. 25 of 1945	Entrenched social/residential segregation, instituted pass laws. Curtailed freedom of movement by Blacks (defined as temporary sojourners in urban areas) barred Blacks from owning dry cleaners, bookshops, garages, and pharmacies.
Group Areas Act (1950)	Prohibited different racial groups from trading or residing in areas not specifically earmarked for heir groups.
Natives' resettlement Act (1945)	Provided the mechanisms required to remove Blacks (and their businesses) from inner Black areas
Regulations Governing Black Business in Urban Areas (1962)	Prohibited Black businesses not catering to basic necessities in Black townships. Only 25 types of licences could be issued to businesses in urban areas. Informal sector was banned.

However, the history of Black enterprise in South Africa shows a deliberate attempt by the Apartheid regime to deny the majority of its population the right of full participation in the economy. Furthermore, Iheduru (1998) states that due to many years of suppression of Black business aspirations, has resulted in opposition towards capitalism among the Black youth. It seems that to many, capitalism means the same thing as Apartheid, which means Black exploitation, and White domination (Motsuenyane, 1989; Bank, 1994). These factors, to a certain degree, explain the historical "lack of community status" and "lack of business socialisation" among Blacks in South Africa.

Once Apartheid had been implemented, the South African government attempted to divide South Africa into a number of separate states, with only about 13 percent of the land available for the 10 'homelands' for Blacks (80% of the population) (Qunta, 1995). Furthermore, during the period of 1955-

1970, the government implemented a policy of 'resettlement', to force people to move to their designated 'group areas'. It is estimated that over three and a half million people were forced to resettle during this period (Madi, 1997). The most publicised forced removals of the 1950s occurred in Johannesburg when 60,000 people were moved to the new area of Soweto. Despite ANC protests and worldwide publicity, the removal of Sophiatown began in the early hours of the 9th February 1955, with heavily armed police forcing residents out of their homes. The residents were taken to a large tract of land, thirteen miles from the city centre, known as Meadowlands (now part of Soweto). Ultimately, nearly 600,000 Coloured, Indian and Chinese people, and 40,000 White people were moved under the Group Areas Act (Mugubane, 1979).

These developments pushed the African National Congress (ANC) into action. In 1949, they developed an agenda that for the first time advocated open resistance in the form of strikes, acts of public disobedience, and protest marches. In June 1955, at a congress held near Johannesburg, a number of organisations, including the Indian Congress and the ANC, adopted a Freedom Charter. On the 21st March 1960, Black people congregated in Sharpeville, near Johannesburg to demonstrate against the requirement for Blacks to carry identity cards (Pass Law). The crowd converged on the police station, singing and offering themselves up for arrest for not carrying their pass books. A group of about 300 police opened fire on the demonstrators, killing 69 and injuring 186 people. The event became known as the Sharpeville Massacre, and in its aftermath the government banned the African National Congress (ANC) and the Pan Africanist Congress (PAC) (Beinart, 2001). The Sharpeville Massacre was a catalyst in the ANC's decision to take up armed resistance against the government. In July 1963, members of the ANC underground movement, including Govan Mbeki, Ahmed Kathrada and Dennis Goldberg, were arrested. Together with ANC leader Nelson Mandela, who had already been arrested, they were tried for treason at the widely publicised Rivonia Trial. In June 1964, Mandela and seven others were sentenced to life imprisonment for terrorism. The trial was condemned by the United Nations, and was a major force in the introduction of sanctions against South Africa.

In 1960, South Africa's policies received international scrutiny when British Prime Minister Harold Macmillan criticised them during his “Winds of Change” speech in Cape Town. Soon thereafter, Verwoerd, based on a slight majority (52%) referendum, decided to withdraw from the Commonwealth and become a republic on the 31st May 1961. Thereafter, on the 6th November 1962, The United Nations General Assembly passed resolution 1761, condemning South African Apartheid policies (Thompson, 2001), which lead to significant disinvestment, followed in the late 1980s with the United States, United Kingdom and 23 other nations placing various trade sanctions on the country.

In the early 1980s, the Botha government embarked on a campaign to eliminate the opposition. For three years police and soldiers patrolled South African towns in armed vehicles, destroying Black squatter camps and detained thousands of Blacks and Coloureds. The ANC and the PAC retaliated by exploding bombs in restaurants, shopping centres and in front of government buildings, killing civilians and government officials in the process. In 1984, Botha told White South Africans to "adapt or die", and some reforms were introduced, with many of the Apartheid laws were repealed. Early in 1989 Botha suffered a stroke, and was succeeded by de Klerk. In his opening address to parliament in February 1990, in what has come to be known as the 'unbanning speech', President De Klerk announced that he would repeal discriminatory laws and lift the ban on the ANC, the PAC, and the Communist Party. Media restrictions were lifted, and De Klerk released political prisoners, and on the 11th February 1990, 27 years after he had first been incarcerated, Nelson Mandela walked out of prison as a free man.

In 1993, a draft constitution was published, guaranteeing freedom of speech and religion, as well as explicitly prohibiting discrimination. Finally, at midnight on the 26th April 1994, the old flag was lowered, and the old (now co-official) national anthem entitled Die Stem ("The Call") was sung, followed by the raising of the new rainbow flag and singing of the other co-official anthem, “Nkosi Sikelei iAfrica” ("God Bless Africa"). The election was peaceful, and the ANC won 62.7 percent of the vote, winning all but two provinces (Beck, 2000).

2.5 The business environment for SME's in South Africa

Many of the inequalities created and maintained by Apartheid still remain in South Africa (Browning, 1989; Human, 1993). The country has one of the most unequal income distribution patterns in the world, with approximately 60 percent of the population earning less than US$7,000 per annum, whereas 2 percent of the population earns more than US$50,000 per annum. Poverty in South Africa is still largely defined by skin colour, with Blacks constituting the poorest layer, despite the government implementing a policy of Black Economic Empowerment (BEE), Blacks make up over 90 percent of the poor but only 79 percent of the population (Adams, 1993).

According to the latest Labour Force Survey, the total number of unemployed people in South Africa is 4.1 million, which accounts for 25 percent of the labour force (Statistics South Africa, 2012). It is argued that if the unemployment crisis is to be tackled in a meaningful way and South Africa wishes to have a dynamic and expanding economy, it requires a vigorous and expanding SME environment (Abrie & Doussy, 2006; de Wet Fourie, 2008; Mahadea, 2012). Given the failure of the formal and public sector to absorb the growing number of job seekers, increasing attention has focused on entrepreneurship and its potential for contributing to economic growth and job creation. Herrington et al (2009) states that without an enabling environment that encourages individuals to see entrepreneurship as a viable employment option, it is questionable whether entrepreneurial activity will flourish.

According to Mantle et al (1992: 12), the history of Black entrepreneurship in South Africa was brief. Opportunities for growth were almost impossible because of the "one man, one shop" law according to which Blacks could own only one business. There were also constraints on the ownership of land and this prevented the Blacks from having access to capital. This is supported by Phillips (1993), who states that prior to 1994, the economy was built on systematically enforced racial division in every sphere of society, such as in education, health, welfare and employment, which caused inequalities and economic inefficiency, leading many workers to be poorly equipped for the rapidly changing environment in the country (Van Der Merwe, 1995). The Apartheid history of South Africa has profoundly affected the structuring and functioning of business, with generally, White business being highly developed, formal, and having access to financial and infrastructural support, while Black business is often subsistence-based, informal and struggling to gain access to support mechanisms (Mantle et al., 1992).

Apartheid both limited job opportunities in the formal economy for Black South Africans and restricted the right of non-White entrepreneurs to establish and own businesses (Lund & Skinner, 2003; 2004). The impact of discriminatory legislation resulted in low skills, lack of an entrepreneurial tradition and weak SME network institutions such as business associations. The legacy of entrenched economic dualism in South Africa, with an increasingly capital-intensive 'first economy,' has led to the 'missing middle' (i.e. the lack of small formal-sector firms), which is likely to have a particularly adverse effect on economic growth (Brink et al., 2003: 1).

According to a World Bank report (2007: 10), South Africa's industrial policy in the 1990s focused on reducing barriers on access to finance and information for entrepreneurs. In addition, attention was paid to reducing barriers to entry for youth, women and Black-owned businesses in order to redress systemic disadvantages and improve equity. Also, overcoming systemic constraints on networking/contracting between firms to improve information sharing and inducing firms to invest more on skills training were focused upon. The objective was to increase the employment of Black workers, by lowering the cost of labour to offset these market impediments, through empowerment schemes, and by directly encouraging labour intensive production through small enterprise. According to the World Bank's Doing Business database (Doing Business, 2004; 2005), the difficulty of both hiring and firing in South Africa is higher than in all of the comparator countries, with labour skills being in short supply because of the past segmentation of education, labour markets and economic isolation (World Bank, 2007: 13).

2.6 The SME Sector in South Africa

The National Small Business Act (South Africa, 1996) describe an SME as a separate and distinct entity without subsidiaries or branches, which is managed by its owner(s). There are more than 800,000 SME's in the country, absorbing about a quarter of the labour force of 15 million people. This is in addition to about 3.5 million people involved in some type of survivalist enterprise activities. The following are the characteristics of the four categories as outlined in the Government White Paper (1995). *Survivalist enterprises* are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. *Micro-enterprises* are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack 'formality' in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills. *Small enterprises* constitute the bulk of the established businesses, with employment ranging between five and about fifty. The enterprises will usually be owner-managed or directly controlled by the owner- community. They are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. *Medium enterprises* constitute a category which is owner/manager-controlled, having two hundred employees and capital assets (excluding property) of about R5 million are seen as the upper limit (Riley, 1997).

There is an urgent need for a systematic national framework, within which the different policies and programmes at national, regional and local level can be coordinated. Such a macro-framework will assist in the setting of priorities and the appropriate allocation of scarce public funds. Furthermore, it should facilitate the delegation of tasks and responsibilities with respect to SME support, the channeling of public as well as international donor funds to different institutions. Finally, a transparent framework would encourage greater rationalisation of resources and institutions. According to the Government White paper (SAWEN, DTI, 1995: 13), the primary objective of the national policy framework is to create an enabling environment for small enterprise. These include facilitating greater equalisation of income, wealth and economic opportunities. This relates to a strengthening of the labour-absorptive process in the micro-enterprise and survivalist segments, the redressing of discrimination with respect to Blacks' access to economic opportunities. Secondly, creating long-term jobs. While micro-enterprises and survivalist activities have absorbed large numbers of unemployed people, they are in themselves not always able to generate long-term jobs. Thirdly, stimulating economic growth. While small enterprises have the potential to generate economic growth, this does not always happen spontaneously. It is the task of a sector-focused and growth-orientated small business-support strategy to address obstacles that prevent small enterprises from contributing to overall growth. Fourthly, strengthening the cohesion between small enterprises, such as fragmented small enterprises within sectors, and industries to help to network more effectively in order to jointly address obstacles, take up opportunities and to build collective efficiency. Lastly, to level the playing field between bigger and small business, since market opportunities and regulations have in the past favoured larger enterprises.

It is against this background of stagnant job creation and a new government facing the political reality of the need for rapid job creation, that SMEs were seen as significant for economic growth. Interest in the job and wealth-creating capacity of the SME sector arises from the context of extreme income inequality, stagnant job creation capacity in the formal sector, and the need for long term growth other than the public sector (Lindauer, 1995).

Minister Trevor Manuel articulates this same point in the context of the Growth, Economy and Reconstruction (Gear) Policy:

> *Small, medium and micro-enterprises (SMEs) represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. Throughout the world one finds that SMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that - with the appropriate enabling environment - SMEs in this country can follow these examples and make an indelible mark on this economy (Government of South Africa, 1996a: 12).*

Extensive literature assumes that SMEs are an effective vehicle for economic development because of their proposed labour absorptive capacity (Advani, 1997; Chandra & Kahn, 1993). Prior studies of the potential of the SME sector to create jobs in South Africa suggest that Black-owned SMEs cannot compete with larger White-owned enterprises (Nattrass, 1984). The inability of the formal sector to absorb only six percent of new entrants to the labour market, and the flourishing of informal traders has led to the quick extrapolation that small business will be the path of economic advancement (Stone, 1997). The assumption is that past market failures (restrictions on Black business ownership and access to finance) must be addressed in order to create an enabling environment for SME development (Ebersohn, 1997). Finally, a primary motivation for South African government support of the SME sector is the increase in political stability that is coincident with greater access to small business employment (Rogerson, 1997).

SME contribution to employment

According to the Household Survey conducted in 1999 (OHS, 1999), 10.4 million people are employed in South Africa out of the estimated 26.3 million people of working age. Of these, 6.6 million are employed by the formal sector, 2.7 million by the informal sector and 0.8 million by the domestic services sector (Ntsika, 2001). Private households account for 34.3 percent and trade for 25.6 percent of informal sector employment. However, referring to table 2.2 there is evidence that the majority (59.1%) of employment is still to be found in medium and large organisations.

Table 2.2 Percentage contribution of SMEs to total employment (Adapted from Ntsika, 2001; Falkena et al., 2004)

Size class	% of total employment
Survivalist	2.2%
Micro (0)	3.5%
Micro (1-4)	6.5%
Very small	13.0%
Small	15.7%
Medium	13.0%
Large	46.1%

Small and medium enterprises (SMEs) employ 53.9 percent of the people employed in the private sector, up from 44 percent in 1995 (Ntsika, 2001). Employment by SMEs is growing much faster than SME contribution to GDP, which only increased by two percent between 1995 and 2000. This is indicative of the high labour absorption capacity of SMEs. It is expected that at least 70 percent of employment in the agriculture, forestry, catering and accommodation and community, social and other personal services is by SMEs. More than half of the employment in the construction, retail, transport, storage and communication and finance and business services is by SMEs. Small enterprises contributed more to employment than any other SME size-class, followed by medium-sized enterprises. More than forty percent (40.8%) of employment by SMEs is in the retail trade and agriculture, forestry and fishing sectors. This is followed by manufacturing, finance and business services, which together employ 28.2 percent of those employed by SMEs, with the community, social and other personal services employs 10.2 percent.

Socio-economic conditions of South Africa and KwaZulu-Natal

The sample for the data collection was selected from entrepreneurs in the city of Durban in the KwaZulu-Natal province of South Africa. This was done because Durban is the largest city in the province, with a population of approximately 3.5 million people, and has the highest number of Asians in South Africa. Another reason for limiting it to the one urban area was to ensure that there was only one context, otherwise differences between the three ethnic groups could have been affected by the different milieu.

Gross domestic product (GDP) amounts to R728 billion (US$130 billion), the same level as that of Indonesia. GDP per capita is US3000 on average, similar to Malaysia. However, there is a large difference in income levels between the high income segment and the poverty segment, with few in the average income group. The GDP in Kwazulu-Natal (KZN) amounts to R94 billion (US$16 billion), accounting for 13 percent of GDP. GDP per capita is R11000 (US$1800), which is equivalent to a third of that in Gauteng. A major problem for South Africa is the high unemployment rate that reached 23 percent in 1999. The unemployment rate is highest among Africans, 29 percent. The situation is worse in KwaZulu-Natal (KZN), where the overall rate reaches 26 percent, and for Africans, it is 30 percent (JICA, 2002).

Table 2.3 Major Social/Economic Indices of South Africa and KwaZulu-Natal Province

	South Africa	KZN Province	Gauteng	Eastern Cape
Land Area	1 219 090	92 100	17 010	169 580
Total Population	40 583 573	8 417 021	7 348 423	6 302 525
African	31 127 631	6 880 652	5 147 444	5 448 495
White	4 434 697	558 182	1 702 343	330 294
Coloured	3 600 446	117 951	278 692	468 532
Indian/Asian	1 045 596	790 813	161 289	19 356
Other	375 204	69 423	58 654	35 849
Population density	33.3	91.4	432.0	37.2
GDP/GGP (R mil.)	728 055	93 851	267 973	51 760
(Per capita, R)	17 940	11 150	36 467	8 213

Sources: Statistics South Africa, “South African Statistics 2000”
IMF, “ International Financial Statistics 2000”
WEFA, “Regional Economic Focus 1999”

Referring to table 2.3, there are a number of very interesting facts. Looking at the population, one notices that Africans represent more than three quarters of the KZN province. Furthermore, looking at the Indian population, it is noticeable that almost eighty percent of the country's total Indian group is resident in the KwaZulu-Natal province.

Also, there are only a little over half a million European people living in the province. When one studies the breakdown according to different sectors of industry, certain patterns become apparent. Manufacturing constitutes almost thirty percent (28.8%) of the gross domestic product for the province. Community service, finance, trade and transport all contribute more than ten percent to the province's GDP.

SMEs amongst the various population groups

One of the key principles of the national small business policy framework was Black advancement. Special emphasis also fell on other marginalised or disadvantaged groups (Ntsika, 2001: 52). Referring to table 2.4, it is evident that in absolute terms, the entrepreneurs are mostly from the Black group, followed by the White group. However, when taking into account the size of the different race groups, the group that is the most represented is the Indian group, followed by the White group and then the Coloured group. According to Herrington et al (2009: 44), the GEM 2008 report noted that as in previous years, businesses started by Whites and Indians were more likely to mature into new firms than those started by Black Africans.

Table 2.4 Involvement in entrepreneurial activity (GEM, 2010)

Population group	Prevalence in entrepreneurial population (%)	Prevalence in South African population (%)	Ratio of entrepreneurs to overall group
Black African	74.2	79.2	0.9
Coloured	7.8	9.0	0.9
Indian/Asian	5.0	2.6	1.9
White	13.0	9.2	1.4

The results show that although Black Africans continue to have the lowest prevalence of opportunity motivation, the difference was far less marked than in previous years. In 2003 White opportunity-motivated entrepreneurial activity rates were almost three times higher than for Black Africans, while the difference between the rates in 2008 was less than 10 percent.

Previous GEM research has shown a strong relationship between population group and entrepreneurial activity. Table 2.4 confirms these findings, namely, that Whites and Indians/Asians are substantially more likely to start a business than are Coloureds or Black Africans (Herrington et al., GEM, 2011). The persistence of this discrepancy can, to a large extent, be attributed to the legacy of South Africa’s Apartheid policies, which have had a fundamental impact on entrepreneurial and business-related activities within large sections of the population. Herrington et al. (2010), in the GEM 2010 report, provides a succinct analysis of the ways in which Apartheid policies have inhibited the development of Black African businesses. These include: poor levels of education and skills development; inadequate business infrastructure development and limited markets in areas affected by the Group Areas Act; restrictions on owning property which reduced the assets available to use as leverage for loans; and fewer entrepreneurial role models in previously disadvantaged communities.

Table 2.5 Stages of entrepreneurial activity (by population group) (GEM, 2010)

Population group	Start-up	New firm	Established business	Total
Black African	57%	24%	19%	100%
Coloured	58%	26%	16%	100%
Indian/Asian	27%	40%	33%	100%
White	32%	25%	43%	100%

In table 2.5 above, the total number of individuals involved in entrepreneurial activity in each population group according to stage of activity is presented. The results show that similarly to previous years, businesses started by

Whites and Indians are more likely to mature into new and established firms than those started by Black Africans or, in particular, Coloureds.

The Blacks continue to have the lowest prevalence of opportunity motivation (Table 2.6), with the three other population groups having very similar results in the year 2010. When looking at differences over the year, we notice that for the African group, slightly more go into entrepreneurship out of necessity. For both the Indian and White entrepreneurs, the table 2.6 shows that more entrepreneurs are motivated to go into business out of necessity than the year before. For the Coloured group, the results are different, with less going into business out of necessity than the previous year (GEM, 2011: 26).

Table 2.6 Motivation for entrepreneurial activity (by population group) (GEM, 2010)

Population group	Opportunity (2009)	Necessity (2009)	Opportunity (2010)	Necessity (2010)
Black African	62%	38%	60%	40%
Coloured	75%	25%	78%	22%
Indian/Asian	83%	17%	79%	21%
White	87%	13%	78%	22%

Perhaps the most important implication of the above findings is the impact on job creation in communities. Businesses in the SME sector tend to have primarily a local effect. Start-ups and necessity-driven firms have, in general, lower potential to contribute to the economy. They provide few, if any, additional jobs and generate less income for their owners. African and Coloured entrepreneurial activity, according to Tables 2.5 and 2.6, remains concentrated in this lower potential area and is unlikely to have much effect in revitalising local communities and providing employment.

The situation of the different ethnic groups in South Africa is of particular interest here. If we use the terminology still common in South Africa (but often criticized as remnant of Apartheid) and differentiate between Black, Coloured (mix of Black and non-Black), White and Indian/Asian South Africans, there is a vast difference in their Total Entrepreneurial Activity (TEA) rates. While the TEA rates of Black and Coloured South Africans are low (4.3 and 2.9 percent respectively), those of White and Indian South Africans are high (13.2 and 16.1 percent respectively). Whites and Indian are three to five times more active in the self-employment sector than their Black and Coloured counterparts. The table 2.6 provides information about the ethnic composition of South Africa and the results show that, based on this composition, most of the entrepreneurial activity is initiated by Blacks despite their strong under-representation in the field. Because Blacks are the largest population group, they are mainly responsible for the weak overall TEA performance of South Africa (Preisendorfer et al., 2012).

In addition to the fact that Blacks and Coloureds are less often engaged in entrepreneurial ventures, a further finding of official statistics and empirical studies is that when they are involved in entrepreneurial activities, it is in much smaller businesses (Malagas, 2002; Babo, 2004). In fact, most businesses owned by Blacks and Coloureds are informal “survivalists,” (i.e., very small-scale and volatile ventures that mainly serve to secure or supplement the survival of a single person or family).

GEM studies for different years categorize approximately one-third of all business start-ups in South Africa as necessity-driven as opposed to opportunity-driven entrepreneurs. This proportion is definitely higher if confined to businesses of Blacks and Coloureds (Klemz et al., 2006; Woodward et al., 2011). When reflecting on the low rate and the low scale of Black entrepreneurship, it should be evident that the future of the South African economy will strongly depend on an expansion of Black entrepreneurship. Almost 90 percent of all South Africans are Blacks or Coloureds, and the younger age groups in particular belong to this overwhelming majority. (Preisendorfer et al, 2012: 5).

Furthermore, Herrington et al. (2008) provides a succinct analysis of the ways in which Apartheid policies have inhibited the development of Black African businesses. These include: poor levels of education and skills development;

inadequate business infrastructure development and limited markets in areas affected by the Group Areas Act; restrictions on owning property which reduced the assets available to use as leverage for loans; and fewer entrepreneurial role models in previously disadvantaged communities. In a country as heterogeneous socio-economically, and culturally as South Africa, the spread of entrepreneurs is a matter of great significance. In particular two closely related questions need to be addressed in the present phase of South Africa's transition (Thomas, 1994: 373), how can Black entrepreneurs play a greater role in the stimulation of economic development? And secondly, how can the quantity and quality of Black entrepreneurship be enhanced? These two challenges can be interpreted in the narrow sense of African entrepreneurship, where Africans constitute the majority of the South African population. It should thus not surprise us that the dilemma of entrepreneurship development of South Africa is often presented as essentially a challenge of African entrepreneurial development. This challenge is further accentuated by the current dilemma of vast unemployment in the country, with Africans bearing the brunt of the burden. Where self-employment is generally viewed as an important avenue towards employment, and where entrepreneurship is seen as a critical factor for the success of self-employment efforts, the mobilisation of African entrepreneurship becomes even more critical.

2.7 An overview of SME Policy Interventions

An interest in the promotion of SMEs stems from the assertion that the SME sector will generate a majority of new jobs in the country benefitting previously disadvantaged persons, thus contributing to equity in development. In March 1995, President Mandela convened the first President's Conference on Small Business in Durban, at which time the government committed itself to creating an environment in which small businesses could prosper and which would encourage an entrepreneurial culture. Thus, a number of initiatives were established to stimulate the SME sector.

The National Small Business Enabling Act was tasked with creating a national framework for the delivery of SME support, including the creation of Ntsika Enterprise Promotion Agency (NEPA) to offer support services to SMEs; the creation of a National Small Business Council (NSBC) to act as the collective voice of SMEs. ***Ntsika Enterprise Promotion Agency (NEPA)*** is an agency intended to implement SME support strategies in South Africa, and works as an intermediary between government, the private sector and NGOs to support SMEs (NEPA, 1996). NEPA's intended function is to identify existing and aspiring entrepreneurs, especially women, the rural poor, and youth (Prodder, 1996). ***The Department of Trade and Industry (DTI)*** is the co-ordinating body for all policies related to the small business sector and support programmes. It is also responsible for the co-ordination of small business strategies pursued by the provincial governments within the national policy framework. ***The Small Business Development Agency (SBDA).*** In order to co-ordinate and facilitate the implementation of the different strategy areas that form part of the national small- enterprise strategy, the government established the SBDA, operating separate from the DTI though closely linked to it. ***National Small Business Council (NSBC)*** will provide policy support and a voice for SMEs within government, which will represent the interests of SMEs at both the provincial and national levels. The NSBC will participate with government in the development of SME policies, and is intended to play a pro-active role in the development of policies that enable a vibrant SME sector. The ***Small Business Development Corporation (SBDC)*** is the nation's leading government provider of for-profit equity and loan capital for small and medium enterprises. The SBDC focuses on three primary products: loans, risk partnerships and equity partnerships (Prodder, 1996). ***Khula Enterprise Finance*** will finance the needs of the informal and micro business sector through the retail financial intermediaries.

Potential flaws in the SME support system

There is the risk of an inadequate analysis of the current SME environment and the potential of certain sectors to support SMEs endangering the developing of a thriving SME sector that will generate jobs, assist income distribution and empower historically disadvantaged sectors of society. There are a number of areas which need to be analysed. Firstly, the premise that SMEs are net job creators is contested. Winter (1995: 27) has challenged the SME job creation argument because SMEs are disproportionate job destroyers because the businesses have high failure rates, that there is a tendency for firms to grow and shrink over annual cycles which may appear to illustrate aggregate SME job creation. Also, routine migration between employment size categories might seem to show SME growth when, in fact, existing enterprises may be simply going through normal job-hiring, job-firing cycles. In sum, the job creating potential of SMEs in developing economies remains debatable.

Second, given the extremely limited resources that the DTI is able to direct for SME support (Government of South Africa, 1996a; DTI, 1997) it is a questionable policy to target agriculture as a primary recipient of SME support resources. Micro enterprises in this sector employ 4.1 percent of all employees in that sector, in contrast to similar enterprises in construction (20.4 percent) manufacturing (15.7 percent) or retail trade (37.1 percent). The impact on job creation in the agricultural sector will be minimal despite any SME inputs.

Third, similar comments relate to the small-scale mining sector. While the vast majority (91.1%) of mining enterprises are very small, those same enterprises employ less than 1.8 percent of the total mining sector employment (DTI, 1997). Obviously, due to the initial capital investment, and the need for sophisticated scientific knowledge, intensive mining is a questionable sector for substantial support.

Fourth, a further caution related to SME support services focusing on retail. Retail firms are more prevalent in South Africa currently because they have easier access to micro-credit due to the collateral value of existing inventory, and retail activity and stock turnover allows for repayment of credit more quickly than manufacturing. Unfortunately, the retail sector does not hold great potential for value added growth or for increasing employment beyond the survivalist stage of development. Overall 32 percent of all retail enterprises which are targeted for SME support by the government are classed as survivalist, have been in business less than two years, and enjoy a business closure rate of 80-90 percent (Ntsika, 2001; 2004). In the context of high unemployment among Black Africans and the inability of the formal sector to absorb more than a very small percentage of new labour market entrants each year, a coherent SME support strategy should aim at long term net job creation. However, the retail sector is a weak long term job producer world-wide and there is little reason to think South Africa will be different (Meyanathan, 1994). Thus, there is ample reason to conclude than a South African SME support policy should look beyond the retail sector as an engine of economic growth and job creation.

In contrast to known best practices regarding SME support, the DTI plans to provide services characterised as providing “the first tier of generic services to SMEs” (Prodder, 1996:1), providing support services to manufacturing SMEs to increase productivity, and to provide easy access to finance for SMEs (Ntsika, 2001). Most services that the DTI intends to employ in support of SME development are supply-sided provision of generic training and capacity development. The generic approach is largely related to two factors: the high cost of customised SME assistance (Berry & Escandon, 1994; Gittleman & Wolf, 1995) and the wide variety of assistance needed by small businesses. Government will rely upon existing NGOs and community-based organisations (CBOs) to provide services to small businesses. Thus, agencies that previously provided services to individuals, particularly youth and women, will now provide business services. The weakness remains, that many agencies with little experience in the business sector, will provide services in order to gain access to government funding for such service provision.

2.8 The challenge of institutions in Africa

Platteau (2009: 671) argues that to account for the African growth tragedy and, in particular, for its causes rooted in governance problems, the institutional legacy that African countries inherited from pre-colonial and colonial times must be considered. Three aspects need examining. Firstly, the relationship between ethnicity and state performance is bi-directional: if strong ethno-regional identities prevent the emergence of modern citizenship, they themselves constitute an endogenous outcome of continuous state failures. Second, the persistence of informal rules and social norms undermines the credibility of modern statutory law. Third, social customs and norms that hinder socio-economic differentiation and individual capital accumulation lower the success of indigenous enterprises.

However, Naude (2009) criticises traditional thinking on entrepreneurial development. He states that improved governance and lower start-up costs may not be sufficient for encouraging the type of entrepreneurship that matters for economic growth. Secondly, governance and the start-up costs are not significant determinants of opportunity entrepreneurship, and thirdly better governance leads to higher economic growth. This implies that better governance and lower start-up costs, widely advocated as measures to promote entrepreneurship in developing countries, may not in fact be enough. Indeed, despite poorer governance and higher start-up costs, rates of opportunity-motivated entrepreneurship are higher in developing countries. Second, better governance can lead to better growth through reducing the impact of destructive entrepreneurship, even though this may not result in a reallocation of effort from destructive towards opportunity-motivated entrepreneurship. He argues that this approach towards stimulating entrepreneurship and private sector development in developing countries may at best be a necessary condition. It may not be sufficient. Instead, he states that these measures need to be supplemented by more proactive government and institutional support for entrepreneurship, in particular for the type of entrepreneurship which will stimulate economic growth and development.

Nwankwo and Richards (2004) state that the role of institutions in development in promoting growth in developing countries (World Bank, 1997; Stiglitz, 1998), particularly in Africa (Stein, 1994; Aron, 2000), has generated renewed interests. Explicating Africa's growth tragedy, Easterly and Levine (1997) found that the conventional factors of growth (such as labour, physical and human capital accumulation) do not fully explain the sheer economic disadvantages confronting Sub-Saharan Africa (SSA), hence explanations will also have to be sought from the embedded institutional forces. Aron (2000) explained the core dimensions as political organisations (e.g. regulatory agencies, political parties, tribal councils), economic organisations (e.g. firms, trade unions), educational organisations (e.g. schools, universities), and social organisation (e.g. churches, civic associations). In relation to Africa, Aron (2000) argues that SSA has experienced the slowest economic growth of any region of the world largely because it possesses very weak public and private institutional frameworks. This underlies the growing attention to an institutional explanation of Africa's lack of development.

2.9 The institutional framework of South Africa

Miller (1998: 1) reported that the Apartheid history of South Africa profoundly affected the structuring and functioning of business. Generally, White business is highly developed, formal and has access to financial and infrastructural support, while Black business is often subsistence-based, informal and struggles to gain access to support mechanisms.

Impact on Africans

After the National Party came into power in 1948, African capitalism was structured by separate development, with Black political and economic development confined to the homelands, with severe restrictions were placed on Black businesspeople in urban areas (Mantle et al., 1992). Among other things, they were not allowed to form partnerships, to pursue financial, industrial or wholesale activities and to own property (Southall, 2003).

Phillips (1993) looked at the following two main issues hindering Black entrepreneurship historically. The Black SME sector of South Africa encountered many difficulties in the past, experiencing prejudice and discrimination, due to restrictive legislation such as the Group Areas Act, harsh licensing, and strict zoning regulations (Kingdon & Knight, 2004). The second issue is that of commitment to enterprise. Enterprise is extremely dependent on its perceived role in society. A stereotyped view of values and behaviour system in the Black communities suggests that these are essentially co-operative or group-focused, rather than individualistic and competitive. This view will influence enterprise because it could be said that such a view is unfavourable for self-employment.

Impact on Indians

Although the Indian community is small, just over one million, they form a homogeneous and distinctive group (Godsell, 1991). The Indian community have not only survived discriminatory legislation, often aimed specifically at impeding their economic progress, but they have actually flourished in economic terms. Hart and Padayachee (2000) studied the Indian ethnic group in Durban, and state that although they were victimised as non-Whites, they nonetheless managed to succeed in enterprise. However, in modern times, some Indian businesses have suffered reverses by failing to adapt to the conditions of a liberalised economy. But some individuals have responded with success to the new opportunities of the post-Apartheid era, forming alliances with old White money, Black political power, and foreign Asian capital.

Impact on Europeans

Historically, the economic power in South Africa has lain in the hands of the English-speaking section of the community. However, this has not traditionally been entrepreneurial in nature, but has relied heavily on the large mining houses and banks. White people are also more likely to be entrepreneurs than Black Africans. However, the differences between White and Black Africans largely reflect lower levels of education and a higher probability of being located in a rural area for Black Africans compared with Whites (Orford et al., 2004).

2.10 The unique South African setting – Concluding comments

This chapter has discussed the literature on entrepreneurship within the South African context, focusing on networks of the various ethnic entrepreneurs. In addition, studies which addressed the institutional framework as well as taking a mixed embeddedness approach were analysed. Literature shows that ethnic entrepreneurship arises because these ethnic groups are marginalised and disadvantaged. These entrepreneurs use human, cultural and social capital from their ethnic networks to obtain much needed resources and information. Studies have found differences in rates of entrepreneurship between ethnic groups in the same context, and found that the most effective networks were found in the Indian ethnic group, who are able to draw necessary business resources from their family and religious community.

The literature review also revealed the lack of empirical studies that focus on the whole institutional context affecting entrepreneurship. Several studies have looked at formal institutional factors which include government policy, support and assistance, laws and regulations as well as education and training. Separately, informal institutional factors, including culture, norms, and values have also been examined. However, for ethnic entrepreneurship to be better understood and explained in the unique South African context, a mixed embeddedness approach is necessary, which focuses on entrepreneurship within the unique context.

What is apparent is that since South Africa became a democracy in 1994, there have been major changes in the political, economic and social arenas. Entrepreneurs of all ethnic groups are faced with a period of political transition from the old system of Apartheid to a new but uncertain system.

In the following chapter, the conceptual framework of the study will be presented, and the challenge of attempting to contextualise existing entrepreneurship theory to the South African context will be analysed.

CHAPTER THREE
Conceptual Framework

This chapter will present the conceptual framework utilised in this study in addition to the rationale for the reasons for choosing the specific theoretical framework. This chapter presents a detailed review of the empirical research on ethnic entrepreneurship in addition to research focusing on ethnic networks. Thereafter, research on the institutional framework and the mixed embeddedness approach in various contexts will be evaluated. Lastly, the conceptual framework applied in this research will be discussed and explained in further detail.

Two factors were considered in developing a theoretical framework for this study. The first factor is the multidimensional nature of the phenomenon of entrepreneurship. To study the relationship between the environment and entrepreneurship in any national context requires multiple and diverse conceptual tools of analysis. The second factor is “the fact that entrepreneurship as a new discipline of study and research has as yet, no developed paradigm.

Welter (2010) states that there is growing recognition that entrepreneurial behaviour needs to be interpreted in the context in which it occurs (Low & MacMillan, 1988; Welter, 2010; Welter & Smallbone, 2011). This includes the social (Granovetter, 1985), spatial (Katz & Steyaert, 2004) or institutional and societal contexts (Weber, 1984). Gartner (1995: 70) prompts entrepreneurship research to acknowledge the context in which entrepreneurship takes place, as observers “have a tendency to underestimate the influence of external factors and overestimate the influence of internal or personal factors when making judgements about the behaviour of other individuals,” while Baumol (1990: 898) draws attention to the fact that the rules for entrepreneurship “do change dramatically from one time and place to another" (Welter, 2010). Bruton et al. (2008: 5) assert that although looking at entrepreneurship from a social psychological and organisational behaviour perspective is well-established in developed economies, this trend is not apparent in emerging economies. Understanding how cultural and institutional factors affecting behaviour is needed if we want to better understand entrepreneurship in these contexts, where the institutional structures can vary greatly from mature economies (Ahlstrom & Bruton, 2006; Bruton et al., 2008). This is particularly apparent in institutional environments characterised by a high level of ambiguity, uncertainty, and turbulence, such as in economies with a recent history of central planning, or countries in transition, such as South Africa.

Furthermore, Brundin et al. (2009) believe that the prevailing Western discourse on entrepreneurship focuses on 'a purely economic reality' and views entrepreneurship as an economic phenomenon that is explained by economic theory (Davidsson, 2003; Steyaert & Katz, 2004). The frame for understanding entrepreneurship is thereby narrowly defined, and the stories of entrepreneurship are rather uniform (Steyaert & Katz, 2004). They state that this discourse is being adopted without adjustments. They go on to argue that in a country like South Africa, undergoing transition, entrepreneurship should preferably be viewed as a societal phenomenon rather than a purely economic phenomenon. Working with entrepreneurship in a context like South Africa demands a focus on "everyday processes where multiple actors and stakeholders are made visible as related to entrepreneurship" (Steyaert & Katz, 2004: 182), rather than on the individual entrepreneur as done in the prevailing Western discourse on entrepreneurship. It should not be taken for granted that Western ethnic entrepreneurship theories apply in a straightforward way (Brundin et al., 2009).

Similarly, Steyaert and Katz (2004: 186) call for contextualising entrepreneurship by focusing on the concept of culture and ethnic entrepreneurship, since culture is an explanation variable in regard to ethnic entrepreneurship and, according to a number of researchers, it is impossible to bring up entrepreneurship as a research focus without taking cultural forces into account (Waldinger et al., 1990; Berger, 1991). Brundin et al. (2009) therefore suggests that future research should address emerging and alternative views on entrepreneurship in a non-Western context

There is also a need to develop new theories that take into account the context of emerging economies. According to Bruton et al. (2008: 8), emerging economies provide an opportunity to test existing theory developed in mature economies. Furthermore, there is a need to explore a far wider range of countries, with the majority focusing on China and former communist countries. There are a number of other regions that demand research, such as the African context. Thus, these emerging economies are a unique environment that offers the ability to obtain fresh insights to expand theory and our understanding of it by incorporating more contextualised considerations (Bruton, 2008: 9). In line with Whetten (2009: 36), a first challenge in contextualising entrepreneurship is to make entrepreneurship theory more context sensitive, that is, to contextualize theory. Too often, context (still) is taken although it offers deeper insights into how individuals interact with situations and how situations influence individuals, which allows us to explain seemingly “anomalous” results (Johns, 2001). The contextual factors set boundaries for theoretical generalizations, thus indicating how we can improve the “theory lens” by contextualising entrepreneurship theory. Contextualising theory implies acknowledging situational and temporal boundaries for entrepreneurship in order to frame research questions and research designs; it is currently the dominant way of how entrepreneurship is contextualised. This can include context descriptions (e.g., the country context in which a particular theory is applied) or studying entrepreneurship from a comparative perspective. Situational boundaries refer to the different “where” contexts discussed in the previous sections, while temporal boundaries refer to the role of the “when” context.

Also, Zahra (2007) argues for greater care in contextualising the field as such, which applies especially to theories imported from other disciplines, pointing out that effective theorizing “centers on framing the debate, seeing things afresh and offering new insights into things we know and those we should know" (Zahra, 2007; Welter, 2010). Thus, opening up the discussion on the diversity of contexts of entrepreneurship will be a step towards "understanding the nature, richness and dynamics" (Zahra, 2007: 451) of entrepreneurship. Therefore, entrepreneurship researchers have to acknowledge that entrepreneurship happens in various contexts and that entrepreneurship research takes place in specific contexts and communities and that they themselves bring their own context to the research site.

Welter (2010) states that although seemingly easy, three issues render contextualising entrepreneurship theory a more difficult task than is apparent at first glance. First, a contextualised theory perspective preferably should integrate the "context lens", and "discrete contexts" that have dominated entrepreneurship research so far and where context is taken into account in the form of single context variables. Second, contexts can be enabling and restraining at the same time, thus indicating a bright and a dark side of context, which poses conceptual as well as methodological challenges. In the broader meaning of "over-contextualisation," this is a general risk inherent in any efforts trying to capture the manifold contexts for entrepreneurship. Third, shifting perspectives from the individual to context and its influence on actions questions theoretical assumptions underlying mainstream entrepreneurship research as well as dominating research methods. (Welter, 2010: 174)

Shane (2003) explains that entrepreneurship can be explained by considering the nexus of enterprising individual and valuable opportunities. This perspective focuses on the problem of emergence (a missing element in most established economic and management theories). It considers both the characteristics of the opportunity and the individual's actions that fit with the opportunity. Interactions between characteristics of the opportunity and the environment are highlighted as well.

In contrast, Steyaert (2007) states that it appears as if the use of the concept of entrepreneuring is elusive and a-theoretical, at least to the extent that is does not acknowledge that "to talk of entrepreneurship as "entrepreneuring" has major implications for how we think of entrepreneurial knowledge, theory, and methods" (Steyaert, 1997: 19). He argues that there is very little research that has added to a processual understanding of entrepreneurship, and goes onto add that processual theories of entrepreneurship have come along without making explicit reference to the concept "entrepreneuring" and that the question can be raised which theories that say to theorize the process of entrepreneurship can be "reserved" and usefully linked to the notion of entrepreneuring.

In addition, Welter (2010) draws attention to the context in which entrepreneurship research takes place by reflecting the recent debate where scholars increasingly recognise entrepreneurship not only as a scientific phenomenon, but also try to identify ways of how best to study its societal dimension and facets. Similarly Davidsson (2003) stresses the point that entrepreneurship research has both a scientific and societal dimension. Context matters not only for entrepreneurship as such, because it is influenced by culture, political, and economic environments, thus explaining cross-national differences in themes and topics, but context also matters for the institutionalization of entrepreneurship research and research communities.

This study is not designed to develop new formal theory. Rather, it intends to employ the tools of existing theories in analysing how the institutional environment affects entrepreneurship. However, the study also draws on ethnic entrepreneurship, network, and mixed embeddedness theory.

3.1 The (South) African Arena for Entrepreneurship

There is a lack of attention given to entrepreneurship in emerging economies, particularly those in sub-Saharan Africa. There is also a lack of variety in theoretical and methodological approaches to African entrepreneurship, with most previous research focusing on economic and infrastructure factors, relying on World Bank or IMF data. However these factors fail to adequately take non-economic factors into consideration (Hayes & Robinson, 2010).

This section presents a review of the existing research on entrepreneurship within the African context, including comparative studies of ethnic groups in various African countries, in addition to focusing specifically on the South African context.

3.1.1 Background and characteristics of entrepreneurship

This section will address empirical studies based on entrepreneurs within the African context. Although there have been a number of empirical studies on a wide variety of ethnic entrepreneur groups, many have been based on census data, and there is still a bias to studies in America and Europe, and only recently have researchers started looking at other contexts, such as Africa. However, the African studies have focused narrowly on the entrepreneur, and have not adequately addressed the wider institutional context in which the entrepreneur conducts their business. This study intends to address these two research gaps in the literature.

African context

In a study comparing various ethnic groups, Ramachandran and Shah (1999: 71) compared growth rates of African firms with Asian and European owned firms in Kenya, Zambia, Zimbabwe, and Tanzania. The results found that the minority entrepreneur firms start out larger and grow significantly faster than indigenously owned African firms. These results are consistent with theories that argue that informational and financial networks created by minority entrepreneurs provide access to credit, information, and technology. Also found was that within indigenously owned African firms, entrepreneurs with secondary and/or university education realise a higher rate of growth; access to education presumably enables indigenous African entrepreneurs to develop managerial skills that serve as a substitute for the informational and financial networks created by minority entrepreneurs. Similarly, in another study in Tanzania, Jenssen and Kristiansen (2004) show that sub-cultural qualities like group cohesion, mobility and level of education had significant effects on social capital formation, and consequently on the access to resources for entrepreneurship. Their results illustrate that through their social networks, entrepreneurs were able to enact their business environment and get access to resources such as information and capital.

In an earlier study conducted in Zimbabwe, Harrison and Friedrich (1994) found that the entrepreneurs with low education and little experience in their line of business, or those who lacked basic skills in bookkeeping and accounting were less successful. Similarly, Trulsson (1997) found that in Northern Tanzania, entrepreneurs were helped by university education, and previous work experience. In another study, Parker (1995) found that in Kenya, entrepreneurs who had completed primary education were better at growing their businesses. In addition, Ramachandran and Shah (1999) using World Bank data, showed that low levels of education by Black entrepreneurs in several African countries proved to be a competitive disadvantage compared to Asians and Europeans who had a better level of education. However, in contrast, Marris's (1968) study, based on 50 entrepreneurs in Kenya, indicate that although African businessmen are short of capital, those who succeed find money somewhere. They are poorly educated, or not educated at all, yet the results show no correspondence between education and success. Nevertheless, based on a study in Zimbabwe, Fafchamps (1998) states that availability of credit may vary according to group affiliation. Furthermore, Kiggundu (2002: 240) states that various personal variables appear to differentiate successful from less successful entrepreneurs in Africa. The results showed that successful African entrepreneurs tended to be male, middle-aged, married with a number of children, and more educated than the general population.

South African context

In a study conducted in South Africa, Godsell (1991: 30) found that both South African urban Blacks and Afrikaners are lacking in an entrepreneurial tradition. In contrast, South African Indians have historically been rooted in a vibrant entrepreneurial tradition, and were successful in circumventing the inhibiting legal and political constraints created by Apartheid, both in terms of retaining a strong cultural milieu and by pursuing entrepreneurial activity. Afrikaner entrepreneurs, on the other hand, have tended to act alone without the mediating structure of the community. The Black entrepreneurs are also seen as isolated individuals, impeded by both the lack of an entrepreneurial culture and a restrictive socio-political environment, and Black entrepreneurial activities in South Africa often suggest a “lack of community status for business” and “lack of business socialisation” (Iheduru, 1998: 17).

In a recent report, Preisendorfer et al (2012: 2) explains that a history of Apartheid has contributed to unfavourable preconditions of Blacks to start their own business, such as the lack of financial, human, cultural and social capital available. Their results showed the main problems of Black South Africans were a low level of self-confidence and risk propensity, a culture of dependency and collectivism, missing strong and weak ties to the “business world” and a shortage of entrepreneurial role models. In addition, based on the results from a number of Global Entrepreneurship Monitor (GEM) reports, (Maas & Herrington, 2010), shows that South Africa has the lowest total entrepreneurship activity (TEA) rate of any developing country, with significant differences among entrepreneurial rates of different ethnic groups, which occur in spite of relatively modest differences among their economic and institutional characteristics.

Based on research on 65 entrepreneurs in South Africa, Muhanna (2007) analysed the main determinants of entrepreneurship, including the role of institutions, social network and personal characteristics. The results show evidence for these three sets of variables but with a particularly strong effect of social networks: those individuals whose relatives and childhood friends are entrepreneurs are more likely to be entrepreneurs. However, as Nkamnede and Idemobi (2008) state, various ethnic groups in Africa have certain lifelong practices that are culturally embedded, which can have an impact on their entrepreneurial development. Similarly, based on 121 interviews, Babo’s (2004) results indicate that White and Asian owned enterprises are older than Black owned. The study also shows that between ethnic groups have significant differences in the amount of starting capital with Blacks and Coloureds mobilising the least followed by Whites and Asians.

In a study conducted in Gauteng, South Africa, van Vuuren and Groenewald (2007) studied the factors that influence start-ups. The main four factors identified included: personal management and involvement, role models, time management, and support from partners and advisors. Furthermore, according to Maritz (2004), evidence shows an association between ethnicity and entrepreneurial activity. Results showed that although necessity-based entrepreneurial activity rates for Blacks are higher than for Coloureds and Whites, Blacks have much lower opportunity-based entrepreneurial activity rates. Consequently total entrepreneurial activity rates for Africans are much lower than for Indians or Whites. Indians are however far more dominant in the necessity entrepreneurship rankings, resulting in dominance of Total Entrepreneurial Activity (TEA). In South Africa, individuals who believe they have the skills to start a new business differ significantly between ethnic groups, with the Africans less likely to believe they have the skills to start a new business than are Indians or Whites (Maas & Herrington, 2007).

According to Levy (1996), there is a strong link between the size of the firm and ethnicity of the entrepreneur in South Africa. The results show that 62 percent of SMEs run by White owner-managers, but only 37 percent of the remainder have 50 employees or more (Levy, 1996: 12). Furthermore, not one of the 30 African SMEs identified had 20 or more employees. The imbalance between racial background and SME size is less stark for entrepreneurs of Indian background. One explanation for this was the racial discrimination during the Apartheid years that led to substantially greater opportunities for education for White South Africans relative to their Indian, and especially African counterparts. There is also evidence of a strong correlation between the average size of firms and the years of education of the entrepreneur. However, it is unlikely that unequal access to education (and to opportunities for business experience) accounts for only part of the racial variations in the size of distribution of firms. Also potentially relevant are unequal access to wealth and loan finance, and to markets, in part a legacy of past discrimination, and a symptom of continuing discrimination (Levy, 1996).

3.1.2 Contextual factors

African context

Entrepreneurial activities are highly affected by public policies and their level of enforcement. Whether the climate for business is favourable or restrictive helps or hinders business success (Spring & McDade, 1998). Daniels (1998) and Robertson et al (1998) show evidence that the informal sector frequently suffers from harassment by officials, through campaigns to “clean up” the streets and informal market vendors, as well as through requirements for licensing, and attempts at taxation. Even within the formal sector in Africa, private enterprises often do not find a conducive environment for obtaining loans and tax credits (Fafchamps,1998), reducing tariff restrictions, providing adequate infrastructure (Himbara, 1998), producing educated skilled labour (Naude, 1998), ensuring access to technology, and creating markets (Blewett & Farley, 1998). In addition, Kristiansen (2002) states that the African business environment is changing as a result of internationalisation. However, he believes that the business environment appears different to entrepreneurs from various ethnic backgrounds. In looking for opportunities, new entrepreneurs might not be able to perceive available business possibilities, or could be hindered by formal procedures and bureaucracy. In addition, various governments have hindered African entrepreneurialism by implementing economic policies that encouraged state ownership of industrial and commercial development (Spring & McDade, 1998: 8). This is further supported by a study on Tanzania by Rugumamu and Mutagwaba (1999) who argue that in Africa, colonialism and other forms of foreign economic domination stifled indigenous entrepreneurial development.

Nwankwo and Richards (2004) state that a number of contextual factors need to be addressed in sub-Saharan Africa, which need to focus on the absorptive capacity of the region's institutional structures to withstand the challenges and uncertainty in the future. Firstly, a different understanding of the role of the state is required in order to appreciate its functions in guiding economic and social development. Furthermore, Kumssa and Mbeche (2004) examined the role of institutions in the development process of African countries, and they found that, whereas institutions have played a greater role in the economic development of several East Asian countries, in Africa they are weaker and ineffective because of poor enforcement of the rule of law, corruption, mismanagement, absence of strong civil society and political interference. It is argued that well-functioning institutions can promote growth and reduce poverty in Africa by providing a more conducive environment for implementation and sustainable development programmes.

Focusing specifically on policy, Himbara (1998) disagrees from conventional interpretations that state that colonial governments used restrictive policies to impede the development of indigenous African enterprises and to restrict them to a few types of industries. He maintains that such interpretations are myths and argues that instead of impeding or obstructing African entrepreneurs, British colonial policy in Kenya fostered an indigenous entrepreneurial class by promoting small enterprises in the informal sector from which an indigenous capitalism could develop. However, the post-independence Kenyan government policy encourages Kenyan Africans to establish medium-and-large-scale businesses in commerce and industry, but Himbara (1998) argues that that most Kenyan Africans are not yet ready for this step. He therefore attributes the stagnation in the private enterprise sector to policies that impose "capitalism from above". This view is further supported by Elkan (1988), who argues that African entrepreneurship is more likely to succeed in relatively small businesses than in the large undertakings that have been mistakenly favoured by policies of import-substituting industrialization. Many of these large businesses have not been profitable except as a result of substantial subsidies, protection, and other government assistance. Reducing such assistance will not reduce the rate of economic growth and will give greater opportunities to smaller businesses run by Africans.

In a study which interviewed a sample of 78 entrepreneurs from the African, Asian and Arabic group from Tanzania (Egbert, 2004), the results show that successful African entrepreneurs are selective in their investments in family members and are also very selective in providing employment to family members. The research indicates that the success of the entrepreneur is related to selective use of family ties. In another study from Tanzania, Satta (2004) reveals an existence of regulations, and bureaucratic licensing structures hinder the growth of entrepreneurs. This environment also seems to push entrepreneurs into illegal trading thus undermining government revenue. This is reinforced also from Marsden (1990) who studied 36 entrepreneurs from Botswana, Cote dIvoire, Ghana, Kenya, Malawi and Tanzania, which showed that entrepreneurship has flourished most where supportive policy regimes have allowed relatively free markets to operate.

South African context

Before the advent of democracy in 1994, the economic landscape was characterised by a conspicuous absence of small enterprises in the dominant sectors of the economy, a situation which was exacerbated by prohibitive laws that prevented small businesses, particularly non-White businesses, from developing. Following the country's first democratic elections, the formal sector underwent major restructuring, prompting job losses and a resultant increase in informal economic activity. While this led to growth in the informal sector and an increase in the number of small businesses, this change was brought about by necessity rather than opportunity. Over the last decade, these have increased, clearly evidenced in the growing unemployment, and mounting concerns about corruption, crime and governance. Despite the many strides South Africa has made over the last 10 years, the country's poverty levels remain high, particularly when compared with other emerging economies (Herrington et al., 2011: 14).

The legacy of Apartheid constituted an important factor in the inability of Black entrepreneurs to face business development constraints. For decades the majority of South Africans were deprived of opportunities in the following ways (Government Gazette, 1995: 12-3):

a) Bantu Education (the education system for Blacks) restricted opportunities for the acquisition of technical and professional skills;
b) Apartheid confined the majority of the Black people to separate areas which were the poorest and lacked a dynamic business environment;
c) Apartheid made it impossible for Black entrepreneurs to participate in apprenticeships/partnerships with established non-Black enterprises;
d) Racially segregated residential areas led to large capital losses, and increased the distance between Black residential and working areas;
e) The restriction of property ownership of Blacks made it impossible for them to acquire assets that could serve as collateral for loan finance.

However, according to van Scheers (2010: 22), South Africa is witnessing the empowerment of African ethnic entrepreneurs who can exert a powerful influence in their business interests. She believes there are four main factors contributing to this, namely: the promotion of Black business by a competent policy-making regime, the political insecurity of White capital, the mobilization of opinion against Whites using Black companies as fronts and the existence of an active equity market and a well organised financial sector.

3.1.3 Constraints facing entrepreneurs in Africa

African context

Kristiansen (2002: 292) based on studies in Tanzania, show that the government rules, regulations and procedures hinder their business progress. Taxes are very prohibitive, and the entrepreneurs see no benefit from their payment, and the entrepreneur also realises that they lose out to corrupt wealthier and better-related indigenous and Asian business entrepreneurs in securing premises or getting government contracts. Furthermore, Trulsson (1997) found that the lack of trustworthiness is a major problem in establishing and expanding small businesses in Tanzania. This situation makes entrepreneurs limit the risks of extending their business contacts beyond the reach of personal trust, which is often limited to the immediate family. In a later study, Trulsson (2002) conducted focus groups with 40 entrepreneurs from Uganda, Zambia and Zimbabwe. They indicated that the most important constraints they faced were: access to finance, financial management, market competition, human resources, policies and regulations, and information and networks.

In an earlier study, Marris (1968: 32) indicated that the greatest obstacles facing entrepreneurs in Kenya are based on individual circumstances, which depend on personal knowledge and relationships. Since the entrepreneur can only manipulate the part of his environment he understands and has connections with, he argues that this is the greatest constraint in African society, where interpersonal, institutionalised ways of gaining knowledge, recruiting skills, borrowing money are less highly developed. In seeking partners or workers, in choosing an activity, finding a market, an African businessman cannot easily reach beyond his own personal experience, and his scope is limited by his social world and the range of his relationships and experience. This view is supported by Johannisson et al. (2002), who suggest that it is challenging to understand networking at the individual level, without a thorough overview of the networking existing within the unique context. This is referred to as ‘organising context’ by Johannisson et al., (2002) and in this

African context, could create an environment which could be conducive to collective entrepreneurship (Johannison et al., 2002: 299).

Government policies, attitudes, overall quality of public administration and service to entrepreneurship, or lack thereof, have long been blamed for entrepreneurial problems in Africa (Elkan, 1988; Kallon, 1990; Ng & Yeats, 2000; Svensson, 2000). Taxation, security of property rights, and the regulation of trade and other commercial activities are more restrictive in Africa than other globalizing regions. Both Baume (1996) and Kallon (1990) reported that public attitudes and societal values in Ghana and Sierra Leone respectively are not supportive of the underlying values of entrepreneurship.

Recently, Okpara and Kabongo (2009) researched the factors constraining small businesses in Nigeria. The survey of 311 small businesses revealed that the most common factors hindering small business growth are lack of financial support, poor management, corruption, and poor infrastructure. Lack of capital and the complexities of obtaining loans from financial institutions and government development agencies were also cited as major hindrances to small business development. Similarly, Mutalemwa (2009) addressed the constraints faced by SMEs in Tanzania. The results showed that business development is constrained in terms of difficulty with finance, an inadequate regulatory environment, as well as problems with inter-firm linkages.

The study by Falkena et al. (2001) makes a distinction between the financial needs of the group of White-owned enterprises on the one hand, which enjoy access to finance through family/friends or equity in property, and, on the other hand, of the larger group of emerging enterprises from previously disadvantaged communities (Blacks, Indians), which present the biggest challenge in SME development. As confimed by Motsa and Asos (2004), the majority of disadvantaged entrepreneurs do not have their own or friends/realtives resources, lack of collateral and access to traditional debt due to their fragility and fear of failure. This view is supported by the 2003 and 2007 Global Entreprenerurship Monitor (GEM) reports which highlight the financial problems that confront entrepreneurs from disadvantaged communities (Orford et al., 2003; Mass & Herrignton, 2007).

With respect to problems, entrepreneurs in Kenya and Ghana state that a weak economy is the most serious problem (Chu et al., 2007). Both groups rated the inability to obtain short-term and long-term capital and too much competition as the most serious factors. The Kenyan entrepreneurs appear to have more “governmental barriers” and location-related problems. In contrast, Ghanaian entrepreneurs are more concerned about the “financial considerations”.

In the following table, table 3.1 illustrates various studies of entrepreneurs in Africa, addressing the objectives of the study and key findings.

Table 3.1 Findings from studies on African entrepreneurship

Author	Context	Method	Investigation	Findings
Barr, 2000	Ghana	Survey of 195 enterprises	Identify networks of business related contacts of entrepreneurs.	Networks provide access to information, reduce search costs of product & input markets, provide information about new markets
Blewett & Farley, 1998	Kenya	Case studies	Consider the effect of national economic policies on entrepreneurship	The Kikuyu Kenyans took control of the music industry from the Asian Kenyans. They lack the international credibility in the music industry.
Baume, 1996	Ghana	Interviews with 40 entrepreneurs and institutions	Discover the main characteristics of the Ghanian environment.	Entrepreneurial activities enacted in Ghana are a reflection of the context. The institutional environment acts both as a barrier and springboard
Dana, 1993	Namibia	Qualitative analysis	Analyse intervention policy to encourage new ventures	Encourages free enterprise system. Trading culture exists
Daniels, 1998	Zimbabwe	Nationwide survey of 11500 enterprises	Examines the factors that drive entry into high and low profit small businesses	Low capital and lack of experience enter low profit. Capital, experience & government regulations barriers to entry for high profit.
Fadahunsi, & Rosa, 2002	Nigeria	Case studies of 6 entrepreneurs & observation.	Discover the nature of cross-border trade. & nature and role of illegal trade.	Illegal trade, bribery & corruption inevitable. Provides livelihoods for intermediaries who service the trade. Opportunities for a range of people.
Fafchamps, 1998	Zimbabwe	Survey of 200 firms of ethnic groups & 39 case studies	Examines the use of trade credit among manufacturing firms.	Include cash discounts, & delayed payments. Trade credit is cheaper than bank finance. Informal methods work against Blacks as they are less known
Halkias et al, 2009	Nigeria	67 women entrepreneurs in 3 regions	To analyse economic development among small business	Support and encourage sustainable economic development . To integrate small business into existing urban economic development
Horn, 1998	Zimbabwe	Interviews with 325 women entrepreneurs	Examines the challenges facing women entrepreneurs	Women entrepreneurs balance domestic responsibilities, high levels of competition, & food for families.
Krieger, 1998	Cameroon	110 surveys, participant observation	Entrepreneurial and non-entrepreneurial households in demographics.	Women's entrepreneurial activities varied in scale and range, from buying and reselling rice on market to large-scale commodities for export.
Kristiansen, 2004	Tanzania	12 interviews & 2 case studies from 2 ethnic groups	Analyse how networks play a role in the development of the entrepreneurs	Differences between ethnic groups explained by socio-economic traits, group cohesion, and education levels.
Madichie, Nkamnebe, & Idemobi, 2008	Nigeria	Survey of 30 owners, and 236 senior managers	The impact of culture on the entrepreneurial and managerial performance of the Nnewi people.	Evidence supporting the relevance and impact of culture on entrepreneurial activity
McDade, 1998	Ghana	49 Personal survey interviews	Characteristics of business success of Ghanain cane and rattan weaving artists.	The characteristics that lead to success involve decision making and management.

Author	Context	Method	Investigation	Findings
Mengistae, 2001	Ethiopia	Surveys of 2 ethnic groups	Compares small businesses between 2 ethnic groups	Gurage (minority group) perform better. Have less formal education
Nafukho & Muyia, 2010	Kenya	Review of the literature	Case study of using technology to promote entrepreneurship	Evidence showing a variety of levels of use of technology
Nwajiuba et al, 2009	Nigeria	Survey of 40 women entrepreneurs	Examines the major constraints facing business	Major constraint is acquiring resources, especially finance
Osirim, 1998	Zimbabwe	105 interviews	Effects of Structural Adjustment Programmes	Entrepreneurs in the informal sector are affected by Structural Adjustment Programmes.
Oyhus, 2003	Tanzania & Indonesia	6 entrepreneur cases	Analyses the level of use of variety of types of networks	Entrepreneurs exploit their personal relations with friends, colleagues and family
Trulsson, 2002	Uganda, Zambia, Zimbabwe	Nine focus groups with six in each	Identify constraints in growing, and how to overcome them	Constraints were access to finance, markets, competition, HR, lack of infrastructure, and networks.
Ukaegbu, 1998	Nigeria	Observation, survey & interview	Entrepreneurial and managerial roles.	Managers recognised entrepreneurial abilities of their employers.

Referring to table 3.1, a number of issues can be discussed. What is apparent is that there is no shortage of empirical research on entrepreneurship within the African context. However, there are a number of significant shortcomings of these studies. Firstly, they tend to be fairly small in nature regarding the sample size. Secondly, and most crucially, they tend to focus on one issue in isolation. For example, they focus only on either constraints, or labour preferences, networks, personal characteristics, or female entrepreneurs.

South African context

A major inhibition to Black entrepreneurship was the difficulty in obtaining business permits and the fact that one had to be “if not corrupt in an economic sense, then certainly politically corrupt and in cahoots with the White administrative bureaucracy of the township” in order to receive such services (Godsell, 1991: 92). Additionally, the Black entrepreneur in the township was probably the only businessperson in South Africa to be the target of community and family contempt and hostility, especially by the youth, who defined her/him first as a businessperson and second as a Black man. He was therefore a legitimate target of theft and attacks, along with White entrepreneurs, police officers, and community councillors (Bank, 1994).

Babo (2004) found that the entrepreneurs also differed in their perception of political and macroeconomic development in South Africa and the consequences this has for business. The majority of non-White entrepreneurs in South Africa are more dissatisfied with the general development of their enterprise. While non-Whites expected a more dynamic integration in the whole economy, Whites dreaded to lose massive market shares. Relative to their high expectations, non-White business owners were disappointed, while White entrepreneurs who had bad expectations before are now in relative terms rather satisfied (Babo, 2004).

Preisendorfer et al. (2012) state that the total number of new business start-ups shows a significant increase over time; and compared to other ethnic groups, Blacks (almost 80 % of the population) have a low participation rate in entrepreneurial activities. Although the former fact is in line with what would be expected for a growing economy in a country undergoing transition, the latter is a peculiar feature of South Africa, and deserves attention because the standard of living of Blacks is extremely low and urgently requires to be improved, with entrepreneurship seen as a promising route out of poverty, unemployment and social exclusion. This is supported by Babo (2004), who argues that during Apartheid, the government focused on large corporations and neglected the small business sector. This led to opportunities for Blacks and Coloureds to start and manage their own business being restricted by law. Furthermore, Black and Coloured people lived in segregated townships, often on the outskirts of cities and with a poor infrastructure (Morris et al., 1996). Apartheid did not invest in the education of Blacks, and this still causes a lack of entrepreneurship. Apartheid did not allow Blacks to start their own business ventures, as a result of which there is restricted experience with the entrepreneurial role and a shortage of social network contacts encouraging entrepreneurship (Preisendorfer et al., 2012). Apartheid supported a Black culture of dependency, and this is still an obstacle to Black entrepreneurship.

Despite the significant inroads that have been made, Black entrepreneurs' capacity to empower the Black majority economically is still limited by a number of internal, external, and structural factors. First, Black entrepreneurs, especially those with small enterprises, have developed several organisations in the townships and rural areas but lack the confidence and strong leadership to initiate economic empowerment at a higher level (Iheduru, 1998: 82). In addition, all categories of Black entrepreneurs face certain unique constraints, such as institutional bias in favour of the larger firms; distrust of carryover Apartheid institutions; too much reliance on non-governmental organisations; and the racially exclusive character of business networks (Manning & Mashigo, 1994: 36). The South African entrepreneurial environment is marked by a combination of negative factors, a mix of institutional, political and economic problems at the domestic level, superimposed by regional political instability, and adverse international economic forces like the instability of emerging markets (Ahwireng & Piaray, 1999).

Table 3.2 Findings from studies on South African entrepreneurship

Author	Context	Method	Investigation	Findings
Bradford, 2007	South Africa	400 interviews with African entrepreneurs	Identify business and owner traits that predict success.	Entrepreneurs value skills related to interpreting financial rewards, product knowledge, & obtaining finance.
De Klerk, 1998	South Africa	200 entrepreneurs, Black & White	Demographic & personal characteristics	More entrepreneurs are older and male. White non-entrepreneurs are more educated.
Godsell, 1991	South Africa	Interviews with 120 entrepreneurs from the Black, Indian & White	Examine the role of networks in the provision of start-up capital, physical help, and giving advice	The Indians had the most effective networks, based on family. Lack of functional networks among Blacks. Family networks among Whites. Entrepreneurship low status in Blacks.
Morris, Pitt & Berthon, 1996	South Africa	Interviews with 30 informal-sector owners	Entrepreneurs from non-entrepreneurs in motivation, resources, and future outlook.	Motivated by economic necessity and recognition of opportunity. Start-up capital mainly from personal savings. All anticipated growth in future
Schutte, Boshoff, & Bennett, 1995	South Africa	Survey of 569 entrepreneurs from venture capital archives	Study if Black and White entrepreneurs differed in business & biographical characteristics	Blacks less successful than Whites, received less funding, contributed more own funds.

Referring to table 3.2, it can be noticed that there are only a few studies that have focused on entrepreneurship in South Africa. Furthermore, none have looked at a comparative study of the various ethnic groups within the unique context. Hopefully, this study will address this gap in the literature.

3.1.4 The Unique South African Setting – Concluding Comments

Ethnic entrepreneurship arises because these groups are marginalised and disadvantaged, and they use human, cultural and social capital from their ethnic networks to obtain the resources and information. Studies have found differences in rates of entrepreneurship between ethnic groups in the same context. The literature also reveals that there is a lack of empirical studies that look at the whole institutional context affecting entrepreneurship. Several studies have looked at formal institutional factors which include government policy, support and assistance, and laws and regulations. Separately, informal institutional factors, including culture, norms, and values have also been examined. However, for ethnic entrepreneurship to be better understood and explained in the unique context, a mixed embeddedness approach is necessary, which brings together ethnic resources, opportunity structures and the host country's socio-cultural, economic and institutional context. This is the research gap that this study is intending to address.

3.2 Theories of ethnic entrepreneurship

Ethnic entrepreneurship can be defined as a “set of connections and regular patterns of interaction among entrepreneurial individuals sharing common national background or migration experiences (Waldinger et al., 1990: 3). Ethnicity is a contentious term in the social sciences primarily because of its lack of precision, and is often used in a homogenous and stereotypical way that assigns common characteristics to distinct groups of people (Collins & Low, 2010). Hence, in some cultural explanations, immigrant entrepreneurship is simply reduced to the supposed innate ‘entrepreneurial bent’ of certain ethnic groups (often Chinese, Indian or Jewish) or to the culturally-specific ethnic resources that initiate and sustain their businesses (Werbner 1990; Light & Rosenstein 1995).

The problem here is evident, with approximately 48 million people in South Africa, differences with respect to education, income, language and ethnicity undermines the construction of one common, homogenous view of the cultural characteristics of South African ethnicity. Moreover, ethnicity is frequently used to refer only to the characteristics of minority groups of immigrants and not the majority group (Collins & Low, 2010). Ethnic minority businesses are highly visible throughout Africa, including South Africa, and also evident across many Western countries including Europe and America.

Nevertheless, the terms ‘ethnic’ and ‘immigrant’ appear to be used interchangeably in the entrepreneurship literature, where ‘ethnic’ is equated with immigrant minorities (Collins et al., 1995). The terms entrepreneurship or entrepreneur are also contentious. For some, entrepreneurs are very rare individuals who are innovators, and tend to be involved in big business. Rarely would we find entrepreneurs of this kind in small and medium business enterprises. In contrast, we follow the approach taken by Light (1972) to use the term entrepreneur very loosely to refer to any business-owner (employer or self-employed; small, medium or big) on the basis that each business-owner influences their business.

Much attention has been given to the question whether cultural or structural factors influence the business entry decision and therefore are responsible for the rise of ethnic entrepreneurship. Supporters of the culturalist approach believe that immigrant groups have culturally determined features leading to a propensity to favor self-employment (Masurel et al., 2004). The structuralist approach, on the other hand, suggests that external factors in the host environment, such as discrimination or entry barriers on the labor market due to education and language deficits, pushes foreigners into self-employment. More recent approaches, which attempt to combine these two perspectives, show that a differentiated view is necessary to understand this complex phenomenon. Today, a gradual shift away from the stereotypical ethnic-run corner shop towards more diversified sectors can be observed (Freitas, 2003). Even though these types of self-help firms persist, new sectors such as computers, global trade, leisure and recreation management, real-estate agencies and cultural enterprises are developing as well.

In the following table, definitions of the various concepts are presented.

Table 3.3 Conceptual definitions

Concept	Definition
Immigrant entrepreneurs	Individual who are recent arrivals in the country, who start a business. This group may involve a migration network linking migrants, former migrants, and non-migrants with a common origin and destination (Chaganti & Greene, 2002).
Ethnic entrepreneurs	entrepreneurial individuals sharing a common national background or migration experiences (Waldinger et al., 1990)
Minority entrepreneurs	Business owners who are not of the majority population. These could include Black, Hispanic or Latin American, American Indian, Asian. This group could also include women.
Indigenous entrepreneurs	"… the entrepreneurial process in the form of enterprise that encompasses the desire of an Indigenous person or persons to become self-reliant and socially cohesive (Peredo et al., 2004; Foley, 2007).

(Source: Chaganti & Greene, 2002; Foley, 2007; Peredo et al., 2004; Waldinger et al., 1990)

Interest in ethnic businesses has developed as a consequence of this 'overrepresentation' of people of Asian origin in self-employment, and attention has focused on developing an understanding of ethnic businesses, explaining the relatively high proportion of self-employment and, more recently, identifying how ethnic entrepreneurs differ from `mainstream' businesses (Waldinger, 1995). This has led to debate and controversy due to the emergence of various schools of thought (Ram & Jones, 1998; Ram & Smallbone, 2001). A range of perspectives have focused on defining and explaining differences between ethnic entrepreneurs and the general population (Waldinger et al., 1986; 1996; Ram & Smallbone, 2001), and three main perspectives have emerged. Firstly, the culturalist perspective which focuses on cultural networks, dependence on the family and co-ethnic resources. Secondly, the structural perspective which emphasised the role of external influences, and the restricting opportunities such as racial discrimination, preventing labour market success and thus leading to high levels of self employment. Thirdly, the interactive (situational) approach where the sector, location, markets and institutional support as well as cultural influences are analysed (Kloosterman et al., 1999; Ram & Smallbone, 2001).

3.2.1 The Cultural perspective

The cultural approach argues that immigrant groups have culturally determined features leading to a propensity to favour entrepreneurship. It focuses on the cultural resources or predispositions which may lead to business success (Light, 1972; Light & Gold, 2000, Fregetto, 2004). The cultural theory of entrepreneurship offers one of the oldest accounts of group differences in entrepreneurship, having its origins in Max Weber's classical writing on the Protestant work ethic and capitalism (Light, 1979). Supporters of the culturalist approach believe that immigrant groups have culturally determined features such as dedication to hard work, membership of a strong ethnic community, economical living, acceptance of risk, compliance with social value patterns, solidarity and loyalty, and orientation towards self-employment (Fregetto, 2004; Masurel et al., 2004). Specifically, the 'Culturalist' perspective emphasised differences between ethnic entrepreneurs and non-ethnic businesses by viewing ethnics within cultural networks. It placed particular emphasis on the contribution made by family, in-group solidarity, cultural values and qualities, resource networks and shared identity and trust on business success (Ram & Jones 1998; Ram & Smallbone, 2001; Barrett et al., 2002). It has been argued that some ethnic groups are endowed with social institutions and cultural norms (ethnic resources) that foster entrepreneurial talent (Wilson & Portes, 1980). These tight social networks provide flexible and efficient possibilities for the recruitment of personnel, acquisition of capital, and exchange of information based on mutual trust among the members of the network (Werbner, 1990). One of the attractions of this approach was that it appeared to provide an explanation of why people of Asian origin were 'successfully' establishing businesses in contrast to people of African-Caribbean origin, given that they faced similar levels of racial discrimination (Smith-Hunter & Boyd, 2004: 19).

However, the culturalist perspective is widely viewed as having over-emphasized ethnicity at the expense of other elements, such as the impact of class, the role of women, and the wider socio-economic context (Phizacklea, 1990; Ram & Jones, 1998; Ram & Smallbone, 2001). Group solidarity or a willingness to take risks may be considered necessary conditions for business success, however, neither is a sufficient condition for success. Development of ethnic minority business is always the product of unique historical circumstances, which may include opportunities for newcomers, ethnic group characteristics, and strategies used to exploit entrepreneurial options (Waldinger, 1996). Despite its limitations as a complete explanatory theory, the relevance of cultural values and institutions cannot be entirely dismissed (Bonacich & Modell, 1980).

3.2.2 The Structural perspective

Structural approaches suggests that external factors in the host environment, such as discrimination or entry barriers in the labour market due to education or language deficits, pushed foreigners into entrepreneurship. It focuses on the need for certain economic activities at particular times. This approach is also known as the middleman minority theory, which sees ethnic business as a response by minorities from less developed economies, or colonial societies to host-country cultural alienation and exclusion (Bonacich & Modell, 1980). According to this view, such groups are set apart from the native majority, and therefore detach from community life, and they themselves long to go home, a situation that promotes their distinct economic behaviour (Bonacich, 1973; Portes & Rumbaut, 1990: 78).

According to this “disadvantage theory”, self-employment is not, at least initially, an avenue for economic mobility but a means for material survival. Groups that are discriminated against tend to pool their resources, forming rotating credit associations and other similar co-operative organisations in order to provide mutual support. Disadvantage theory is also rooted in the work of Max Weber, who argue that those who are excluded from the mainstream economy because of discrimination will often turn to entrepreneurship as an alternative to the labour market, in effect, choosing self-employment rather than unemployment (Light & Rosenstein, 1995). Disadvantage theory suggests that most immigrants have significant disadvantages hampering them upon arrival but which at the same time steer their behaviour (Fregetto, 2004). Firstly, they lack human capital such as language skills, education and experience, which prevent them from obtaining salary jobs, leaving self-employment as the only choice. Secondly, a lack of mobility due to poverty, discrimination and the limited knowledge of the local culture can lead ethnic minorities to seek self-employment. This theory sees entrepreneurship not as a sign of success but simply as an alternative to unemployment, and has been used to explain why immigrants and minorities often embrace entrepreneurship as an economic survival strategy (Smith-Hunter & Boyd, 2004: 20).

Numerous studies have found the over-representation of immigrants in small businesses is due to labour market disadvantage (Light, 1972, 1979; Light & Bonacich, 1988; Waldinger et al., 2000). This disadvantage included discrimination, structural barriers, language barriers, non-recognition of foreign qualifications, lack of local experience, loss of a network of contacts and other business associations, lack of professional training and unrecognised/ undervalued immigrants skills (Light & Bonacich, 1988; Johnson, 2000; Nee & Sanders, 2001, Collins, 2003). These factors then lead to minority group members becoming self-employed (Light, 1979; Bates, 1997).

In addition, low levels of schooling may leave some workers with limited occupational choices and this creates a feeling of disappointment with a society that does not recognise their abilities and makes self-employment a desirable option (Mata & Pendakur, 1999). This phenomenon has been labelled as ‘bleak social mobility’ (Light & Gold, 2000: 196) or ‘blocked upward mobility’ (Aldrich et al., 1981, 1984; McEvoy et al.,1982; Jones et al., 1994). However, these explanations were challenged by Werbner (1990) who believed that the role of culture has been overlooked. Her ‘cultural resources’ approach illustrates that cultural heritage which stresses thrift, industriousness and self-reliance contributes towards the success of Asian businesses and may partly explain the reason for entry into entrepreneurship.

However, the labour market disadvantage theory does not sufficiently explain why immigrants are more likely to become self-employed. Disadvantage theory explains why some minority/immigrant ethnic groups are pushed towards self-employment, but it does not explain the inter-group variation in self-employment rates across the groups (Waldinger et al., 1990; Min & Bozorgmehr, 2003). Furthermore, the disadvantage theory may not apply to certain ethnic groups in a particular country (Min & Bozorgmehr, 2003; Peters, 2002:36). Moreover, no-one, disadvantaged or otherwise, starts a business unless they have strong motivation and the capacity to raise capital for that business. It is often affluent, educated immigrants who have the resources to undertake self-employment in the formal sub sector when disadvantaged in the labour market (Light, 2004:7).

Chaganti and Greene (2002) researched Asian and Latino entrepreneurs and their results showed significant differences on their background, business-related goals, cultural values, business strategies, and business performance.

Clark and Drinkwater (2009; 2010) examined self-employment rates for the major ethnic groups in the UK, and within the minority groups, among males a significant increase in self-employment occurred for Pakistanis, but major falls applied to Indians and Chinese. Ishaq, Hussain and Whittam (2010) looked at the degree of racial discrimination experienced by owners of small retail businesses in Glasgow. Within the immigrant communities there existed a ready market, a plentiful and flexible labour force, and the potential of pooled, if limited capital; in other words there existed ‘ethnic resources’ ready for the entrepreneur to utilise (Ram & Jones, 2008; Jones & Ram, 2010). Also, Chaudhry and Crick (2005) have added voice to the important role played by cultural factors in business start-ups, particularly among Asian communities.

Recently, Davidson et al. (2010: 80) focused on the effects of ethnicity in relation to problems encountered in accessing social support among Black, Asian and Minority Ethnic entrepreneurs in UK. Their results indicate that over half of the respondents in the study had experienced discrimination because of their ethnic background. This was attributed to a number of factors, including stereotypical images of specific ethnic cultures and practices. Many respondents reported difficulties in accessing different types of formal social, business and financial support. Similarly, Jones, McEvoy and Ram (2010) based on a study of ethnic minority businesses in the UK state that ethnic minority entrepreneurial women can arguably be presented as double-disadvantaged. The marginalisation derives from a traditional gender division of labour, with women’s work ascribed to the domestic sphere rather than the productive sphere, and with female roles subordinated to those of males in the workplace itself. A further confirmation of this marginality is provided most recently by Marlow et al. (2009), who also show that women’s businesses are much more likely to be part time and home-based, very often as a consequence of inadequate entrepreneurial resources. However, Carter (2005) is concerned more with external constraints, such as under-capitalisation, demonstrated by heavy reliance on personal savings and loans from family and friends, especially with the Black ethnic groups.

In another study, Johnson (2001) studied three groups of Southeast Asian refugees who settled in Canada that showed significant differences between the groups. The Chinese Vietnamese were more likely than the Vietnamese/Laotians to be both owners and managers of the business; have learned the business through trial and error; rather than experience with a similar business. Consistent with Gold's (1994) findings, the situation of Chinese Vietnamese provides some support for culture and disadvantage theory, and the experience of the Vietnamese/Laotians supports disadvantage theory. However, most of the studies conducted and reviewed tend to be based in the US and Europe, and traditionally in very stable environments.

Another possible response to resource disadvantage is the intense use of networks of interpersonal relationships that can generate informal assistance (Low & Macmillan, 1988). This informal assistance may take the form of financial aid or unpaid labour from family members or friends. The use of such "social capital" resources may even help to offset the dearth of financial capital or human capital for those pursuing survivalist entrepreneurship.

Wilson and Portes (1980: 319) were the first to introduce the term 'ethnic enclave', originally known as 'immigrant enclave'. An 'ethnic enclave' is a place of residence with a high concentration of individuals and families from the same ethnic background (Clark & Drinkwater, 1999). Portes and Bach (1985) illustrated that under certain circumstances, immigrants create an alternative, unavailable to native-born workers, which they called the ethnic enclave. The geographic concentration of an ethnic group provides advantages to its ethnic businesses by giving them easy access to consumers and labour (Gold, 1994). They suggest that due to restricted opportunity in the open market, some immigrants engage in business undertakings to take advantage of the immigrant enclave which offers a protected market of ethnic clients and an accessible pool of immigrant workers and immigrant entrepreneurs (Sanders & Lee, 1996; Peters, 2002). It is commonly believed that enclaves provide certain sustainable competitive advantages to the ethnic entrepreneur, particularly new immigrants (Light, 1998; Portes, 1995, Woolcock, 1998; Fukuyama, 2001). The existence of a more homogeneous market and well understood, common consumer preferences, various tangible and intangible resource networks, a common religion, a sense of network embeddedness, and other elements of social capital, such as similar trust system and an ability to enforce this trust can all facilitate the entrepreneurial activity of immigrants, particularly in the start-up and early phases of the business enterprise (Galbraith et al., 2004: 96). However, enclaves, and their associated sources of social capital can also have a limiting effect. It has been suggested that there are several negative effects of ethnic enclaves (Portes & Landolt, 1996). For example, ethnic solidarity or the degree that an entrepreneurially inclined immigrant emotionally associates with a co-ethnic population may moderate the relationship between the business enterprise and the ethnic enclave (Galbraith et al., 2004).

The middleman minority concept deals with a particular cultural group occupying an intermediate position (Bonacich, 1973). Middleman minorities can be conceptualised in at least three ways. First, they can be seen as buffers between elites and masses, occupying a position somewhere between the two. In this capacity they act as go-betweens, playing the role of rent collector and shopkeeper (Bonacich & Modell, 1980). A second way to conceive them is to focus on their role as economic middlemen. They tend to concentrate in trade and commerce, that is, to act as middlemen between producers and consumers. Third, these groups can be seen as petite bourgeois rather than capitalist, in that they fall into the role of small business rather than those of the major entrepreneurs of modern capitalism.

Middleman minorities possess a number of traits that make them stand out from both elites and subordinate groups. The traits can be divided into social characteristics, economic characteristics and the surrounding society’s reactions. Firstly, middleman minorities originate in immigration rather than conquest, and are typically either free or indentured immigrants. As immigrants they tend to be sojourners, or “birds of passage”, intending to return one day to their land of origin (Bonacich & Modell, 1980). Another common characteristic of these groups is that they tend to constitute a separate and distinct community from the surrounding society, often having a different religion or culture than the rest of the community. Middleman groups typically have strong family ties, trying to keep their offspring faithful to the preservation of group separateness and identity (Bonacich & Modell, 1980). The classic middleman role of go-between for the elites and the masses is a marginal one because elites disdain contact with the subordinated population (Bonacich & Modell, 1980). In addition, firms are typically family owned and operated, and make use of family ties and loyalty, enabling them to operate more cheaply than other firms. These ties may become the bases for forming partnerships, for securing loans, for obtaining employment, patronage, or credit. Common in these businesses is a tendency to practice thrift intensely (Bonacich & Modell, 1980), living frugally, often dwelling behind or on top of their shops, working long hours, and involving the whole family in the enterprise. Lastly, they typically face considerable hostility from the surrounding society and are socially excluded by both the elite and the masses, often facing discriminatory laws restricting their rights to citizenship, their places of residence, their freedom to intermarry, and their rights to own land (Bonacich & Modell, 1980).

Although this theory explains the high propensity for self-employment among Asian minorities, such as the Chinese and the Japanese, who were subjected to discrimination during the first decades of the century, it however, fails to explain the low rates of self-employment among Filipinos and Mexicans, also discriminated-against minorities and also subject to persecution in different periods. Hence, these theories account only partially for the significant variability in self-employment among the foreign-born. Other factors other than those identified need to be examined in order to achieve a satisfactory explanation (Portes & Rumbaut, 1990). Therefore, this theory has been criticised for its emphasis on structural influences at the expense of the social and cultural influences.

3.2.3 The Situational perspective

The situational (interactive) approach emphasises the relationship between cultural or social characteristics of groups and the circumstances of their arrival and settlement. This approach arises from the integration of the cultural and situational approaches, explaining the creation of ethnic firms through the interaction between ethnic resources of the immigrant population and the structure of opportunities of the adopted society (Waldinger et al., 1990; Kloosterman et al., 1999; Barrett et al., 2002; Armengot et al., 2010). The Interactive theory approach suggests that ethnic business proliferate in industries where there is congruence between the demands of the economic environment and the informal resources of the ethnic population (Waldinger, 1986).

The framework of Aldrich and Waldinger (1986) is based on three interactive components: opportunity structure, group characteristics, and strategies.

The ***opportunity structures*** consist of market conditions, access to ownership, job market conditions, and legal and institutional frameworks. Typically, opportunities emerge from the development of a new ethnic community, which have specific needs which only co-ethnics are capable of satisfying. For a business to start, there must be some demand for the services it offers (Waldinger et al., 1990: 21). The “protected market hypothesis” asserts that the initial market for ethnic entrepreneurs occurs within the ethnic community itself. The greater the cultural differences between the ethnic group and the host country, the greater the need for ethnic goods and the bigger the potential niche market.

The second dimension ***(group characteristics)*** focuses on the resources shared by immigrants and ethnic people of the same origin. Here, ethnic people can draw on the resources provided by their cultural traditions and ethnic social networks. The explanation of cultural traditions is based on assumptions that self-employment of certain groups is the result of their specific cultural predisposition (Pütz, 2003). Predisposing factors refer to the skills and goals that individuals and groups bring with them to an opportunity. Firstly, the selective nature of migration includes the human capital immigrants bring to their host societies. Secondly, the settlement characteristics, which include two business patterns, the local ethnic market, arising as a consequence of residential clustering, and mainly dominated by retail and service businesses catering to a co-ethnic clientele; and the middleman minority situation, in which geographically dispersed, ethnic businesses service an out-group clientele. Resource mobilisation refers to the basic resources needed, such as labour and capital. Light (1984) defined class resources as private property in the means of production and distribution, human capital, money to invest, and bourgeois values, attitudes, knowledge, and skills transmitted intergenerationally.

Secondly, ethnic social structures: social networks and organising capacity. Ethnic social structures consist of the networks of kinship and friendship around which ethnic communities are arranged, and the interlacing of these networks with positions in the economy (jobs), in space (housing), and in society (institutions). Information about permits, laws, management practices, reliable suppliers, and promising business lines is typically obtained through owner's personal networks and via various indirect ties that are specifically linked to their ethnic communities (Waldinger et al., 1990)

Opportunity structures and ethnic resources constantly interact. In this sense, some aspects of the opportunity structure can be influenced and improved with the help, for example, of a strong ethnic network. ***Ethnic strategies*** emerge from the interaction of opportunities and group characteristics, as ethnic groups adapt to their environments, and are the solutions to the specific problems ethnic entrepreneurs encounter as a result of the interaction between the opportunity structures of the host society and the characteristics of their group (Boissevain et al., 1990).

However, Waldinger's 'interactionist' model has been criticised for not being comprehensive enough, and undervaluing the political and economic context, not giving sufficient attention to gender, and overly focusing on ethnicity in its coverage of economic and institutional frameworks (Bonacich, 1993; Ram 2000, 2002; Jolly, 2004). Others go further, and suggest that 'Interactionalism' should include the positive and negative aspects of ethnic networks and that the 'opportunity structure' should include all aspects of the external business environment, including financial and public institutions (Barrett et al., 2001).

3.2.4 Overall Criticism of the various theories

Earlier research on ethnic entrepreneurship tended to explain high motivation to create businesses by a specific cultural inheritance, which were mainly mono-causal explanations readily isolating the importance of gathering either family or ethnic resources. The emphasis on these resources and the role of social networks were particularly present in the theories about ethnic enclaves (Wilson & Portes, 1988; Portes, 1995) and middleman minorities (Bonacich, 1973). However, analyses based purely on cultural attributes proved to be questionable and responsible for the stereotyping of certain immigrant groups (Oliveira, 2007: 63). Differences in entrepreneurial rates of identical ethnic groups in diverse countries and cities confirm the necessity of finding other explanatory variables.

To counterbalance the previous lack of economic environment analysis, Waldinger et al. (1990) developed an interactive model, insisting that group characteristics should be considered in their interaction with an opportunity structure. They include the market conditions within the opportunity structures, characterising the relation between entrepreneurs, consumers from an open or ethnic market and competitors (native, co-ethnic, or from other immigrant groups). To explain the supply side, the authors included the predisposing factors that immigrants demonstrate towards entrepreneurship and resources mobilisation in ethnic networks, and assert that ethnic strategies emerge in the interaction of opportunity structures and group characteristics. Although the interactive model provides an important contribution towards the literature, namely because it was the first inclusive explanation of immigrants' entrepreneurship, it proved to have certain limitations (Oliveira, 2007: 63).

As Rath (2000: 7) points out, the theory assumes that immigrants define naturally ethnic entrepreneurial strategies just because they have a certain ethnicity or identify themselves with a group with ethnic cultural traditions. In some cases, entrepreneurial initiatives prove to be much more a result of human capital and individual characteristics than a product of ethnic resources. Light et al. (1993) further suggest that the interactive model ignores the influence of the host economy. Furthermore, it fails to take into account the distinctiveness of among other things, the banking system and the regulatory, institutional and policy frameworks and their role in either favouring or discouraging immigrant entrepreneurship.

In this sense, the mixed embeddedness hypothesis from Kloosterman and Rath (2001) provides a more wide-ranging explanation of immigrants' entrepreneurship. However, even though Waldinger et al. (1990) recognise that immigrants' embeddedness in the cultural, social, economic and political spheres is fairly complex and can be relatively diverse, they do not take into account that immigrants knit, in their own way, the opportunities and resources that they access in order to define entrepreneurial strategies (Oliveira, 2007: 64).

3.2.5 Contribution of ethnic entrepreneurship theory to this study

To better understand the representation of an ethnic group in self-employment, one needs to investigate the complex interrelation between the historical, economic, and cultural factors that underpin the socioeconomic context in which individuals live (Kloosterman et al., 1999; Flap et al., 2000). Although individual and cultural level approaches provide some important contributions, critics note that individual-level explanations generally stress the effects of human capital almost independently of cultural traits and economic constraints (Butler & Herring, 1991; Siqueira, 2007). Similarly, cultural approaches tend to overemphasize ethnic cultural factors, downplaying the economic constraints that push ethnic minorities into self-employment. To address these limitations Ibrahim and Galt (2003) and

Waldinger (1986) state that more attention should be given to economic constraints that narrow the options available to immigrants.

The cultural theory has some merit in the South African context as there is evidence that certain ethnic groups are more reliant on co-ethnics for social and human capital, and service more co-ethnics. Various ethnic groups faced different institutional contexts, due to different forms of discrimination. Therefore, the situational theory has some merit in South Africa, as certain ethnic groups have been severely discriminated against in terms of lack of education possibilities, job opportunities and being able to be mobile.

Applying disadvantage theory to differences between ethnic groups in South Africa, it is expected that the African entrepreneurs will fit more closely the profile of resource-disadvantaged, survivalist entrepreneurs than will their European counterparts. It is argued that, compared to the European ethnic entrepreneurs, the African entrepreneurs will be more likely to: have started their enterprise for the purpose of avoiding disadvantage in the mainstream; have obtained their start-up capital from personal savings rather than from financial institutions; and have used relatives or friends as sources of unpaid labour (Smith-Hunter & Boyd, 2004). The middleman minority theory has previously been used to partially explain the success of Indians in East Africa, and subsequently there is some support for this theory to explain the role of the Indian entrepreneur in South Africa. Throughout the Apartheid period, there is evidence of many Indian entrepreneurs acting as buffers between the Europeans and African businesses.

Deakins et al. (2007) state that one of the themes running through previous academic literature on ethnic entrepreneurs is the extent of their distinctiveness in comparison with other entrepreneurs. Some writers point to the particular ways in which minority ethnic groups draw on family and co-ethnic resources (Werbner, 1990; Song, 1997) and social networks, contributing to a so-called culturalist perspective. At the same time, such an emphasis has been criticized for overemphasizing the role of ethnicity in relation to class-based relationships (Mulholland, 1997) and an insufficient recognition of the wider social context. The structuralist perspective emphasizes the material constraints experienced by minority groups that include some that may be related to racial discrimination, which impact upon their employment opportunities. Instead of emphasizing culturally based preferences for entrepreneurial activity, a structural interpretation emphasizes how entrepreneurial activity is often rooted in disadvantage, rather than resulting from distinctively different, cultural or ethnic resources.

The mixed embeddedness approach, led by Kloosterman and Rath (1999), seeks to explain the development path of ethnic entrepreneurs in terms of the sectoral, and regulatory environments. Ethnic-based ties are recognised, but their significance needs to be interpreted in the context of these broader processes. A key strength of such an approach is that it is a comprehensive perspective, aiming to locate ethnic entrepreneurs in the wider structures in which they are embedded. However, each of these theories have some merit, it is acknowledged that the interactive theory addresses more of the crucial issues pertaining to ethnic entrepreneurship in South Africa. Furthermore, and in light of Welter and Smallbone's (2011) suggestions, more research needs to be done which addresses entrepreneurs within their unique environment, expeciually in contexts going through transition.

3.2.6 Ethnic resources and group characteristics

The study conducted by Min and Bozorgmehr (2003) on Korean and Iranian entrepreneurs in Los Angeles shows how the level of diversity of an immigrant group and its class background can determine its settlement patterns. Their results show that Iranian immigrants with greater class resources were able to establish larger businesses, serving largely White customers, while Korean immigrants with greater ethnic resources managed to establish smaller businesses mostly located in ethnic enclaves and low-income neighbourhoods. This seems to contradict the dominant theory on ethnic entrepreneurship that states that ethnic resources are a necessary precondition for business, as opposed to class resources.

Based on a comparative study of Turkish and Irish entrepreneurs, Turan and Kara's (2007: 44) results showed very little difference between the two groups on various entrepreneurial characteristics. The major reasons Turkish entrepreneurs went into business was the freedom to make decisions, and financial rewards. In a similar study, Altinay and Altinay (2006; 2008) interviewed over one hundred Turkish entrepreneurs in London, and the findings show that being fluent in English, recruiting through formal recruitment channels, and a high proportion of co-ethnic labour positively impact on the growth of the business. This is supported by an older study by Zimmer and Aldrich (1987) that found that Asians drew on family and friends more than the Whites.

Lofstrom and Wang (2007) stated that the lower self-employment rate among Mexican Hispanics, relative to Whites, is partially due to human and financial capital start-up constraints. Particularly, the lower educational attainment levels among Mexican-Hispanics appear to restrict business start-ups. In addition, Razin and Scheinberg (2001) examined immigrants from the former USSR in Israel, and found that the immigrants lacked in developed ethnic networks. In a further study, Teixeira's (2001) results indicate that Portuguese differ significantly from Black entrepreneurs in that they rely more often on their ethnic resources. In a more recent study, Okonto and Pandya (2007) researched whether the poor performance of African-Caribbean entrepreneurs can be attributed to their ethnic backgrounds and traits. The results showed that the lack of entrepreneurial performance is not necessarily linked to culture or ethnicity but to the political, social and economic environment as well as personal attributes, and resources. This view is supported by Ekwulugo (2006) who examined Black African entrepreneurs in London, and found a lack of entrepreneurial traditions in the family.

There are conflicting results regarding ethnic and class resources, with some groups relying heavily on their own ethnic resources within their groups, whereas others relying on class resources. In table 3.4 on the following pages, an overview of relevant studies of comparative studies of ethnic entrepreneurship are presented and reviewed.

Table 3.4 Findings from comparative studies of various ethnic entrepreneur groups

Author	Context	Investigation	Findings
Aldrich et al., 1985	Ethnic minorities in 3 UK cities	Proportion of ethnic minority (Asian) customers.	Residential concentration and social distance factors account for 53% of the variation in customer composition, as the proportion of Asians residing in an area and the ethnicity of the shopkeeper has effect on customer mix.
Altinay & Altinay, 2006	Turkish ethnic businesses in London	Variables influencing growth of Turkish ethnic businesses.	Findings suggest that fluency in English, recruitment through formal recruitment channels and the high proportion of co-ethnic labour force makes a positive impact on business growth.
Basu & Goswami, 1999	South Asian owners of businesses in the UK	Factors influencing South Asian entrepreneurial expansion in the UK.	Business growth depends on several other factors- educational attainment, prior business or professional experience, personal financial commitment in starting the business and reliance on bank finance at start-up.
Basu, 1998	Asian entrepreneurs in UK	Investigates various aspects of Asian entrepreneurship.	Entrepreneurial entry, predominantly through small retail businesses, depends on the access to informal sources of capital and information or advice and previous experience.
Bates, 1999	Asian business community in the US	Analyses nationwide sample of Asian Indian and Filipino immigrants.	Highly educated Asian immigrant owner are more likely to exit self-employment and from traditional fields (retail & personal services). Self-employment is often a form of underemployment among Asian immigrants.
Bates, 1991	Black & White entrepreneurs in US	Is discrimination responsible for smaller loans received by Black-owned firms	Black firms received smaller loans than White owned firms possessing identical characteristics. While Blacks have higher failure rates, they have similar predicted failure rates if they do not receive smaller loans.
Brenner, et al., 2000	Chinese in Montreal, Toronto & Vancouver	Understand venture creation in Canada's ethnic communities and the role played by the host society	Entrepreneurs differed significantly by city according to length of time in Canada, reasons for immigrating, length of experience, success of previous business, reasons for owning a business, difficulty in obtaining financing, sources of finance, and number/type of employees.
Buttler & Herring, 1991	USA	Self-employed more prevalent in certain ethnic groups.	Jewish more likely than others to be self-employed, those from "racial ethnic" groups were generally less likely than White ethnics to be self-employed.
Chaganti & Greene, 2002	Asian & Latino entrepreneur s from US	Compares personal and business characteristics of most community-involved and least involved ethnic entrepreneurs.	Several significant differences between the two groups on variables relating to the entrepreneurs' background characteristics, business-related goals, cultural values, business strategies, and business performance.
Dodd, Jack & Anderson, 2002	Scottish, Canadian, Greek, Japanese, Italian, N.Irish, Swedish & US	Personal contact networks of entrepreneurs and compares them to other countries	The findings show that variable network behaviour across borders exist. Entrepreneurs from the North East of Scotland exhibit a tendency towards small, tightly integrated networks.
Dodd & Patra, 2002	Canadian, Greek, Japanese, Italian, N. Irish, Swedish & US	Comparison of personal contact networks between Greek entrepreneurs and published results for other countries.	Findings show that generic behaviour across borders cannot be assumed although similarities exist in the under-representation of women as network members, the average age of networks contacts, duration of relationships, and average monthly meetings. Business networks are very deeply embedded in social structures.
Fadahunsi, Smallbone & Supri, 2000	Ethnic minority businesses in North London	Role of networking in the development of ethnic minority enterprise.	Personal and community based networks are used both to mobilise resources and generate sales by business, although the nature and extent of activity varies at different stages of business development. Low take-up of business advice and support from mainstream agencies.

Author	Context	Investigation	Findings
Halkias et al, 2009	Albanian immigrants in Greece	Characteristics and business profiles of 77 Albanian small businesses	Results from 77 interviews showed that they are mainly focused in retail and manual labour. They tend to rely heavily on word of mouth to market their businesses, and rely heavily on loans as their form of finance.
Johnson, 2001	Asian refugees in British Columbia, Canada	Differences in self-employment among Chinese Vietnamese, ethnic Vietnamese and Laotian.	Key differences show that Chinese Vietnamese were more likely than ethnic Vietnamese and Laotian to: be both owners and managers of the business; have learned the business through trial and error; be in Canada and in business longer
Kim & Hurh, 1989	Korean immigrant s in the USA	Analyses Korean immigrant entrepreneurs' ethnic resource utilisation.	Korean entrepreneurs rely heavily on their ethnic resources for both business preparation and operation. However, problems – intra-ethnic business competition and precarious position as a middle-man minority.
Kontos, 2003	Migrant entrepreneurs in Germany	Influence of biographical processes on self-employment among migrants.	Identifies a biographical structure composed of two phases that shape status passage to self-employment. During these phases personal resources are mobilised and/or attempts are made to access policy support.
Ley, 2006	Immigrant entrepreneurs in Vancouver, Canada	Business performance of entrepreneurs who entered Canada through the Business Immigration Programme	Business performance was weak for entrepreneurs, despite significant pre-migration resources. Human capital influenced business success. Consistent with European research, the ethnic enclave economy imposed a penalty on outcomes.
Marger, 2001	Entrepreneurs in Ontario, Canada	Utilization of social and human capital among Canadian immigrants.	Having access to social capital typifies the ethnic entrepreneur, some enter the host society with sufficient human capital to enable them to forego the social capital.
Min & Bozorgmehr, 2003	Korean & Iranian entrepreneurs in LA	Is ethnic or class resources more central to the establishment of ethnic businesses.	Relative utilization of class vs ethnic resources determines the patterns of immigrant / ethnic businesses rather than their development.
Premaratne, 2001	Sri Lankan small business owners	Relationships between material resources (money) & nonmaterial support & relations.	Entrepreneurial networks in Sri Lanka provide more nonmaterial support and information, while organisational networks, provide financial support. In general, nonmaterial support is the predominant resources.
Ram, 1994	Ethnic entrepreneurs in UK	Examines the role of networks in ethnic minority firms.	Social networks comprising the community and family play a central role in ethnic business. Combination of recession, racism and general economic decline – not cultural flair – that pushed many Asians into self-employment
Raijman & Tienda, 1999	Immigrant businesses in Chicago	Compares immigrants on circumstances conducive to entrepreneurship.	The informal economy is a common pathway to steady self-employment for Hispanics, entry through jobs in co-ethnic firms was more common among Koreans than immigrants from Mexico, Middle East and South Asia.
Razin & Scheinberg, 2001	Immigrants from the USSR to Israel	Characteristics of immigrant entrepreneurs similar to prominent ethnic communities.	The propensity of new immigrants to engage in business was found to be low, and lacked developed ethnic networks and relevant experience in marketing. Those that turned to self-employment did not concentrate in niches typical of immigrant entrepreneurs.
Schnell Sofer, 2002	Arab industry in Israel	Analytical framework for explaining the degree and form of embeddedness of a marginal minority group	Arab firms are highly embedded in the local milieu operate under the influence of kinship structures and a petrified supportive tissue that downgrades networks in the cohesive coalitions opposing structural change.
Smith-Hunter & Boyd, 2004	White and minority women from New York	Entrepreneurship theory used to explain racial differences in women's business	The theories explain differences by focusing on gap between the high aspirations of minority women for business ownership and the paucity of formal entrepreneurial resources that are available to them.

Although there have been a number of empirical studies comparing ethnic groups' levels of entrepreneurship, such as Koreans, Chinese, Indians, Cubans, and Blacks in the United States (Light & Bonacich, 1988; Portes & Rumbaut, 1990; Waldinger & Bozorgmehr, 1996; Light & Gold, 2000; Yoo, 2000; Morris & Schindehutte, 2005; Kollinger & Minniti, 2006: Phan & Luk, 2008; Valdez, 2008), and in the United Kingdom, with studies of Asians, Black-Caribbean's and Whites (Ram, 1991; 1994; Phizacklea & Ram, 1995; Fadahunsi, Smallbone & Supri, 2000; Ram, Abbas, Songhera & Hillin, 2000; Chaudhry & Crick, 2005; Ekwulugo, 2006; Altinay & Altinay, 2008; Okonto & Pandya, 2007), (see table 3.4 above), many have been based on census data, and there is still a bias to studies conducted in America and Europe. Only recently have researchers started looking at other contexts, such as Africa. In addition, most of the studies have focused fairly narrowly on the entrepreneur, and not adequately addressed the wider institutional context in which the entrepreneur conducts their business. The intention of this study is to address these two gaps in the research arena.

3.2.7 Social resources / human capital

According to Sanders and Nee (1996) human capital refer to possession of skills, work experience, knowledge, and other useful characteristics (e.g., motivational incentives, leadership style, locus of control) that facilitate self-employment (Nijkamp et al., 2009). Human capital factors that have been found to affect new venture performance include age, gender, ethnicity (Cooper et al., 1994), education (Shepherd et al., 2000, Lee & Chang, 2005); relevant industry experience (Baum et al., 2001; Kakati, 2003; Florin et al., 2003; Lee & Chang, 2005); and general management experience (Brown & Hanlon, 2004). Bates (1994, 1997) has shown that human capital resources are positively related to business longevity and profits. Ethnic entrepreneurs with higher educational qualifications appear to have greater chances for success (Birley & Ghaie, 1992; Basu, 1998; Bates 1994, 1997). However, other studies find that higher education leads to a lower chance for becoming self-employed (Mesch & Czamanski, 1997; Menzies et al., 2003).

According to Robb and Fairlie (2007), Asian-owned businesses are more successful than White-owned businesses because they have high levels of human capital and their businesses have substantial start-up capital. Also, Light & Gold (2000: 85) comparing entrepreneurship of Blacks and Whites, show that in addition to their advantage in financial capital, the Whites had more human capital than the Blacks. Furthermore, Bates' (1994) comparative studies of Korean immigrant-owned businesses with African American and non-minority owned businesses suggest that human and financial capital are the key determinants of business activity. Korean entrepreneurs are more likely to have college degrees and more likely to have invested substantial personal assets in their businesses (Aronson, 1997).

However, Sanders and Nee (1996) accept the importance of social capital in explaining inter-ethnic variations in self-employment, but believes that the relevant social unit is the immediate family rather than the immigrant community. Their findings indicate that two types of resources, human capital/class and social capital are important in immigrant self-employment and inter-group variation in business ownership (Bailey & Waldinger, 1991; Borjas, 1991; Yoon, 1991; Bates, 1994). Facing limited employment opportunities, many immigrants view self-employment as a route to upward mobility. Business ownership allows them to use their human capital/class resources. There is further support from Morris (2000), who states that differences in relative success of ethnic groups can be explained by considering not just financial capital available to that group, but also the human and social capital. In another study, comparing self-employed immigrants and native Germans, Constant and Zimmermann (2006) found that self-employment is not significantly affected by exposure to Germany or by human capital. Rather, the earnings of self-employed increase with exposure to Germany, hours worked and occupational prestige.

In a study on 78 small businesses, Basu (1998) investigated various aspects of Asian entrepreneurship based on surveys with Indian, Pakistani and Bangladeshi businesses in the UK. The results reflect that business success appears to be closely related both to the share of personal capital invested at start-up and to the entrepreneur's educational qualifications. In the following year, Basu's (1999: 251) results indicated that entrepreneurial growth depends on educational attainment, personal savings invested at start-up, hard work in the initial stages, and the delegation of responsibilities to non-family members. Similarly, Ley (2006), based on a comparative study of immigrants from Hong Kong, Taiwan and Korea, found that human capital aided the entrepreneurs, and the results showed significant ethnic variation with the Korean group the most successful of the three groups.

Ndofor and Priem (2009), based on a study of 103 immigrant-owned ventures in the U.S. argue that immigrant entrepreneurs' level of economic, human, and social capital, together with their degrees of social identification with their ethnic community, affect their choice to start a business either in their ethnic enclave or the dominant market. Similarly, Altinay's (2008) research with Turkish entrepreneurs in London illustrates that the English fluency of the entrepreneurs also influences their choice of using formal channels for advice. More recently, Smallbone, Kitching and Athayde (2010: 174) state that the ability of the entrepreneurs to use the English language is measured by their ability to speak, write and read the language fluently. Prior research has suggested that individuals might be more inclined to engage in entrepreneurship-related activities if they believe themselves to possess the necessary skills to bring these activities to a successful end (Davidsson & Honig, 2003; Arenius & Minniti, 2005; Clercq & Arenius, 2006). In their studies of attitudes and behaviours of Turkish female entrepreneurs in Amsterdam, Levent et al. (2003) identified poor language skills as an obstacle to entrepreneurship. According to these authors, the ability to communicate with others in the host country language is an important factor, which in turn has a significant impact on social and economic integration and productivity. Firm owners who possess strong language skills, will have a higher level of confidence in themselves to seek capital from banks and other financial institutions and rely less on co-ethnic capital.

Hiebert (2009) argues that the impacts of human capital are evident when immigrants from Asia, Latin America, Africa and Europe/United States are compared. As might be expected, individuals from regions where immigrants tend to be well educated and able to speak an official language find work and are reasonably well paid. The results show higher earnings associated with immigrants from Africa compared with those from East Asia. Detailed analysis of the relationship between language proficiency, education and economic outcomes reveals the decisive importance of language. For skilled workers and family class immigrants particularly, the ability to speak an official language upon landing determines whether an individual's education matters in the labour market. Without an official language, immigrants with a university education earn little more than those who only attended high school.

Thompson et al. (2010) look at the rates of entrepreneurship among graduates and non-graduates from the Indian, Pakistani and White communities of the United Kingdom. They conclude that the relationship between education and entrepreneurship differs between ethnic groups. They show that early stage entrepreneurship is highest for Pakistanis, and lowest for the White British, and that this is higher in each group for those with degrees. Using the distinction between those driven into entrepreneurship by necessity, and those opting for it to exploit opportunities, they find the highest level of necessity entrepreneurship among Pakistanis, and the lowest level among the White British, with possession of a degree reducing this figure for each group. The picture for opportunity entrepreneurship is more complex, with the Whites displaying the highest levels among non-graduates, but Pakistanis in this position among graduates.

There is strong support for the view that the entrepreneurs need to be educated in order to develop their entrepreneurial abilities and contribute to the survival of their businesses (Casson, 1991; Jones et al., 1992; Basu, 1998; Basu & Goswami, 1999; Altinay, 2008; Toussaint-Comeau, 2008). In their study of South Asian entrepreneurship in the UK, Basu and Goswami (1999) found that educational qualifications may contribute to growth by improving the entrepreneur's communication skills with different parties including banks, which may in turn help to lift external financial resource constraints and lower barriers to business development. It is also possible that owners who have not had a higher education may be intimidated or uncomfortable with the loan application process (Young, 1998; Rogers et al., 2001; Coleman, 2005). Furthermore, the educational attainment of entrepreneurs might also help facilitate financing opportunities and business success as it can serve as a basis for screening (Toussaint-Comeau, 2008).

Previous research indicates that ethnic minority businesses have a low propensity to use mainstream business support agencies (Marlow, 1992; Ram, 1997), often relying instead on self-help and co-ethnic sources of advice. One of the principle obstacles is language and the lack of effective communication with the support agencies. Smallbone and Welter (2001a) state that mainstream business support agencies do not communicate in the language of the ethnic minority group and this can be a barrier for the dissemination of the information on business support issues if these entrepreneurs do not feel comfortable with the language of the host country (Coleman, 2005).

3.2.8 Motivation factors

Researchers have taken various approaches to explain what motivates individuals to start their own businesses. Some researchers believe innate personality traits are the primary motivators, while others believe external/situational factors (push-pull) are more important. Individuals can be “pushed” into starting a business by external negative conditions such as unemployment and retrenchment, a low paying job with little upward mobility and/or a desire to escape supervision (Buttner & Moore, 1997; Curran & Blackburn, 2001). At the same time “pull” factors, such as the desire to be one's own boss, increase wealth, change lifestyle or use one's experience and knowledge, can attract an individual to entrepreneurship (Birley & Westhead, 1994; Burke et al., 2002).

Personality traits, such as the need to achieve, a tolerance for ambiguity, a desire to innovate, a propensity for risk-taking and a preference for locus of control, have all been shown to influence entrepreneurial activity (Chell, 1985; Ginsburg & Buchholtz, 1989; Johnson, 1990; Shaver & Scott, 1991; Stewart et al., 1996; Collins et al., 2004). Several common entrepreneurial motivation factors have been identified in literature, among them: Need for approval (Scheinberg & MacMillan, 1988; Shane et al., 1991); Need for independence (Hisrich & Brush, 1985; Cromie, 1987; Scheinberg & MacMillan, 1988; Shane et al., 1991; Singh, 1993; Borooah et al., 1997; Vijaya & Kamalanabhan, 1998; Alstete, 2003; Wilson et al., 2004; Cassar, 2007; Kirkwood, 2009); Need for achievement (Hisrich & Brush, 1985; Cromie, 1987; Dubini, 1988; Singh, 1993); Economic reasons (Goffee & Scase, 1985; Hisrich & Brush, 1985; Cromie, 1987; Dubini, 1988;Fischer et al., 1993; Kuiper, 1993; Singh, 1993; Vijaya & Kamalanabhan, 1998; DeMartino & Barbato, 2003; Rosa & Dawson, 2006; Kirkwood, 2009); Need for job satisfaction (Hisrich & Brush, 1984; Singh, 1993) or lack of it (Goffee & Scase, 1985; Cromie, 1987); Escape or freedom (Dubini, 1988; Scheinberg & MacMillan, 1988; Buttner & Moore,1997).

In one of the few comparative studies of minority entrepreneurs in different societies, Phizacklea and Ram (1995) looked at entrepreneurs in the UK and France. The results showed that the motivational factors for business entry, the economic climate, the operating environment and the management practices of these firms in the two cities were very similar. Most of the entrepreneurs had entered business because they had experienced restrictions to choices of employment, and were located in areas of high co-ethnic residential concentration, with a strong reliance on co-ethnic custom. In another comparative study, Raijman and Tienda (1999: 682) compared results from Hispanic, Korean, non-Hispanic White, and Middle-Eastern/Southern-Asian entrepreneurs. Their results indicated that the informal economy is a common pathway to steady self-employment for Hispanics, whereas entry through employment in a co-ethnic firm was more common among Koreans than immigrants from Mexico, the Middle East, and South Asia. Koreans see business ownership as a way to overcome blocked mobility. For Hispanics, business ownership is not solely an instrument for overcoming discrimination, but rather a strategy for intergenerational mobility. Furthermore, the results showed that one reason for becoming a business owner is the desire of all respondents, regardless of ethnicity, to improve their economic situation.

According to Scheinberg and MacMillan (1988) entrepreneurs in the US and Australia are highly motivated by the need for independence. In contrast, Italian and Chinese entrepreneurs are motivated by communitarianism. Portuguese and Chinese entrepreneurs establish businesses to fulfil a need for approval. Shane et al. (1991) provided a cross-country comparison of entrepreneurs in Great Britain, Norway and New Zealand and found that the desire for recognition is stronger in New Zealand and Great Britain than in Norway. In another study conducted in London, Nwankwo (2005) argues that Black Africans go into entrepreneurship to escape ethnic penalties, rather than because of opportunities arising from the environment. Therefore they are going in entrepreneurship to escape a negative situation rather than a positive opportunity. However, Wang et al. (2006) found “pull” motivations are more important motivators than the “push” motivations.

Piperopoulos (2010) analysed ethnic entrepreneurs from eight different ethnic communities in Greece. The results showed almost 70 percent of the entrepreneurs reported that they were motivated to start their business by unemployment, lack of labour market opportunities, language barriers and ethnic/race discrimination. Nearly 68 percent of the immigrant entrepreneurs became self-employed to enhance their social status in their communities, and 57 percent to enhance the reputation of their business. Earlier, according to Basu (1998) the motives for differed between groups. Indian entrepreneurs seem to experience push factors of less importance in their decision to start a business, in comparison with Bangladeshi and Pakistani entrepreneurs.

With respect to entrepreneurial motivation in developing countries, Swierczek and Ha (2003) examined the motives of Vietnamese entrepreneurs, and found that challenge and achievement are significantly more important motivators than were necessity and security. Another study by Benzing et al. (2005a) discovered some regional differences in Vietnam. Entrepreneurs in Ho Chi Minh City are more motivated to start a business for personal satisfaction and growth, while entrepreneurs in Hanoi are motivated by “push factors” related to job creation. Hanoi suffers from a weaker economy and higher jobless rate than Ho Chi Minh City, which may lead to greater security needs there. In Romania, income needs are significantly stronger motivators than self-satisfaction and personal needs (Benzing et al., 2005b). In contrast, entrepreneurs in a more developed region of India are most strongly motivated by the desire for independence/autonomy, with the second strongest motivator was to increase their income.

Van Gelderen and Jansen (2006) state that autonomy is a primary motive for a large majority of small business starters. Their findings showed that there are two types of autonomy motives: a proximal motive which is associated with task characteristics of being self-employed, and distal motives for which autonomy is instrumental such as to avoid a boss or restrictions. In an older study, Basu and Altinay (2002) examined the relationship between culture and six different immigrant entrepreneur groups in London. Based on interviews with over 160 entrepreneurs, the results showed that there were differences in business entry motives, patterns of finance, the nature of businesses, and woman’s participation in business, and the reliance on co-ethnic labour and co-ethnic customers.

According to Basu (2008), the motives for business entry differ among groups. He found that Indian entrepreneurs seem to experience push factors of less importance in their decision to start a business, in comparison with Pakistani entrepreneurs. On the other hand, Waldinger (2006) found that some ethnic groups have cultural norms that create a set of understandings about appropriate economic behaviour and expectations within a work setting. Deak (1999) studied the differences between Indian and Black Caribbeans in Britain where he found that many Indians but only few Black Caribbeans are self-employed. According to this author, this is caused by the fact that the Black Caribbeans are ethnically disinclined to enter business. They also do not possess the attributes like educational qualification that are positively related to entering business (van Scheers, 2010).

African context

In Africa, Uganda's entrepreneurs indicate that ‘making a living’ or ‘making money’ is the most important motivator for their business ownership (Bewayo, 1995). Their results show that a majority of entrepreneurs prefer business ownership to working for a corporation because of autonomy, freedom, and independence. Furthermore, according to a study by Chamlee-Wright (1997), Ghanaian entrepreneurs often invest in a business because they have few other savings/investment options. Similarly, in a recent studies in Kenya and Ghana (Chu et al., 2007), results showed that the entrepreneurs were motivated by increasing their income and creating jobs for themselves. Kenyan entrepreneurs appear to be more motivated by independence and self-satisfaction than Ghanaian entrepreneurs. Hard work and good customer service were cited by both Kenyan and Ghanaian entrepreneurs as being critical for their success. But compared to the Kenyan entrepreneurs, Ghanaian’s weighed support from family and friends and external relationships building as more important. A weak economy is the most important problem preventing entrepreneurs of both countries from achieving their goals. Ghanaian entrepreneurs were more concerned about the inability to obtain capital, while Kenyan entrepreneurs were more concerned with government regulations and problems related to business location. Similarly, the two main personal motives for entrepreneurial efforts among business starters in Kenya were searching for independence and maintaining family wealth (Takyi-Asiedu, 1993; Nelson & Mwaura, 1997).

South African context

In one of the few studies conducted in South Africa on motivation factors of African entrepreneurs, based on a sample of over one hundred, Mitchell’s (2003a) results illustrated that the entrepreneurs were primarily motivated by the need for independence, material incentives and the need for achievement. The need to contribute to the community was not an important motive. In terms of motivation, Babo’s study (2004) showed that there were also significant differences between the ethnic groups, with more than 30 percent of Black and almost 60 percent of Coloured (mixed race) entrepreneurs founded their business because of lack of job opportunities. Making profit and high income was the main reason for Asians while Whites were motivated by realising personal independence and appreciation of work effort.

In a study conducted in South Africa, Hewitt (2009: 78) looked at influencing factors such as culture, race, gender, education, experience, personal traits, motivation, sources of finance, networks, family support, and role models in small businesses. Her findings showed that personal traits such as the desire to achieve, to work hard, nurturing quality, accepting responsibility, reward orientation, optimism, being good organisers and to be profit orientated were evident. Furthermore, family support was confirmed as one of the major important factors when running the business, especially at the start of the business life cycle is considered to be important by most business owners. Also, Sriram & Mersha (2010) found that South African entrepreneurs had higher levels of traits such as proactiveness and risk taking.

However, there is a paucity of comparative studies on motivation factors between various ethnic groups, and this study hopes to address this void in this research.

3.3 Network theory

The personal network approach views the entrepreneur as a whole person, a socioeconomic actor with a personal history and private concerns as well as economic interests (Larson, 1992). The term ‘personal network’, according to Johannisson (2000: 371), refers to both the initiating individual and the emerging venture. He goes onto state that ‘we all are the origin of creative action, and as social creatures, we are bound to interact’. Subsequently, social and business issues are interlinked in didividual ties, so that since network members are unique, if they leave the network will change. As a consequence, business relationships are not solely viewed in formal organisational or market contexts, which operate according to principles of instrumental utility, task relatedness, market prices, and transaction costs. Instead, the network approach acknowledges the embeddedness of economic relationships within social settings and delineates the multidimensional nature and content of business relationships. Aldrich and Zimmer (1986) argued that the entrepreneur is embedded in a social network that plays a crucial role in the entrepreneurial process, and in the broadest sense, social networks can be defined by a set of actors and the set of linkages between them.

3.3.1 Elements of networks.

According to Hoang & Antoncic (2003), there are three elements of networks that emerge as critical to theoretical and empirical research: (1) the nature of the content that is exchanged between actors; (2) governance mechanisms in relationships; and (3) the network structure created by the relationships between actors These three components help explain the process of network development and the impact of networks on the entrepreneurial process.

Network content

Interpersonal and interorganisational relationships are viewed as the media through which actors gain access to a variety of resources held by other actors. With the exception of work on the role of networks to access capital

(Zimmer & Aldrich, 1987; Bates, 1997; Light, 2004), most research has focused on the entrepreneur’s access to intangible resources. Network relations, for example, provide emotional support for entrepreneurial risk-taking (Bruderl & Preisendorfer, 1998) and this in turn is thought to enhance persistence to remain in business (Gimeno et al., 1997). A key benefit of networks for the entrepreneurial process is the access they provide to information and advice. A number of researchers (Birley, 1985; Singh et al., 1999; Hoang & Antoncic, 2003; Neergaard et al., 2005) acknowledge that the contents of network relationships can be distinguished from other interactional dimensions, in order to acquire a more comprehensive understanding of business owner networks, it is appropriate to consider networks contents separately from other network dimensions.

Network governance

Network governance can be defined as the reliance on ‘‘implicit and open-ended contracts’’ that are supported by social mechanisms, such as power and influence (Krackhardt, 1995) and the threat of ostracism and loss of reputation (Portes & Sensenbrenner, 1993; Jones et al., 1994) rather than legal enforcement. A number of researchers have asserted that these distinctive elements of network governance can create cost advantages in comparison to coordination through market or bureaucratic mechanisms (Starr & Macmillan 1990; Jones et al., 1997). Trust between partners is often cited as a critical element of network exchange that in turn enhances the depth and richness of exchange relations and quality of the resource flows (Larson, 1992; Hite, 2005), and allows both parties to assume that each will take actions that are predictable and mutually acceptable (Powell & Doerr, 1994; Uzzi, 1997). Neergaard et al. (2005: 357) believe that when describing the interactional dimensions of social networks, the structural dimensions of individual’s social network could be influenced by the intensity, frequency, durability, direction and content of network relationships.

Network structure

Network structure is defined as the pattern of direct and indirect ties between actors. A general hypothesis is that actors' differential positioning within a network structure has an important impact on resource flows, and hence, on entrepreneurial outcomes. Indeed, who the actors are is secondary to their position in the network structure. Neergaard et al. (2005) state that the structure of an individual's social network and the position which they hold within their network can impact on the network interactions, including exchange of contents. Specifically, the following have been identified: anchorage, density, reachability and range as relevant to the structural analysis of social behaviour. Another measure of network position is centrality, which explicitly includes the ability to access resources through indirect as well as direct links. Researchers have characterised varying degrees of access to resources by measuring network centrality at the interpersonal and interorganisational level (Johannisson et al., 1994; Powell & Smith-Doerr, 1994).

3.3.2 Personal Networks

Personal networks, according to Johannisson (2000: 375), are constructed by the entrepreneurs themselves. In addition, the network tends to reflect the unque personaility of the entrepreneur, tends to reflect the sense-making processes which guide the entrepreneur as a businessperson and a sain individual. Third, the network is seen as a vehicle for realisign the busness venture. Lastly, the network is seen as an extension of their 'self. (Johannisson, 2000: 376).

Entrepreneurial networks can be defined as the sum total of relationships in which an entrepreneur participates, and which provide an important resource for their activities (Dodd & Patra, 2002: 117). Entrepreneurial networks have been shown to act as providers of psychological and practical support (Johannisson, 1996), of access to information about opportunities (Burt, 1992), and of a host of other resources, including finance and information (Ostgaard & Birley, 1996). According to Premaratne (2001), the network system might be a major way for small firms to compensate for lacking resources, and there are three types of actors in entrepreneurial networks: social, supporting, and inter-firm. Social networks consist of actors such as relatives, friends, and acquaintances. Supporting networks consist of supporting agencies such as banks, government agencies, and non-government organisations, while inter-firm networks include other enterprises both large and small. The different kinds of networks serve different functions. The social network is like an opportunity set (Butler & Hansen, 1991; Brown & Butler, 1993), and the social networks provide information, other kinds of non-material support, and financial support for new entrepreneurs (Birley, 1985; Butler & Hansen, 1991). New entrepreneurs are particularly dependent on their personal networks (Aldrich & Zimmer, 1986; Birley & Cromie, 1988, Johannisson, 1988), and the new entrepreneur becomes dependent upon his personal network as a supplement to his own business resources.

Personal networks are crucial assets for entrepreneurs struggling to survive in competitive markets and allows them to enlarge their span of action, save time and gain access to resources and opportunities otherwise unavailable (Aldrich et al., 1997). Granovetter (1973: 1367) claims that weak ties act as “bridges” to information sources not necessarily contained within an entrepreneur’s immediate (strong-tie) network. Since an individual does not interact with weak ties regularly, it is likely that weak ties provide more unique information than strong ties. According to Burt (1992), low redundancy in the social network promotes entrepreneurial success. In non-redundant networks, the entrepreneurs’ contacts do not know each other and rarely have the same information (Jenssen & Greve, 2002). Low network redundancy gives entrepreneurs better information and it allows entrepreneurs to combine resources from non-redundant sources. In contrast, when there is high redundancy, the contacts know each other and may provide the same information. Several researchers recognise that establishing new firms is embedded in social and emotional contexts, where social networks are important, as well as the market (Granovetter, 1985; Hansen, 1995; Johannisson & Monsted, 1998).

Aldrich and Zimmer (1986: 13) contest that there are a number of dimensions of personal networks that may be conducive to entrepreneurship. Firstly, the importance of being within a group which, through increasing their group identity and group boundary, increases network density. Dense networks may produce a collective capacity necessary for an entrepreneur to draw upon. Secondly, the accessibility of persons who can match actors with similar interests is important for increasing the reachability within a network. Thirdly, the diversity of ties is important, and the balance between weak/bridging and strong/bonding ties is imperative. Fourthly, the access, through weak ties to those people with the most social resources is important. Therefore, a high degree of density, reachability, diversity and access to social resources through weak ties are conducive to entrepreneurship.

Furthermore, Johannisson and Johnsson (1988: 2) argue that there are a number of reasons why personal networks are imperative for new businesses. Firstly, through the network, supplementary resources are allied to the emerging organisation. Secondly, the network can balance the social dimension of the liabilities of uniqueness inherent in the new venture and the entrepreneur, thirdly, the personal network enables the entrepreneur to create an organisation and “enact” an operating environment that fits their personality. Fourthly, the network is a vehicle through which to become integrated into society. Johannisson (1988: 83) argues that the one of the answers to entrepreneurial success is the ability to develop and maintain a personal network, and to manage the enacted environment. More recently, Johannisson (2011) states that personal networks are seen as crucial in being the vehicle that allows for collaborative efforts in order to enact new realtities.

In addition, Johannisson (1990) argues that the social dimension of entrepreneurs’ personal networks, in addition to their economic contents, is crucial to the understanding of the creation of entrepreneurship. The socio-economic exchange framework is needed in order to avoid under and over-socialisation of economic activity (Granovetter, 1985). The general network metaphor focuses on exchange networks but encompasses information and moral networks as well (Johannisson, 1990: 3). Networks have several useful properties for entrepreneurs. The first is size. Entrepreneurs can enlarge their networks to get crucial information and other resources from knowledgeable others. The next is positioning. Entrepreneurs position themselves within a social network to shorten the path to knowledgeable others to get what they need (Greve & Salaff, 2003). Finally is relationship structure. Social contacts may be related to the entrepreneur or to each other through several types of relations or interactions. In single stranded relations, each person performs only one activity with the entrepreneur and is related to that person through only one type of relation.

The intensity of a community's networks is major factor that enables a particular region to develop competitiveness on wider national and international markets. This view is supported by Johannisson (2000), who states that the personal network provides not only information and access to important physical and financial resources, but also human and social capital. Going further, Johannisson (2000: 5) states that the contents of networks are difficult to separate within the personal network of entrepreneurs. This is because exchange is based on not only calculated but also social interest, such as ideological and affective commitments. Furthermore, he proposes that without this blending of commitments in singular network ties, entrepreneurial networks would not get the energy needed. Committed members of the personal network help the entrepreneur to amplify the initiative and subsequent actions. Also, social and business concerns become intertwined in individual ties, so that means that network members are unique; if they leave, the network will change, and therefore a justification for the argument that the network is labelled personal rather than social (Johannisson, 2000: 5). This is even more pronounced when personal networks in South Africa are heavily based on ethnic group, with most network members coming from the same ethnic group as the entrepreneur.

3.3.3 Social capital and ethnic entrepreneurship

Sociologist Pierre Bourdieu was probably the first researcher to extend the idea of economical capital to other areas such as culture and social life. According to Bourdieu, the individual's social capital might consist of institutionalized networks such as a family, a class or a political party, but also of networks held together only by the material or cultural exchanges between their members. The individual's amount of social capital depends on how large network of relations he/she effectively can mobilise, and on the amount of capital (economic, cultural and symbolic), each member of the network possesses (Bourdieu, 1986: 248). Central to Bourdieu's theory is the role social capital plays in the process of preserving and reproducing class structures within society, especially through mediating economic capital.

In his work Social Capital in the Creation of Human Capital (1988), Coleman focuses on the mechanisms and the role of social capital within the family structure. Coleman uses the concept of social capital as a theoretical tool to bring together two different perspectives of social actions: the social perspective, where social norms are essential in explaining the individual's actions, and the economic perspective, which sees the individual as self-interested, acting independently, whose foremost ambition is to maximise utility. According to Coleman (1988: 98), social capital, just as physical and human capital, facilitates productive activity. He argues that a group within which there is extensive trust and trustworthiness is able to accomplish much more than a group with less of these attributes. Coleman identifies three forms of social capital: obligations and expectations, information channels and norms. Social capital does not (like human capital), exist within the actors themselves, but in the structures of the relations between the actors. Coleman makes the comparison with human capital and physical capital and outlines a falling scale of tangibility, where social capital is the most difficult to discern (Coleman, 1988)

Robert Putnam's work Making Democracy Work: Civic Traditions in Modern Italy (1993), attempts to explore democracy issues in terms of social capital. Putnam found that what made democracy work better had to do with differences in civil society: the higher the levels of civic engagement, for example in local organisations and networks, the better democracy worked (Putnam, 1993). In a later work Bowling Alone, the collapse and revival of American community (2000) Putnam found that in a range of areas social capital has decreased dramatically during the last decades, for instance voter turnout, membership in voluntary organisations, workplace solidarity and trust in other people. He also reviews evidence that schools, neighbourhoods, economy, democracy, health, and happiness depend on adequate stocks of social capital (Putnam, 2000). He suggests that just as physical capital (tools) and human capital (training and education) can increase productivity, social contacts can affect the productivity of individuals and groups. Putnam distinguishes two different kinds of social capital: bridging and bonding. Bonding social capital is inward looking and refers to relations within homogenous groups such as families or social or ethnic groups. Bridging social capital refers to relations between different groups, networks that are outward looking and encompass people across diverse social cleavages. Both forms of social capital can have powerful positive social effects, although negative effects are probably more common in bonding social capital.

Regarding the measurement of social capital, Putnam has been criticised for confusing causes and effects. Bourdieu seems to make a more precise distinction, stating that the social network in itself is the social capital. Coleman's definition as well, appears to be closer to Bourdieu's distinction. However, his identification of the three forms of social capital (obligations and expectations, information channels and norms) seems to contradict the definition in part. Pierre Bourdieu and James Coleman do not include any collective aspect of the social capital, linking it only to individual assets, Coleman viewing organisations or corporations as individuals. Robert Putnam, on the other hand, generally applies the concept on a societal level, looking upon social capital as a collective asset. Bourdieu stresses the role social capital plays in the distribution of power in a society. Individuals have different degrees of access to social networks, hence unequal supplies of social capital and unequal distribution of power. A discussion of power distribution is lacking in the works by Putnam and Coleman. Despite the differences in level of appliance, power-aspects and the somewhat unclear differing standpoints on what social capital consists of, and what its sources and effects are, the theories of Bourdieu, Putnam and Coleman seem to be rooted in the same thing. That is, they all point to the importance of social networks of different types and sources that lead to corporation and beneficial outcomes. A great difference between the three definitions has to do with at what level the social capital is conceptualized. Bourdieu and Coleman discuss micro level and Putnam employs macro (state) levels. The other difference concerns what should be included within the concept of social capital and what are its sources and consequences. The common trait however - in both the original definitions by Putnam, Bourdieu and Coleman and the operationalizations in the literature on social capital is the presence of more or less structuralized networks between people or groups of people. These networks facilitate certain actions for different actors within the structures.

A conclusion for policy and practice, based upon the above, is that to increase and strengthen social capital focus must be put on the network aspects of social capital. Whether the networks should count as a source of social capital (where the social capital in itself consists of trust, norms etc), or if the social capital itself is constituted by the networks (and trust, norms etc are the consequences) does not really have implications for practical interventions.

Ram (1994) stated that social networks that are deemed to exist in many ethnic minority communities are often presented as vital to the start-up of ethnic enterprise. The network that appears to be most associated with ethnic minority enterprise is the “socially oriented personal network”, which comprises family and friends. It has two components: the personal network that the small firm owner has with specific individuals, and the cultural dimension in which the actors are immersed. In essence, it is the family and the community that lies at the heart of ethnic firms social networks (Ram, 1994). The family and kinship networks may be viewed as building blocks for business development which ethnic minority business owners rely heavily upon. Furthermore, the pooling of resources provides the “trust”, security and reliability, which come from dealing with persons from the same ethnic background. It is the possession of such “social capital” that enables some ethnic firms to enjoy a competitive advantage over their indigenous White counterparts in the ethnic markets and also helps to explain their high presence in the small-firm economy (Fadahunsi et al., 2000: 230).

The essential idea is that norms of trust, obligation, and reciprocity are established through membership in social networks (Coleman 1988; Portes & Sensenbrenner 1993; Portes 1995; Light & Gold 2000; Janjuha-Jivraj, 2003). Flap et al. (2000: 146) explains that `Social capital is an entity, consisting of all expected future benefits derived not from one’s own labour, but from connections with other persons.’ It is from such network membership that individuals are enabled to command scarce resources. Social capital does not constitute the resources themselves but rather the ability of the individual to mobilise those resources on demand (Portes, 1995). Social capital represents the ability to access information or generate resources based on group membership (Valdez, 2008). Nahapiet and Ghoshal (1998: 243) define social capital as the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual. Social capital consists of the networks of contacts in the industry and other social and family contacts (De Bruin & McLaren, 2003).

Nijkamp et al. (2009) states that social capital is an attribute of an individual in a social context, and can assume different forms such as social skills, charisma, cooperative nature, or care for others which may create various benefits for the individual. Ferri et al. (2009) state that compared with physical or human capital, social capital is less tangible and therefore more difficult to measure. Davidsson and Honig (2003) believe the concept of social capital captures the external relations people enjoy in a social structure that allows them to recognise and exploit opportunities. The value of informal and social contacts embedded within the entrepreneur’s social networks can have both short and long-term benefits for new firm start-up and growth. Access to networks is perceived to provide potential knowledge resources to support small firm growth, particularly at start-up (MacPherson & Holt, 2007).

Ferri et al. (2009) argues that while traditionally, scholars have studied social capital as a unidimensional concept (Coleman, 1988; Burt, 1992; Walker et al., 1997), increasingly researchers are adopting a multidimensional perspective of social capital (Nahapiet & Ghoshal, 1998; Lesser, 2000), and according to Nahapiet and Ghoshal (1998), there are three dimensions of social capital: structural, relational and cognitive dimension. The importance and relevance of these three dimensions ar discussed below.

The structural dimension

This refers to the network structure's overall pattern of connections between actors (Nahapiet & Ghoshal, 1998). Network structure includes factors as the existence or absence of direct connections between a focal actor and others (De Carolis & Saparito, 2006: 56). Positioning within a network is crucial because it can confer differential access to information (Burt, 1992), and consequently, any individual who holds one of the few connecting position(s) between the clusters is able to capitalize on information that exists in one cluster but not in another by acting as a broker for non-redundant information.

The relational dimension

When a network tie is embedded within the social relationship and influences the firm's economic decision making, the tie is called relationally embedded, and subsequently have the potential to influence the economic decision-making of the emerging firm (Hite, 2005). The nature of the personal relationship that develops between specific people (Nahapiet & Ghoshal, 1998) is manifested in "strong" versus "weak" ties. The "strength" of a tie is a reflection of the combination of the amount of time, emotional intensity, intimacy, and reciprocal services that characterize that tie (Granovetter, 1985). Strong ties are typically associated with trust and facilitate the flow of information and transfer of tacit knowledge. The relational trust is based on continual reciprocity—the notion that "I'll do this for you now, but you will do something for me later" (Nahapiet & Ghoshal, 1998; Adler & Kwon, 2002; De Carolis and Saparito, 2006).

The cognitive dimension

This refers to "shared representations, interpretations, and systems of meaning among parties" (Nahapiet & Ghoshal, 1998: 244) that enable individuals within a network to make sense of information and to classify it into perceptual categories. These common ways of looking at the world help individuals to make sense of new information and knowledge (De Carolis & Saparito (2006). Katila and Wahlbeck (2012) believe that obtaining resources through social networks, is considered to be an important component of entrepreneurial networks (Davidsson & Honig, 2003; Greve & Salaff, 2003). However, it is considered to be especially important for ethnic minority businesses (Sanders & Nee, 1996; Light & Gold, 2000). Social capital is often the only type of capital that a minority can generate to a larger extent than a resource-rich majority (Granovetter, 1995). How social capital influences business activities differs depending on the nature of the social capital. Bonding social capital refers to the resources in social networks within social groups, and is good for mobilising solidarity and action within families or ethnic groups (Putnam, 1995). The role of bonding social capital is crucial especially in the start-up phase of a business (Davidsson & Honig, 2003), and it is critical to ethnic businesses (Deakins et al., 2007). However, the nature of bridging social capital is different, and it refers to networks between groups and linkages to external assets including people across diverse social connections (Putnam, 1995). Bridging ties are critical in gaining a wider range of information (Davidsson & Honig, 2003), and studies show that ethnic businesses tend to lack bridging capital (Deakins et al., 2007).

In a study conducted in Scotland, Deakins et al. (2007) examined the role of social capital with ethnic entrepreneurs. One of the main findings emerging from the study was the heterogeneity that exists within the ethnic entrepreneurs in the UK, focusing particularly on the varying experiences of different minority ethnic groups. As a group, the ethnic entrepreneurs were not disadvantaged in terms of access to start-up finance, compared with similar White-owned businesses. At the same time, there were significant differences between minority ethnic groups, with Chinese, on the one hand, consistently demonstrating a higher propensity to access bank finance, compared with White-owned businesses, but African and Caribbeans, on the other hand, showing a consistently lower tendency to do so.

In a recent study, Berggren & Silver (2009) argue that the three communities in Sweden differed significantly from each other. In both Oskarshamn and Varnamo there was a strong sense of belonging to a community that had a common goal; however, because the goals were very different, this resulted in different results for the community. In Oskarshamn most residents had accepted that the major dominating actor, the lorry manufacturer, dictates the community's future. In Norrtalje, local inhabitants seem disinterested in entrepreneurship even though there were many small businesses. However, the use of social capital is entirely different in these three communities. This study shows that a lack or inefficiency of formal institutions does not entirely explain the existence and use of social capital. While the structural dimension appears relatively similar, the relational dimension differs in Oskarshamn; the plant has become the focus of the business community, and while it remains, there will be few reasons for firms to interact. The cognitive dimension separates Norrtalje from both Oskarshamn and Varnamo where the inhabitants seem to share a general belief that the local community will face a crisis at some point in the future. In contrast, inhabitants of Norrtalje are content with their community's prospects and are generally unconcerned about the future.

The significance of strong social networks in some ethnic groups has been explored in a limited number of studies, and differences in social capital between different ethnic groups and the strength of networks could help to explain differences in start-up rates and self-employment rates (Flap et al., 2000). For example, the nature and strength of such networks and the role of trust in Chinese ethnic minority business (EMB) has been explored by Smallbone et al. (2005), which showed that the complexity of such networks, particularly with regards to the combination of advice and support accessed through informal networks with formal sources. Ram et al. (2002) have indicated that class and ethnic resources explain the strong performance of some EMB owners despite difficulties in accessing institutional sources of finance and advice. The key issues emerging from previous research with ethnic businesses are the complexities of informal networks, variation in the ability of different ethnic groups and their access to both finance and advice (Deakins et al., 2007). This is supported by findings from Ram et al.'s (2002) UK study with ethnic entrepreneurs on their access to finance and business support. They suggested that it was important for bank managers to better understand ethnic businesses and develop their own links to ethnic communities which could lead to increased business with entrepreneurs for the bank and, hence, greater access to institutional formal sources of bank finance by ethnic entrepreneurs. It has been suggested that it is the lack of trust that prevents the development of weak ties with EMBs and mainstream agencies which may be the cause of the known lack of engagement by many EMB owners (Deakins et al., 2007).

Also, the role of the family, while recognised as a contributor to social capital by some writers (Mitchell & Co, 2005) actually has a complex role with EMBs and this is partly because of the generational differences and differing attitudes across second and third generation owners. While the strength of family ties is important for the bonding role of social capital, this may not always be beneficial. In addition, with younger EMB owners, in some cases the strength of family networks and ties was seen as a constraint. On a similar note, Jenssen and Kristiansen (2004) argue that the national cultures of the African nations are fragmented and it is interesting to witness the influence that some of the sub-cultural qualities have on small-scale business development. The empirical work in Tanzania shows that sub-cultural qualities like group cohesion, mobility and level of education have significant effects on social capital formation, and thereby also on the access to entrepreneurial resources. Entrepreneurs belonging to African and Asian sub-cultures have different preconditions for developing social networks, trust and social skills which influence resources (like motivation, information, and access to capital.

Ram et al. (2008) examined the case of Somalis in the UK. Based on interviews with 25 business owners and 25 employees, their findings indicate that reliance solely on social capital explanations is not sufficient. An adequate understanding of business dynamics requires an appreciation of how Somalis mobilise different forms of capital within a given political, social and economic context. However, it would be completely wrong to dismiss the role of human and financial capital in entrepreneurship itself, and it is the shortage of these two resources which most inhibits the Somali entrepreneurs. Furthermore, it is argued by Ram et al. (2008: 444) that the 'forms of capital' model attempts to move away from a virtually exclusive emphasis on ethnic social capital towards the interplay of social, human and financial capital in the entrepreneurial process.

Nijkamp et al.'s (2009) research compared immigrant entrepreneurs in the Netherlands and the USA. They investigated success conditions of ethnic entrepreneurship in both areas as well as cultural, ethno-psychological and motivational aspects. Their results showed several dimensions of social and human capital including personal and business characteristics, and network participation for improving business performance. Also, in a recent study, Bhagavatula, et al**.** (2010) studied 107 entrepreneurs in four locations in India. Their results confirm the finding of another study (Bruderl & Preisendorfer, 1998) on the importance of strong ties in the mix of weak and strong ties. Strong ties play a crucial role in the resource acquisition process, which is one of the key entrepreneurial processes affecting a firm's performance. Human capital such as experience, professional skills and language skills, has a direct and a mediated effect on the resource acquisition and opportunity recognition. It was found that entrepreneurs with higher levels of experience can mobilise more resources, however, this experience has a detrimental effect on opportunity recognition.

Zhang (2010) identified and classified the problems perceived by high-tech entrepreneurs in Singapore when they use social network ties to acquire resources during the early stages of business. Their results show that more than half of the interviewed entrepreneurs (56%) state a preference for using social networks for their resource acquisition. Second, most of the entrepreneurs (81.8%) use social networks solely or together with market methods in their initial resource acquisition, despite their worries about potential problems, which indicates that social networks are still preferable to market methods. Third, across the three dimensions, most concerns relate to information. The value of social networks in economic activities is vulnerable to changes in the network structure; for instance, the departure of key network contacts may turn the focal actor's social capital into a liability. Moreover, strong bonds in the social network may slow communication and decision-making processes thus, retarding the economic exchange.

Foley (2007: 219) studied the impact that culture and social capital has on entrepreneurs' business networking using a three-nation sample of indigenous entrepreneurs in Australia, Hawaii and New Zealand. They found that reduced social capital for indigenous Australians resulted in active social networking to be a necessity in the operation of their basic business functions, the role of the family was negligible to negative, they experienced little diversity in their networking, their business relationships were often that of dependence with a distinct separation between social and business networking interactions. The Hawaiians displayed a solid cultural capital base with interaction of relationships, networks were culturally accepted, the family role was supportive, a dynamic networking interaction ensued, networking was diverse and well maintained, they took an avid interest in their networking relationship which for many was personal and their networking relationships were highly integrated between their social and business spheres. Maoris displayed a solid cultural capital base. Networks were culturally accepted, the family role was supportive, a dynamic networking interaction ensued with strong economic motivators, and networking was diverse and well maintained.

Thus, based on various empirical studies comparing different ethnic groups, it is apparent that there are differecnes between groups in how they use social capital and to what extent they use it to access various types of resources and information. What will be interesting in this study is to evaluate how the three groups utilise their social networks in order to access various resources.

3.3.4 Role of networks in promoting entrepreneurship

Shane (2003) believes that social networks influence several different aspects of entrepreneurship, and it is useful to distinguish three aspects of entrepreneurship: opportunity seeking, resource acquisition, and project implementation. First, opportunity seeking is mainly about gathering information. The entrepreneur might use networks to discover a business opportunity, assess the potential local demand for the service, and obtain an estimate of potential. Secondly, resource acquisition refers to the stage when once an opportunity has been identified, the entrepreneur must decide how best to implement it. This will require mobilising resources of labour and capital, and it is at this point trust becomes a major issue. The entrepreneur needs to trust the financier to reach a quick decision and deliver the funds, and to trust employees to work hard and remain loyal. Social networks help the entrepreneur to make contact with reliable people. Thirdly, market organization is a key aspect of most entrepreneurial activity. If the entrepreneurial opportunity relates to the innovation of a new product, then the entrepreneur will need to establish an organization to sell the product.

Neergaard, Shaw and Carter (2005) say that most definitions stress the relationship between social capital and social networks. For example, Burt (2000) suggests that when social networks contribute to entrepreneurial goals, they constitute social capital and Borgatti and Foster (2003) argue that social capital equals the value of network connections. Social capital has also been described as the tangible and intangible resources acquired through social networks (Greve & Salaff, 2003) and as being comprised of a number of variables including social networks.

3.3.5 Gender and Networks

Dıaz, Garcıa and Carter (2009: 252) state that gender differences may exist in both the business owners' networks and their use of them (Shaw et al., 2001). However, evidence regarding differences in the nature of the network and networking activity between male and female entrepreneurs is limited

(Conway & Jones, 2006). Neergaard et al. (2005) as well as Aldrich and Carter (2004) propose that there may be value in studying the extent to which resource mobilization by women and men follow gendered lines or is gender blind. Several studies highlight that women prefer “strong ties” in their networking behaviour (Greve & Salaff, 2003). That is, women business owners have been shown to organise their networks around the laboral, family and social spheres (Aldrich et al., 1985). Klyver and Grant (2010: 237) state that research reveals that men and women develop social networks that are structurally different. Female entrepreneurs’ social networks typically include a larger proportion of women and a smaller proportion of men than do male entrepreneurs’ social networks (Aldrich et al., 1985; Cromie & Birley, 1992). Furthermore, the literature indicates that women are more likely to seek and provide emotional social support whereas men are more likely to seek and provide instrumental (e.g. informational) social support (Diaz Garcia & Carter, 2009). Similarly, Watson (2011) found that male SME owners are more likely to access formal networks, while female SME owners are more likely to access informal networks, such as family and friends.

Collins and Low (2010) state that networks and networking remain a ‘seriously under-researched area’ in women’s entrepreneurship studies (Carter et al., 2001). While some women’s entrepreneurship studies suggest that women do not use existing networks or established formal networks (OECD 1998), others suggest that that self-employed women have lower levels of networking (Katz & Williams, 1997) and that women are more dependent on social rather than business networks. Most research now recognise that social capital and social networking are essential to the success of women-owned businesses’ (Brush et al., 2006: 12).

However, Aldrich et al (1997) found little difference in networking of both men and women, and neither relied on family members in seeking crucial business assistance. Similarly, Dıaz et al’s (2009) research found only limited support for the idea that male and female networks differ in resource mobilization except for the source of contacts-referrals and emotional capital. Klyver and Grant (2010) using Global Entrepreneurship Monitor data from 35 countries, show that entrepreneurial networking increases the likelihood of entrepreneurial participation, that female entrepreneurs' social networks are less likely to include entrepreneurs than are male entrepreneurs' social networks, and that the effect of entrepreneurial networking on entrepreneurial participation does not differ substantially for female versus male entrepreneurs. Similarly, Watson's (2011) study of two thousand SMEs, suggest little difference in the networks accessed by male and female SME owners after controlling for education, experience, industry, age and size. The key findings from this study indicate that SME owners make extensive use of both formal and informal networks, with females making more frequent use of family and friends, and males making more frequent use of banks, solicitors, industry associations and business consultants.

3.3.6 Ethnic networks

Researchers argue that the reason for differences in rates of entrepreneurship between ethnic groups. is the entrepreneur's access to various forms of capital. The importance of capital is shown and the empirical research demonstrates that the ethnic groups with high rates of entrepreneurship utilise networking extensively in order to access resources. Drakopoulou and Patra (2002: 117) studied the personal contact networks of Greek entrepreneurs and compared them to results of Canada, Japan, Italy, Northern Ireland, Sweden, UK, and the USA. Their results indicate that Greek entrepreneurs include many more family and friends in their strong-tie networks, which are also very tightly tied together by contacts between other network members. Although small in size, their strong-tie networks are perceived to give them substantial access to larger secondary networks than normal. In another study, Menning (1997) argues that one of the secrets of the success of the silk industry in Surat, India is a system of "ethnic entrepreneurship" in which business people rely on informal networks based on ties of kinship, caste, sect and place of origin.

Based on a UK study, Ram (1994) found evidence of the importance of the unfavourable “opportunity structure” in accounting for the initial decision to set up business. Also, earlier, Ram (1991) found that personal networks comprising the “community and the family” played a vital role in the ethnic enterprise. There is additional support from Young (1998) who found that instead of assembling a large, diverse affiliation network, African American entrepreneurs rely on a small, diverse core of networks that assist them in acquiring entrepreneurial resources, and making important social and economic decisions. In another study, Fadahunsi et al. (2000) studied ethnic minority businesses in North London and the results show that personal and community based networks are used both to mobilise resources and to generate sales by business owners in all groups.

Chou and Chow (2009) examined the roles of human capital and social capital of new arrivals from Mainland China to Hong Kong. However, they found little support for the presumed positive effects of both human capital and social capital. Similarly, Wong’s (2007) research results showed that 41 percent of new immigrants in Hong Kong searched for jobs through their family members while only about 3 percent did it through agencies. In an earlier study, of Chinese and Indian entrepreneurs in Australia, network ties were found to be present in the majority of businesses (Lever-Tracy et al., 1991). Collins and Low (2010) state that family links were also important, especially in connection with financing of the business. The entrepreneurs capitalised on their existing transnational networks as well as seeking to construct new personal relationships with Australians. In addition, they found that there was a preference in external dealings for long term, personalised, trust-based relationships, and that this external networking was used despite the ability of these immigrant entrepreneurs to access formal or legal channels to ‘obtain information, raise capital, or find suppliers and customers’.

Yoo (2000) studied Korean entrepreneurs in USA, and the results showed that a large proportion had prior employment experiences in Korean-owned businesses after immigration and before starting their own business. The results showed that personal savings are the most pervasive sources of capital to establish businesses with the next important capital source is family networks (i.e. loans from family or relatives).

In a study conducted in Spain, Lubbers et al., (2007: 733) investigates whether personal networks influenced ethnic self-identifications of migrants. The results show that both individual and network characteristics contribute to an understanding of ethnic self-identification. Their results show that network structure and network composition are related to self-identifications. First, it appeared that ethnic-exclusive identifications were most often found among respondents who had dense networks, low numbers of subgroups and low proportions of Spanish in their network. Higher percentages of family were found for respondents who identified either ethnically-exclusive or generically. The strength of ties and the percentage of migrants were not related to ethnic identifications.

3.3.7 Networks among ethnic entrepreneurs in Africa

African context

Monga (1998) found that excessive consumption and spending on social and familial obligations (such as bride wealth, weddings, and status occasions) to “advertise” the affluence of Duala entrepreneurs in Cameroon, served to confirm their business competence and helped to attract the attention of potential customers and future business partners. Social networking, critical in the Duala society, formed an economic basis for trade in Cameroon that was seen as important to the success of business. Similarly, studies show that entrepreneurs enjoy higher social status and wider social relationships in their respective communities than non-entrepreneurs (Kiggundu, 2002). While the entrepreneurs perform various community leadership roles (Dia, 1996; Kiggundu, 2001), the business suffers as a result of neglect, extended social and family obligations and extra-firm demands. Baume (1996) and Kallon (1990) concluded that social and family relations disadvantaged entrepreneurs in West Africa. Kallon (1990) reported that over one half (56.3%) of the entrepreneurs thought that social relations were harmful to the business and less than one quarter (23.4%) thought social attitudes were helpful. However, Dia (1996) provides a positive interpretation of the effects of social status, social relations and social transfers for African entrepreneurship. These entrepreneurs consolidate social relations and social status through intermarriages between wealthy families, business partnerships between immigrants and local entrepreneurs, political contributions to political parties, and maintaining close business and personal ties (Kiggundu, 2002).

While networks and clusters contribute to business success and continuity, the African entrepreneur experiences difficulties establishing and maintaining effective business networks and clusters (Barr, 1999; Kiggundu, 2001; Ramachandran & Shah, 1999). Barr (1999) found that size is important because small firms were less able to manage risk and uncertainty by gaining membership in networks and clusters. Pederson and McCormick (1996) found few examples of effective joint actions in the form of product development, standardisation, quality control, labour training, or common marketing, which could lead to technological upgrading and business growth. He attributed this to lack of trust and poor organisational form and physical infrastructure. Ramachandran and Shah (1999) found that African-owned firms lacked networks, which kept them out of the loop for information on valuable resources, capital and markets. In contrast, McCormick (1999) reported successful enterprise clusters in Kenya, Ghana and South Africa involving various business joint activities including production, marketing, subcontracting, and sharing resources such as tools and premises.

Uzor (2004) surveyed 120 entrepreneurs from various cities in Nigeria. According to the findings, networks are not only important for reducing uncertainty and for providing costly information, but also for mobilising resources and even for providing public goods as otherwise necessary roads, water and energy installations, training, education and access to reliable sources of finance would not be available. Both collective social capital (as information exchange, organising joint access to assets and production) and a special form (as personal reputation and personal credibility of the entrepreneur) are seen to compensate for the deficiencies of the market and of the state in organising production and exchange.

Furthermore, the intensiveness of a community's networks is a major factor which enables a particular region to develop an entrepreneurial culture and to develop competitiveness on wider national and international markets. However, Brown and Butler (1993: 104) and Kobonyo (1999) claim that these strong ethnic and cultural ties also act as borders to those entrepreneurs who are not members of the ethnic group. Based on Kobonyo's (1999) research in Kenya, for example, non-Asian, particularly Blacks have found it very difficult to penetrate business sectors dominated by Asians. This is largely due to social networks among the Asian entrepreneurs, which excludes anybody who is not of Asian origin.

South African context

In a study conducted in South Africa, comparing three ethnic entrepreneurial groups, Godsell (1991) discovered that the most effective networks were found among the Indian (Asian) group. These networks were rooted in the family and the Islamic religion. Although networks exist for other purposes in the Black community, very few networks were found supporting the Black entrepreneur. This was ascribed to the low status of small business in the Black townships, particularly among the younger generation. Occasional family networks were encountered among English-speakers, and this group served to demonstrate how successful businesses could be run without networks or the need for large-scale political or religious legitimisation. In another study conducted in Cape Town, Hawke (1996) studied the role of networks among Black entrepreneurs, and the results show that entrepreneurs that were well-equipped at start-up in terms of access to resources, education, and training tend to end up with ventures that have higher performance. Those that do not have access to resources at start-up seem to attempt to improve their situations through network development.

Looking at networks in a multicultural context like South Africa could provide a way of understanding what goes on within the relationships that make up a network and the extent to which patterns and relationships are common amongst particular groups (Jack et al, 2008; De Klerk, 2010; Urban, 2011).

The reason for studying networking from an ethnic perspective is that most studies investigating culture and entrepreneurship have used national affiliation, but the existing cultural diversity of South Africa's multiculturalism, render this strategy unsatisfactory (Urban, 2006; 2011).

3.3.8 Criticism of the network approach

Jack et al. (2010) shows that some researchers focus on attributes of individuals (criticised for atomistic views), others on causal factors (criticised for deterministic views) and others on relations that might exist between actors (criticised for lack of coherence) (Parkhe et al., 2006). Indeed, the term "network" has been accused of being loosely applied and adopted to depict any type of interaction between persons or groups (Havnes & Senneseth, 2001), while the consequences of diversity in research approaches, analytical and conceptual concerns have been a "rather messy situation marked by a cacophony of heterogeneous concepts, theories and research results" (Oliver, 1991: 171). In spite of these criticisms there has been considerable empirical and theoretical development (Hoang & Antoncic, 2003).

Network research can involve the study of a wide range of features and aspects such as network size, structure, interactional processes, influences, behaviours and skills (Coviello, 2006). While this might be an advantage it might also be a constraint. Although there is a perception that relations between individuals are important for entrepreneurial effectiveness, there are substantial omissions in our deeper appreciation of the content of network interactions (Lechner & Dowling, 2003; Uzzi & Lancaster, 2003). Hoang and Antoncic (2003) noted two broad trends that have emerged in network research within entrepreneurship. The first represents studies that look at the impact of networks on entrepreneurial performance, and the second represents process-oriented studies. However, Hoang and Antoncic (2003) point out that while studies adopting the first approach are popular and have presented interesting findings, the latter are less attractive. It is known that entrepreneurs use networks and that there are a range of benefits to networking. On the other hand, there are studies that delve deeper into process aspects and provide detailed explanations of network activities, how these impact on organizational development (Krackhardt, 1995; Uzzi, 1997; Hite, 2005). There are those that state that network research should take account of context and the circumstances of actors to a greater extent (Jack & Anderson, 2002; Davidsson & Honig, 2003; Drakopoulou Dodd et al., 2006;).

Looking at networks in context should provide a way to identify the links and explore what goes on within the relationships that make up the network in detail; recognise the links between the individual and those within the context; help to explain the dynamic relationship between the individual and the social context; and, recognise the extent to which relationships are common among specific groups (Parkhe et al., 2006).

3.3.9 Contribution of network theory to this study

Ethnic networks play a critical role in the adaptation processes of immigrant entrepreneurs, for whom important sources of social capital include ethnic business associations, informal and formal credit groups, a co-ethnic clientele, and co-ethnic workers. Such networks are reported to function as important resources in the establishment and operation of their firms (Waldinger et al., 1990; Light & Gold 2000). They provide what Granovetter (1985) has called `embeddedness', that is, networks of social relations that engender mutual trust and enforcement of norms.

Personal networks enable entrepreneurs to reduce the risks and transaction costs and improve access to new business ideas, knowledge and capital (Kristiansen, 2004). Furthermore, social networks provided by the extended family or community relationships are likely to amplify the effects of education, experience and capital, facilitating the accumulation and utilisation of resources. Social networks comprising the community and family play a key role in the operation of ethnic enterprise (Ram, 1994; Light, 1998), and the crucial connection between social capital and ethnic entrepreneurship is the efficient use of ethnic resources to support the creation and survival of business in the community.

3.4 Institutional theory

Institutional environments are characterised by the elaboration of rules and requirements to which individual organisations must conform in order to receive legitimacy and support. Berger and Luckman (1967) believe that meaning or reality is socially constructed, which suggests that entrepreneur's preferences and basic categories of thought as the self, and social processes are shaped by institutional forces (i.e. policies, laws, norms, beliefs and values) in a particular social or national setting. A number of researchers (Aldrich & Zimmer, 1986; Johannisson, 1988; Casson & Della Giusta, 2007; Thornton, Ribeiro-Soriano, & Urbano, 2011) state that there is sufficient evidence that shows that individuals and entrepreneurship are socially embedded in network structures, which are situated within a specific cultural context. Since the institutional perspective considers both the cultural and the social aspects, it could be seen as a valuable framework to analyse the social and cultural factors that influence the entrepreneurial decision (Thornton et al., 2011).

Institutional theory draws on many disciplines and Ram et al. (2000: 52) believe that an understanding of state and urban governance is a vital factor in studying ethnic business. They argue that one needs to be cognisant of the milieu in which the business operates, as there are vital contextual factors that influence the direction of the business. Welter (2010) also states that entrepreneurship in not only socially bound, but also happens in geographical contexts (Johannisson et al., 2002). This view is also suppoorted by Bruton et al. (2010), who states that a strength of institutional theory is that it is concerned with the regulatory, social, and cultural influences that promote survival of the organisation, rather than only focusing on efficiency-seeking behaviour.

Furthermore, Scott (2001: 48) defines institutions as "multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources". They tend to be relatively resistant to change, transmitted across generations, and to be maintained and reproduced. Furthermore, institutions, according to North (1990), arise because of the uncertainty associated with human interaction, provide structure and order, the rules of the game to human exchange, whether political, social or economic. According to Sjostrand (1992: 19) institutions reduce uncertainty by establishing a stable structure to human interaction. Thus, institutions not only define and delimit the set of actions available to individuals; they are simultaneously shaped by individuals and make individual interaction possible. Thus there is reciprocity between individual actions and institutions in the sense that both influence and constitute each other.

Institutions also confer legitimacy on organisations. As Scott (2001: 59) defines it, from an institutional perspective, legitimacy is a condition that reflects perceived consonance with relevant rules and laws, normative support, or alignment with cultural-cognitive frameworks. Legitimacy is not an input to be combined or transformed to produce some new and different output, but a symbolic value to be displayed in a manner that is visible to outsiders. There can be various sources of legitimacy: political authorities who can confer legitimacy by accreditation, moral authorities who stress a deeper, moral base for conformity, and cultural authorities who legitimise by providing a culturally constituted mode of organising to achieve specified ends.

Williamson (2000) categorizes institutions into three types based on level of social analysis and ranging from underlying norms, traditions, and customs at the highest level to organizational governance structures at the lowest level (Williamson, 2000). These levels include (a) social embeddedness, (b) institutional environment, and (c) governance. Social embeddedness, at the highest level, consists of informal institutions such as norms, cultural factors, customs, codes of conduct, and traditions. In the short run, culture defines the way individuals process and utilise information and hence may affect the way informal constraints get specified. North (1991: 40) believes that informal constraints arise to coordinate repeated human interaction and these constraints are extensions, and modifications of formal rules; socially sanctioned norms of behaviour; and internally enforced standards of conduct.

The institutional environment, at the intermediate level, consists of formal rules such as property rights and government functions, including policy (Williamson, 2000). The institutional environment is arguably the historic focus of institutional economics and is particularly evident in institutional economics–based institutional entrepreneurship research. The function of these rules is to facilitate political or economic exchange (North, 1991: 48). The structure of rights and the character of their enforcement define the existing opportunities of the entrepreneurs that are realised when they perform exchanges.

Governance is the lowest level in the hierarchy of institutions, that is, how institutions are organised and enforced (Eggertsson, 1996; Williamson, 2000). Metaphorically, the first two levels of institutions refer to the informal and formal rules of the game, while governance relates to how the game is played (Williamson, 2000). Here, the focus is on the institutional structure at higher levels constant and studies how individuals and organisations design contracts to organise transactions and reduce their costs (Eggertsson, 1996).

Scott (2008: 33) suggests that institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning in social behaviour. Institutions are the rules of the game in a society that function as constraints and opportunities shaping human interaction (North, 1990: 3). focus is on the institutional structure at higher levels constant and studies how individuals and organisations design contracts to organise transactions and reduce their costs (Díaz et al., 2005; Veciana & Urbano, 2008). According to North (1990), institutions can be formal, such as political and economic rules and contracts, or informal, such as codes of conduct, conventions, attitudes, values and norms of behaviour. Formal institutions are subordinate to informal institutions in the sense that they are the deliberate means used to structure the interactions of a society in line with the norms and values that make up its informal institutions.

The normative dimension or pillar consists of social norms, values, beliefs, and assumptions about human nature and human behaviour that are socially shared and carried by individuals (Veciana & Urbano, 2008). Normative systems define goals or objectives (e.g. winning the game or making a profit) but also designate the appropriate ways to pursue them (e.g. conceptions of fair business practices) (Bruton et al., 2005; Kiss & Danis, 2008).

The regulative processes consist of rule-setting, monitoring, sanctioning activities and government policies that promote certain behaviours and restrict others (Busenitz et al., 2000). Regulative processes involve the capacity to establish rules, inspect or review others' conformity to them, and as necessary, manipulate sanctions, reward and punishments, in an attempt to influence future behaviour (Veciana & Urbano, 2008).

The cognitive dimension or component reflects the cognitive structures and social knowledge shared by the people in a given country or region (Veciana & Urbano, 2008). The cognitive elements of institutions are the rules that constitute the nature of reality and the frames through which meaning is made. The cognitive dimension of a country's institutional context derives from its societal culture and is reflected in the differences in the value placed on entrepreneurs or the role of social networks in society (Bruton et al., 2005; Kiss & Danis, 2008).

The institutional factors impacting entrepreneurship include the direct action of governments in constructing and maintaining an environment supportive of entrepreneurship as well as societal norms toward entrepreneurship (Bruton et al., 2010). Specifically, the level of entrepreneurship that develops in a society is directly related to the society's regualtions and polciies governing the allocation of rewards (Baumol, 1990).

Puffer et al. (2009: 447) believe that the cultural-cognitive pillar includes accepted beliefs and values shared among individuals through social interactions that guide behaviour. The regulative pillar has traditionally been the focus in the transition economy literature, emphasizing state-level policies rather than organizational-level strategies (Peng, 2003). More recently, increasing attention has been given to the cultural-cognitive pillar, emphasizing the importance of cultural influences on the values and practices of those in business in these economies (McCarthy & Puffer, 2008).

Salimath and Cullen (2010) state that an institutional analysis necessarily involves an examination of relevant institutional environments, and the institutional environment refers to the set of political, economic, social, and legal conventions that establish the foundational basis for production and exchange. Thus social institutions affect individuals through regulative and incentive mechanisms that impact on the conditions of life and affect individual psychological functioning. Through human interaction, social institutions produce formal and informal norms that provide people with a freedom/constraint duality of prescribed behaviours, attitudes, and values within acceptable limits (Ingram & Clay, 2000).

Nee and Young (1991) sought to identify the institutional context that promotes or inhibits the creation of firms in China. Brautigam (1997) used the new institutionalism as the frame of reference in analysing the development of industrial regions in Nigeria, and found that the combination of the cultural environment and the economic concepts in institutional theory can present an adequate environment to explain the development of industries in this region. In addition, Trulsson (1997) analysed the effect of institutional environment factors in the performance of the firms and the decisions of 26 entrepreneurs in Tanzania, and focused on formal institutional factors such as the macroeconomic policies as well as contracts.

Shane and Kolvereid (1995) examined the performance of new ventures in the UK, New Zealand and Norway, and the results showed that new venture performance was higher in unfavourable national environments. The factors that significantly affected firm performance were mostly economic in nature: technology stability, stability of price-cost margin in the industry, number of business failures in the industry, local economy conditions, competition, stability of industry, commercialisation of the area where the business is located. Incentives and political stability also played a significant role in ensuring business success.

More recently, Veciana and Urbano (2008) suggested that entrepreneurship research from various contexts have brought more evidence supporting the effect of informal constraints on venture creation and economic development. Other authors (Tiessen 1997; Busenitz et al., 2000) have used Kostova's (1997) country institutional profile adapted from Scott's three pillars to indicate differences between the entrepreneurial orientation of several countries. The formal constraints (regulatory dimension), comprise of laws, regulations, and government policies that can either enhance, support or inhibit entrepreneurship; they regulate the risks for individuals starting a new venture, and facilitate their efforts to obtain resources. Research on the impact of the regulatory dimension or formal constraints has been scarce and, focuses on developing, emerging or transition economics and mainly on public policy and support programs.

A growing number of scholars are developing institutional approaches to explain various topics of entrepreneurship (Anderson, 2000; Busenitz et al., 2000; Lerner & Haber, 2001; Djankov et al., 2002; Wai-Chung, 2002; Aidis, 2005; North, 2005; Welter, 2005; Urbano, 2006; Kalantaridis, 2007; Hardy & McGuire, 2008; Stephen et al., 2009). Because institutions are constituted by culture and social relations, and because human, social and cultural capital are often antecedents to acquiring financial capital and other resources needed to start a business, an institutional approach with its broad meta-theory holds out the promise of developing future entrepreneurship research.

Danis et al. (2011) examine how fundamentally different institutional conditions in emerging versus developed economies may clarify variations in the level of new business activity across countries. The empirical results support the argument that social networks are more important for new business activity in emerging than in developed economies. Furthermore, in emerging economies, the relationship between associational activity and new business activity is stronger for countries with higher regulatory and normative institutional burdens, whereas these moderator effects are absent in developed economies.

According to Scott (1987), institutional frameworks define the means, and shape the means by which interests are determined and pursued. Accordingly, weak institutions hamper growth while strong institutions enhance it. Thus, institutions matter in seeking to gain an understanding of the tumultuous development challenges facing SSA.

Similarly, it is argued that the institutional environment in a country (broadly defined as the 'rules of the game') will influence the allocation of entrepreneurial talent (Acs et al., 2008; Amoros 2008; Bowen & De Clerq 2008; Minniti 2008a) and that therefore institutional reform is needed to encourage the right type of entrepreneurship. The specific institutional reform most often advocated for developing countries include strengthening of property rights and control of corruption (Douhan & Henrekson, 2010).

Mair and Marti (2009: 429) found that in many developing countries, those living in poverty are unable to participate in markets due to the weakness or complete absence of supportive institutions. The findings from their study in Bangladesh enable better understanding of why institutional voids originate and to unpack institutional processes in a setting characterised by extreme resource constraints. However, the sole focus on regulatory institutions may lead to a potentially limited understanding of markets infrastructure, functioning, and consequences (Bourdieu, 2005). Their results show that institutional voids, specifically understood as occurring when modern market institutions are absent, weak, or fail to accomplish their role and hence, impede market access, development, and functioning, result from the conflict, collision and shift among existing institutions. The study also found that access to credit is limited for the ultra-poor. Interestingly, access to credit is hampered not only because of the norms and rules of the formal banking system, but also because of those of microfinance institutions. In addition, Masurel and Nijkamp (2007) address the lack of institutional collaboration among urban ethnic entrepreneurs as a reason for their low innovation profile.

Poor communication, a low chance to be accepted by the external party, and economic market factors appear to be important reasons why ethnic entrepreneurs do not start businesses.

3.4.1 Informal institutions and entrepreneurial activity

Informal institutional constraints are from socially transmitted information and are a part of the heritage we call culture. The way the mind processes information depends upon the brain's ability to learn by being programmed with one or more elaborately structured natural languages that can code for perceptual, attitudinal and moral (behavioural) as well as factual information' (Johansson, 1988: 176). Culture can be defined as the transmission from one generation to the next, via teaching and imitation, of knowledge, values, and other factors that influence behavior' (Boyd & Richerson, 1985: 2). Culture provides a language - based conceptual framework for encoding and interpreting the information that the senses are presenting to the brain (North, 1991: 37). In the short run, culture defines the way individuals process and utilise information and hence may affect the way informal constraints get specified. Conventions are culture specific, as indeed are norms. Although the formal institutional constraints are not directly observable, the contracts that are written, and sometimes the costs of transacting, provide us with indirect evidence of changes in informal constraints. The importance of self-imposed behaviour in constraining maximising behaviour in many contexts also is evident. Our understanding of the source of such behaviour is deficient, but we can often measure its significance in choices by empirically examining marginal changes in the cost of expressing convictions (North, 1991: 43).

Informal constraints include norms, codes of behaviour, subjective perceptions and traits. North (1991: 40) mentions that informal constraints arise to coordinate repeated human interaction and these constraints are extensions, elaborations, and modifications of formal rules; socially sanctioned norms of behaviour; and internally enforced standards of conduct. These informal constraints persist because they were consciously designed and are in everyone's interest to keep.

Several authors have stressed the potential importance of the relationship between culture and entrepreneurial activity (McGrath et al., 1990; Muzyka et al., 1991; Shane et al., 1991; Chell & Adam, 1995; Davidsson, 1995; Davidsson & Wiklund, 1995; Busenitz & Lau, 1996; Seltsikas & Lybereas, 1996; Begley et al, 1997), or the lack of it (Takyi-Asiedu, 1993).

According to Carsrud and Johnson, (1989: 26), the study of social norms, and values is crucial with respect to the initiation and growth of new ventures. In social systems that place high value on the formation of new ventures, more individuals will choose that path in times of transition (Shapero & Sokol, 1982: 83). Etzioni (1987: 175) states that legitimacy is a major factor in determining the level of entrepreneurship that is found in a society. The extent to which entrepreneurship is legitimate, the demand for it is higher; the supply of entrepreneurship is higher; and more resources are allocated to the entrepreneurial function. The immediate sources of legitimacy are the values of the society and the relevant sub-societies.

In their review of the literature, Roxas and Chadee (2012) found that the majority of business research on institutions has tended to focus on institutions whereas the effects of informal institutions on firm performance are underdeveloped. They argued that the existing research tends to treat informal institutions as mere "background of the study" perhaps reflecting a general lack of clarity as to what informal institutions truly represent (Demirbag et al., 2008). The roles of informal institutions are often assumed and overlooked in favour of more tangible factors found within the firms' immediate task environment (Peng et al., 2008).

Thornton et al. (2011) found that it is personal and economic factors that have received the lion's share of attention with a focus on either the individual's entrepreneurial behaviour or the activity of new entrepreneurial firms. They argue that entrepreneurial variations are better understood by considering the social environment (including social and cultural aspects) in which the firm is created because entrepreneurship is a social phenomenon (Berger, 1991; Audretsch & Keilbach, 2004; Wennekers et al., 2005; Drakopolou-Dodd &

Anderson, 2007; Steyaert, 2007). This is also supported by anthropologists who have emphasized the importance of the role of norms and traditions in inhibiting entrepreneurship (Greenfield & Strickon, 1986; Stewart, 1991).

Furthermore, Veciana and Urbano (2008) believe that the cognitive dimension consists of the knowledge and skills possessed by the people in a country pertaining to establishing and operating a new business. Although this is a less researched field there are some pieces of research worth mentioning like Davidsson (1991), Takyi-Asiedu (1993). Earlier, Van Arkadie (1989) mentions that one interesting historical insight relates to the entrepreneurial role played by cultural, ethnic, or religious minorities, whose entry into certain entrepreneurial areas may be restricted, therefore stimulating them into a risk-taking innovative role. Similarly, Gnyawali and Fogel (1994: 53) believe that socioeconomic conditions and governmental policies play an important role in the "propensity to enterprise". They suggest that factors such as public acceptance and support from family, community, and governmental agencies "create an 'enterprise culture' that enables firms to take reasonable risks and seek profits".

Davidson et al (2010) states that instead of using formal business support organisations, many of their interviewees identified their families – both immediate and extended – as important support structures in their private and business lives. Similarly, Dhaliwal & Kangis’ (2006: 103) research on Asian immigrant entrepreneurs in the UK showed that the female entrepreneurs in the sample were older and felt inhibited and more constrained than their male counterparts in their freedom to act. Their findings showed that both males and females of second generation entered business through attraction for the opportunities rather than it being their only option in an unknown environment.

The second and third generations place greater importance on pull factors (Chavan & Agarwal, 2002), and are gaining competitive advantage by capitalising on their linguistic skills, cultural knowledge and business contacts of migrants and ethnic communities. Entry into business is out of choice, not the last resort (Ram, 1992; Dhaliwal & Amin, 1995; Ram & Jones, 1998;

Dhaliwal, 2000). In several studies (Srinivasan, 1992; Curran & Blackburn, 1994; Basu, 1995; Ram & Jones, 1998), this choice is compounded by a low take up of formal support such as Government start up support for small businesses. Despite all of these shortcomings in support structures and the resultant low take-up rates, ethnic minorities in the UK have nevertheless, generally higher self-employment rates than the rest of the population (Barrett et al., 2002). Although there is some disparity between the different groups, this move towards business start-up can be accounted for by both push and pull factors (Ram & Jones, 1998). The push factors forcing individuals into entrepreneurship include prejudice found in employment and frustration at being overlooked for promotion. Pull factors include cohesive family structures and strategies, the desire for a greater degree of independence and keeping the rewards of your own efforts (Ram & Jones, 1998; Dhaliwal, 2000, 2003).

3.4.2 Formal institutions and entrepreneurial activity

Institutional theorists acknowledge that cultural constraints do not completely determine human action (DiMaggio, 1988, 1991; Oliver, 1991). Rather, institutions set bounds on rationality by restricting the opportunities and alternatives we perceive and, thereby, increase the probability of certain types of behaviour. Furthermore, scholars have indicated that, when considering different types of entrepreneurial activity such as self-employment, small business and initial public offerings, it is important to note that these reflect progressively sophisticated forms of entrepreneurship. Hence, it is logical to suppose that these three types of activities are influenced by different institutional structures (Spencer & Gomez, 2004).

In support of Van de Ven's (1993) call, there is a need to focus on a social system perspective that considers external environmental conditions as appropriate for explaining the process of entrepreneurship at the national level. Clearly both formal and informal institutional context does matter for new venture creation. A growing body of literature focuses on the relationship between the entrepreneurial sector and the macro economy (Wennekers & Thurik, 1999; Wennekers et al., 2002). For example, Lynskey (2004) studied the role of social institutional variables on innovative activity in Japanese technology based start-ups. Similarly, Baumol (1990) argued explicitly that institutional arrangements affect the quantity and type of entrepreneurial efforts, while Wennekers et al. (2002) provide a justification for the consideration of macro-economic factors including institutions and culture. The rules of the game and the transaction costs associated with them provide incentives for certain behaviours and disincentives for others. It is reasonable to assume therefore that actors may weigh the costs and benefits of a range of strategies in a given social context based on their framing of the situation (Klandermans, 1984).

Baker et al. (2005) argue that the division of labour in a society and the level of social stratification affect how actors perceive opportunity recognition and provide a framework for comparing entrepreneurship across nations. Audretsch and Keilbach (2004) provide a new construct, "entrepreneurship capital" which they define as a regions endowment with factors conducive to the creation of new business. This involves aspects such as a high endowment with individuals willing to take the risk of starting a new business, the existence of a regional milieu that encourages start up activities, the existence of formal and informal networks, and also a general social acceptance of entrepreneurial activity and the activity of bankers and venture capitalists willing to share risks.

Such contexts, generating a high propensity for new firms are rich in entrepreneurship capital. Other contexts, where the start-up of new firms is inhibited, can be characterised as being weak in entrepreneurship capital. Bowen and De Clercq (2008) show the availability of capital resources and educational institutions that produce human capital affect rates of entrepreneurship.

A number of studies have analysed the influence the environmental factors have on the creation of enterprises. These factors condition the activity in a region and affect the predisposition and ability of people to undertake entrepreneurial activities. Bruno and Tyebjee (1992) commented on the distinct environmental factors that exert an influence in the creation of enterprises. They include: venture capital, incubators, public policy, universities, transportation, availability of assistance to entrepreneurs and a receptive area. On the other hand, Van de Ven (1993) adapts a macroeconomic perspective in analysing the issues and events involved in constructing an industrial infrastructure that facilitates and constrains entrepreneurship. This infrastructure includes: institutional arrangements to legitimise, regulate, and standardise a new technology; public resource endowments of basic scientific knowledge, financing mechanisms, and a pool of competent labour; and proprietary research and development, manufacturing, marketing and distribution functions by private entrepreneurial firms to commercialise the innovation for profit.

In another study, Brunetti, Kisunko, and Weder (1997) had more than 3600 entrepreneurs from 69 countries respond to a survey about problems with uncertainty in dealings with the state. The major findings were that in less developed countries the majority of entrepreneurs constantly fear policy surprises and unexpected changes in rules that can seriously affect their business. Secondly, entrepreneurs stated that the cost of doing business is substantially increased by theft and crime and in many developing countries the business community feels that authorities do not adequately guarantee their personal safety and do not reliably enforce their property rights. Thirdly, unreliable judiciaries are perceived as major problems in many developing countries. Fourth, entrepreneurs in industrial countries perceived the greatest obstacles to doing business to be tax regulations and high taxes, labour regulations, safety or environmental regulations, financing, regulations for starting new businesses and operations, and general uncertainty about the costs of regulation. In Sub-Saharan Africa the biggest problems identified were corruption, tax regulations and high taxes, inadequate infrastructure, inflation, crime and theft, and financing.

Entrepreneurs may be discouraged from starting a business if they have to adhere to an excessive number of rules and procedures. The level of procedural requirements for registration and licensing, taxes, and financial reporting may either facilitate or hinder entrepreneurial activities. Research shows that most small businesses consider paperwork very time consuming and cumbersome (Dana, 1987, 1990; Young & Welsch, 1993; Fogel, 1994). Countries that keep procedural requirements to a minimum generally have a viable and dynamic entrepreneurial sector. Research also shows that tax and other start-up incentives have a positive impact on small business establishments and growth (Davidsson, 1991). Lussier and Corman (1995), Lussier (1996), and Yusuf (1998) support the findings that both economic and political-legal factors influence business performance. Aid, economic timing, access to international markets, economic reforms, infrastructure, taxes and government support were also cited as crucial success factors.

White and Reynolds (1994) found that persons taking steps to start a new business were more likely to have followed through and started business, the greater the number of helpful contacts they had made with various business assistance programmes. Yusuf 's (1995) findings were consistent with the situation in many developing countries, that governments play a major role in promoting and supporting enterprises by providing facilities and incentives and cultivating business opportunities.

Despite the large amount of research on small businesses, comparatively little has been done on the evaluation of these support services (Curran, 1999). There is very little attention given to the methodological problems of evaluation and the results of the studies are mainly supported by the government and not available to the public. Devins (1997) confirms this when he stated that the problems of evaluating interventions on microenterprise programmes in the US are well documented.

A broad range of studies are devoted to different aspects of support for immigrant entrepreneurship (Mitchell, 2003; Constant, 2004; Rowley, 2004; Pearce, 2005); however, only some focus on governmental policy (Kloosterman & Rath, 2002; Collins, 2003; Toussaint-Comeau, 2005). Immigrant entrepreneurs are often at a disadvantage in obtaining necessary resources for setting up businesses. They are constrained in obtaining capital

(Kloosterman & Rath, 2002; Collins, 2003; Mitchell, 2003; Constant, 2004; Rowley, 2004; Pearce, 2005; Heilbrunn & Kushnirovich, 2008), are disadvantaged in terms of a lack of knowledge about business norms, the market and legislations of the host country (Collins, 2000; Kloosterman & Rath, 2002; Lowe, 2003; Pearce, 2005), are confronted with language barriers (Rowley, 2004), and encounter problems associated with the external economic environment (Collins, 2003). Thus, the focus of policy should be on facilitating immigrant entrepreneurs' access to resources (Helibrunn & Kushnirovich, 2008). Although policy implementation can meaningfully contribute to immigrants' business development (Pearce, 2005), additional determinants affect growth of immigrant businesses. These are gender (Lerner & Hendeles, 1996; Verheul et al., 2001; Pearce, 2005), education and experience of immigrant entrepreneur (Lerner & Hendeles, 1996; Lerner & Khavul, 2003), ethnic networks (Kesavan, 2003), type of business (Smith-Hunter & Boyd, 2004) and receiving government support (Collins, 2003; Lerner & Khavul, 2003; Lerner et al., 2005).

Heilbrunn and Kushnirovich (2008) examined governmental support to immigrant entrepreneurs and its impact on their businesses. The results, based on former Soviet Union immigrant entrepreneurs from Israel, showed that entrepreneurs who encountered more problems at business start-up are more likely to receive government support. Receiving support facilitates mobilising resources and compensates for fewer opportunities of initially weak businesses. The study revealed differences between businesses whose owners received governmental support and those whose owners did not. The scope of capital invested at start-up of businesses which received support is larger than that of their counterparts. Also, the number of employees of these businesses is higher. Hence, immigrant entrepreneurs who received support manage to mobilise and utilise more resources than others.

A number of researchers (Jones et al., 1994; Ram & Smallbone, 2001; Levent et al., 2003) have argued that members of ethnic minority communities did face additional barriers in accessing financing, particularly at start-ups. For instance, in a study of 232 ethnic and 171 White UK business owners, Jones et al. (1994) reported that African and Caribbean businesses (39 percent) and Asian-owned businesses (29 percent) demonstrated higher propensities to report problems in assessing bank financing than their White counterparts (21 percent). Also, Ram et al. (2001) confirmed that African Caribbean businesses had less success in accessing bank loans and greater problems providing adequate collateral for bank loans.

A consistent finding of previous research in terms of the formal support accessed by ethnic entrepreneurs is their low propensity to use mainstream business advice agencies (Ram & Jones, 1998; Fadahunsi et al., 2000; Ram & Smallbone, 2001). Significantly, the low level of reported use of the support services was not because of lack of awareness of the existence of such services. Instead, a number of studies (Fadahunsi et al., 2000; Ram & Smallbone, 2001; Brindley, 2005) revealed that a lack of understanding of the types of support available, doubts about the relevance of what was offered, lack of confidence and trust in those delivering support and low ability to pay for such support, have all contributed to the above situation.

3.4.3 Transition context

Puffer, McCarthy, and Boisot (2009: 445) state that transition economies are often characterised by underdeveloped formal institutions, often resulting in an unstable environment and creating a void usually filled by informal ones. Entrepreneurs in transition environments thus face more uncertainty and risk than those in more developed economies. They found that full convergence toward entrepreneurs’ reliance on formal institutions may not readily occur in countries like Russia and China due to the embeddedness of informal institutions. Instead, such countries and their entrepreneurs may develop unique balances between informal and formal institutions that better fit their circumstances. Such uncertain conditions are symptomatic of the difficulties entrepreneurs in transition economies face due to the weaknesses in their countries’ formal institutions, a construct that has been analysed in numerous works about business in those settings (Peng, 2000; Puffer & McCarthy, 2009). As in developed economies, the institutional environment for entrepreneurs is central to their creation and growth. However, the formal institutions that are so supportive for entrepreneurship in developed economies are sorely inadequate in transition economies (Meyer, 2001). This is supported by the study by Ahlstrom and Bruton (2006) who analysed the use of informal institutions by venture capitalists in a number of emerging Asian economies, where the results showed that the situation for entrepreneurs in Russia and China has much in common with that of the venture capitalists they studied, such as the reliance on culturally based informal institutions.

Aidis (2005: 311) examined the interrelated effect of nineteen factors grouped into four types of barriers (formal, informal, environmental and skills) on existing small- and medium-sized enterprise operations in Lithuania. Results showed that perceived formal barriers are associated with perceived informal barriers such as corruption and perceived environmental barriers are associated with perceived skill barriers such as management problems. The transition effect based on business start-up date was not found to play a significant role. The most significant barriers are formal barriers related to frequent changes to taxes, the tax level, ambiguity of tax policies and environmental barriers related to low purchasing power and lack of funds.

Previous studies of businesses in transition countries have identified a multitude of barriers affecting business operations. The most important barriers seem to be formal barriers such as the high level of taxes (Bohata & Mladek, 1999; Bartlett & Bukvic, 2001; Hashi, 2001) and the general regulatory environment (Brunetti et al., 1998; Hashi 2001). Informal barriers such as the implementation of regulations (Bartlett & Bukvic, 2001), corruption (Bohata & Mladek, 1999) and unfair competition from the large informal economy (Muent et al., 2001). Environmental barriers such as lack of financing (Pissarides et al., 2000; Hashi, 2001) and low purchasing power (Bartlett & Bukvic, 2001) further interfere with SME development. Lack of qualified workers (Bohata & Mladek, 1999) and late payment by clients (Bartlett and Bukvic, 2001) form additional environmental barriers. Skill based barriers such as the lack of business-related skill development stem from the lack of previous private business experience in transition countries.

Ayittey (2001) believes that the greatest obstacle to Africa's development is the absence of an enabling environment and that this obstacle is man-made. Thus, dealing with the challenges of development will entail achieving institutional credibility. An expansive set of requirements for achieving this would include means of safeguarding the security of persons and property, systems of incentives, rule of law, basic functioning infrastructure, and stability (economic, political and social). This is further supported by Acemoglu (2003) who states that there are three key characteristics that underpin good institutions: enforcement of property rights, rule of law and equality. Similarly, Mair and Marti (2009: 421) argue that markets require specific institutions and rules in order to come into existence and to function.

The historical and political system in South Africa has served to promote an anti-entrepreneurial culture due to the dependency on, or control of, the population by the state which decreased the propensity for entrepreneurship (Olomi, 1999: 164). There are however very few studies that apply economic institutional analysis to the creation of enterprises.

3.4.4 Enforcement

A number of empirical studies suggest that rigidities in the labour regulations have a negative impact on entrepreneurial activity (van Stel et al., 2005; Klapper et al., 2006). According to the Doing Business report (2006), rigidities in labour laws act as constraining economic development. Self-employment is described as one possible strategy to circumvent rigid regulations, since aspects such as compensation and working time are totally unregulated. This may explain the high rate of self-employment observed in Italy (Henrekson 2007). Another possibility is simply not complying with the regulation. In developing countries, labour laws apply only to a minority of workers (Doing Business 2007: 20). Non-compliance and informal labour relationships are extended practices among countries with weak enforcement institutions (Ram, 2001). Almeida and Carneiro (2005) found that Brazilian surveyed managers who report that labour regulations are a severe obstacle to business and are more likely to report employment of informal workers by similar firms operating in their industry (Doing Business 2005: 29).

Stephen, Urbano, and van Hemmen (2009: 264) researched the impact of enforcement practices and the regulation of working time on entrepreneurial activity. Results showed that higher enforcement formalism mitigates the negative impact exerted by rigid working time regulations on the number of entrepreneurs. While it is agreed that regulatory rigidities may increase labour transaction costs, entrepreneurs are less sensitive to labour regulations the higher the level of enforcement formalism in which they operate. Higher formalism is associated with lower enforcing efficiency and lower probability of being punished for transgressing laws.

3.4.5 Criticism of the institutional theory

According to Welter and Smallbone (2011: 112), the influence of institutions on entrepreneurial behaviour can be examined in three parts: institutions as an enabling and constraining force; the behavioural response of entrepreneurs to institutional influences, and the role of institutional change. Institutions as enabling and constraining forces for entrepreneurial behaviour refers to institutions forming the “rules of the game in a society” (North, 1990), which when stable and operating efficiently can reduce uncertainty and risk for entrepreneurs, as well as transaction costs connected with conducting entrepreneurial activity. North (1994) suggests it is the interaction between the rules of the game and organisations that shape the institutional evolution of an economy in which organisations and entrepreneurs are players, constrained, enabled, and guided by the institutional frame (Nooteboom, 2000). In all countries, the development of entrepreneurship and the behaviour of entrepreneurs are influenced by the appropriateness and operation of both formal and informal institutions. The design and operation of formal institutions is directly under the influence of the state, which can also indirectly influence the values, attitudes, and norms of a society through its pronouncements and actions and those of its officials. Alongside formal institutions, values, attitudes, and norms of a society constitute the informal institutions, including attitudes toward entrepreneurship. Values and norms reflect whether a society tolerates and accepts entrepreneurship, which in turn influences entrepreneurial responses. Just as a stable, predictable, and efficiently operating regulatory regime can facilitate the development of productive entrepreneurship through reducing transactions costs, enabling an economy to move from a relationship-based, personalised transaction structure to a rule based, impersonal exchange regime (Peng, 2003), so can a deficient legal infrastructure, which includes implementation gaps, a lack of judges, specialists in commercial law, and economic courts constrain it.

Institutional change and entrepreneurial behaviour refers to the case where at the same time, uncertainties in institutional rules associated with institutional change also can provide opportunities to be exploited. In identifying so-called institutional holes, Yang (2004) sees institutional holes as structural gaps that exist between persons or organisations that are located in different institutional fields. As such, these institutional holes may be considered a distinctive characteristic of economies in transition. This could be interesting to research further. Though changes in formal institutions may create opportunity fields for entrepreneurship, informal institutions have an impact on the collective and individual perception of any entrepreneurial opportunities. At the same time, informal and formal institutions co-evolve. Informal institutions may be triggered to emerge over time out of intentional human behaviour, whereas formal institutions might be a result of the cumulative effect of the uncoordinated actions of individuals instead (Ben-Ner & Putterman, 1998).

How entrepreneurs can influence institutional change refers to the case where one of the criticisms that has been made when institutional theory is applied to a fluid and often seemingly irrational phenomenon such as entrepreneurial behaviour refers to its rather mechanistic emphasis in which entrepreneurial behaviour is viewed as a reaction to institutional pressures despite the recursive nature of institutions, institutional change, and behaviour. This implies that an institutional approach to entrepreneurial behaviour needs to acknowledge that entrepreneurial behaviour might trigger institutional change just as the latter can impact on behaviour. Oliver (1991) suggested five types of behavioural response to the institutional framework, namely: conformity or acquiescence, compromise, avoidance, deviance, and manipulation. Conformity, acquiescence, and compromising strategies acknowledge the existing institutional framework, signalling that entrepreneurs have recognised the changed institutional framework and adapted their behaviour accordingly. Avoidance, defiance, and manipulation all reflect varying degrees of nonconforming behaviour in relation to existing institutions. Avoidance includes “concealing their [the organisations] nonconformity, buffering themselves from institutional pressure, or escaping from institutional rules and expectations” (Oliver 1991: 154). Defiance and manipulation strategies represent more active forms of resistance to institutional pressures. The former includes entrepreneurs ignoring, circumventing, or challenging institutional rules, which especially happens in situations where there is low potential for external enforcement as is the case under transition conditions.

Another shortcoming of institutional theory in explaining entrepreneurial behaviour is its apparent lack of accounting for the heterogeneity of entrepreneurship since not all entrepreneurs act and react in the same way (Peng 2000; Welter & Smallbone, 2011: 121). Three main groups of factors are of particular importance in this regard, namely contextual, venture, and person-related factors. Whereas the former refers to the institutional and general business environment, particularly with respect to the level of institutional development and institutional fit, the latter includes enterprise size, the nature of the venture, and human capital of entrepreneurs such as the experience of entrepreneurs, their level of education, and the entrepreneur’s social position. In such challenging situations, human capital may help entrepreneurs to adapt, and there is evidence that role of prior knowledge is important for opportunity exploitation (Shane, 2000). In this regard, research in early-stage transition conditions has shown a high propensity for entrepreneurs to be well educated. This is partly explained by the unique conditions that can lead even well educated people to be faced with limited opportunities for satisfying and sufficiently rewarding employment, encouraging them to consider the entrepreneurship option. The human capital possessed by these individuals mean that they are well-equipped to identify and exploit opportunities in these challenging environments.

Trust can be a key factor influencing entrepreneurial behaviour in challenging environments. It can play a role as a sanction mechanism, gaining importance in situations where formal and informal institutions conflict. Helmke and Levitsky (2004: 727) differentiate between types of relationship depending on whether the formal institutional framework is effective or not. Personal trust results from group characteristics, such as kinship or ethnicity. In this case, they know or assume that the relative, partner, or friend will not behave opportunistically even when there are no written or explicit rules. This means that these relationships are governed by informal norms and rules. By contrast, a high level of trust in the formal institutional framework allows entrepreneurs to enter into transactions beyond the trusted circle of people known to them personally. In this regard, institutional trust allows for the use of anonymous sources in business relationships (such as new partners or consultants for business assistance) because there are legal safeguards and sanctions that may be applied in cases where the relationship fails. Whereas personal trust can exist regardless of any formal institutions, institutional trust requires stability and predictability in the institutional context.

3.4.6 Contribution of institutional theory to this study

Unlike traditional theories, institutional theory highlights cultural influences on decision-making and formal structures. It holds that organisations, and the individuals who populate them, are suspended in a web of values, norms, rules, beliefs and taken for granted assumptions that are partly of their own making (Barley & Tolbert, 1997: 93).

Institutional analysis is an important tool not only for acquiring a better understanding of how incentive structures are formulated and changed, but also for appreciating the immense difficulties of institution-building (Floro, 1996). It provides a framework for danalysing human interaction either in the context of market transactions, or the context of social exchange. The framework of institutional analysis presumes that: the basis for the performance of markets is formed by individual actions; individual actions are guided by rules and norms called institutions; institutions are devised by people to help them handle uncertainty and existing market imperfections.

It is assumed that entrepreneurial activities are influenced by prevailing institutions such as government policies, laws, structures and socio-economic norms of any national context. Both institutions and entrepreneurial activities influence each other. Thus the institutional perspective is capable of providing understanding on how and in which ways the environment affects entrepreneurship in any national context. Changes in institutions shape the way organisations evolve through time and hence are the key to understanding the development of entrepreneurship. Institutional theory is different from other economic theories because there is a degree of emphasis on institutional and cultural factors that is not found in mainstream economic theory. Secondly, the analysis is openly interdisciplinary, recognising insights from various sciences (Hodgson, 1998). It is assumed that entrepreneurial activities are influenced by prevailing institutions such as government policies, laws, structures and socio-cultural norms of any national context. Thus the institutional perspective is capable of providing understanding on how and in which ways the environment affects entrepreneurship in any national context.

3.5 Mixed embeddedness approach

Kloosterman (2010: 33) states that the concept of mixed embeddedness has been proposed as an interactionist approach to incorporate both actors (ethnic entrepreneurs) and the opportunity structure in a more comprehensive analytical framework (Kloosterman et al., 1999; Kloosterman, 2000; Engelen, 2001; Kloosterman & Rath, 2001; 2003; Rath, 2001; Light, 2005; Brandellero & Kloosterman, 2009). Linking the meso-level of the opportunity structure with the micro-level involves a systematic coupling of the general market characteristics of the model to the characteristics of individual entrepreneurs (Light, 2005).

As Kloosterman et al. (1999)'s concept of mixed embeddedness suggests, ethnic minority firms must be seen as grounded in an external structural context as well as in their own community networks (McEvoy et al., 2010). As part of a wider critique of exceptionalist approaches to the study of ethnic minority business (Jones & Ram, 2010; Mulholland, 1997; Ram et al., 2000), it can be argued that, notwithstanding their immigrant origins and racialised status, ethnic minority entrepreneurs are best seen as embedded in essentially the same social resources and cultural values as other self-employed business owners (Light, 2004; Jones & Ram, 2007).

A number of dimensions are identified by Kloosterman (2010) along which the broader institutional framework may affect opportunity structure. This is mainly based on existing comparative institutional analyses (Hall & Soskice, 2001; Fligstein & Dauter, 2007). The ensuing framework can be used in a synchronic way (i.e. comparing different countries at the same time) and in a asynchronic way (tracing changes over time in one country). The first dimension concerns ways of provision. In capitalist society, openings are, evidently, related to markets for goods and services. If the demand does not exist for a particular bundle of products, as, for instance, in the case where the state or the family are responsible for childcare, then no opening for businesses will occur. The second dimension is linked to direct state intervention in the labour market. Regulations concerning the labour market, such as minimum wage and social benefits, may have a considerable impact on the opportunity structure in a complex way. As immigrants can easily find work as employees, only those who are confident that they can earn more as self-employed are lured into entrepreneurship. Vacancy businesses offer opportunities as well, but, being limited markets, are less promising for aspiring entrepreneurs. The third dimension concerns state intervention aimed at regulating businesses. Regulatory barriers (such as permits) may hamper access and they may affect all businesses or only specific lines of industry. The same can be said for state interventions that regulate the running of businesses. This can be in the form of, for instance, stipulating opening hours, range of products, location, size and type of office accommodation, skill requirements and educational qualifications. The fourth dimension has less to do with state intervention than with multifarious webs of relationship between the various economic actors. The relationship between firms, for instance, can vary from ferocious competition to close collaboration.

Businesses are not just dependent on the resources an entrepreneur is able to mobilise, but they also presuppose markets as the goods and services have to be sold. In addition, these markets have to be open to new entrants (Kloosterman, 2010). Not only economic barriers have to be low (in terms of a low minimum efficient scale), but also institutional barriers. National and local regulations should allow newcomers to enter a market (Kloosterman & Rath, 2001). Mixed embeddedness is, however, not just about linking the meso-level of the opportunity structure to the micro-level of the individual entrepreneur. The opportunity structure itself has to be problematized and related to the wider institutional framework. The opportunity structure itself is a product of socioeconomic and institutional forces.

Granovetter (1985: 491) distinguishes two types of embeddedness: relational and structural embeddedness. Relational embeddedness refers to ‘economic actors’ and involves personal relations with one another. Immigrant entrepreneurs are embedded in a (relatively) concrete network of social relations with for instance customers, suppliers, banks, competitors, and law enforcers. Structural embeddedness relates to the broader network to which these actors belong. This obviously transcends direct personal relations, but still seems to involve social relations. Although Granovetter specifically makes a distinction between ‘social relations’ and ‘institutional arrangements or generalised morality’, he does not spell this latter category out in any detail.

The broader socio-politico institutional context is, thus, largely neglected. Embeddedness has become a crucial concept in explaining the success of entrepreneurs in general and that of immigrants in particular (Granovetter, 1985; Portes, 1995; Waldinger, 1995; Rath, 1999). Embeddedness tends to be mainly used in a rather one-sided way, referring almost exclusively to the social and cultural characteristics of groups that are conceived a priori to consist almost solely of co-ethnics. Using embeddedness in this defined way, neglects the wider economic and institutional context in which immigrants are inevitably also inserted or embedded (Rath, 1999). Therefore, the more comprehensive concept of mixed embeddedness, encompassing the crucial interplay between the social, economic and institutional contexts is used in this study (Kloosterman et al., 1999).

Johannisson et al. (2002: 297-313) state that there is an increasing concern for the notion of embeddedness of economic activity, yet the conceptualization of the concept and its operationalisation remain underdeveloped. First, embeddeness may concern, on the one hand, the structure of relations that tie economic actors together (structural embeddedness), and, on the other hand, the social strands supplementing economic strands in each relation (substantive embeddedness). The authors outline a network framework that proposes several layers or 'orders' of embeddedness. Focusing on small firms, the point of departure is individual exchange relationships as personal ties combining economic and social concerns. First-order embeddedness concerns the localised business networks created by combining these dyadic relations. Second-order embeddedness is achieved when considering also the memberships of business persons in economic and social local institutions while third-order embeddedness concerns the special cases where these institutions bridge gaps between firms.

Ram et al. (2000) declare that any strategy predicated on notions of ethnic advantage needs to be careful of the detrimental and unintentional consequences of operating within a particular sectoral, spatial, and business milieu. In other words, it is important to recognise “the other side of embeddedness” (Waldinger, 1995: 535); that is, exploitation and competition are also features of embedded business (Granovetter, 1985: 482). By exposing the “unintentional side of embeddedness”, the importance of examining ethnic entrepreneurship in relation to the social context in which it operates has been addressed. Ethnic entrepreneurship needs to be recognised as a relational and structured process, and it is crucial to recognise that regulations affect how businesses operate and the businesses, as regulations are themselves embedded in wider social structures.

Market conditions determine to a very large extent in which segments these kinds of openings occur. These conditions have to be taken into account to explain immigrant entrepreneurship. Institutions such as the welfare system, the organisation of markets, the framework of rules and regulations together with their enforcement, housing policies, and also business associations and specific business practices which regulate particular markets significantly affect opportunity structures at national, sector and local levels (Kloosterman et al., 1999; Rath, 1999).

Portes and Sensenbrenner (1993) point to the vital importance of embeddedness in social networks. In their work they perceive embeddedness in social networks as being grounded in social phenomena such as bounded solidarity and enforceable trust and as potentially a kind of social capital. Similarly, there is a need to understand the socio-economic position of immigrant entrepreneurs by taking into account not only their rather concrete embeddedness in social networks of immigrants but also their more abstract embeddedness in the socio-economic and politico-institutional environment of the country of settlement (Koosterman & Rath, 2002; Rath, 2000). There is a need to look at the embeddedness of the immigrant entrepreneurs in social networks, by explicitly relating this to the opportunity structure in which these entrepreneurs have to find possibilities to start a business and subsequently maintain or expand that business.

This interaction effect in location and ethnicity on immigrant enterprise was emphasized by Razin and Light (1998), who provided evidence for unique spatial variations in self-employment among specific immigrant groups (Razin, 2002: 162). The concept of mixed embeddedness is a further development of ethnic resources and opportunity structure, and recognises that the structures of a local economy and legal–institutional factors exert a strong influence on the creation and existence of the small business economy. The economic environment, however, differs widely on a national scale, offering substantially different opportunities from one region to another. This phenomenon was emphasized by Razin and Light (1998), who provided evidence for spatial variations among the same immigrant groups and variations between different ethnic groups in the same economic milieu. The local influence depends not only on the local economy structure, but also on the characteristics of the local ethnic community, such as the specific location of ethnic networks. A further attribute is discrimination through the absorbing environment but also through the local community (Boissevain et al., 1990).

According to Volery (2007: 36), the mixed embeddedness model is based on three assumptions: opportunities must not be blocked by too high barriers of entry or government regulations; an opportunity must be recognised through the eyes of an potential entrepreneur as one that can provide sufficient returns; and an entrepreneur must be able to seize an opportunity in a tangible way. There is a need to understand that in order to capture the factors influencing an ethnic entrepreneur, one needs to recognise two essential aspects: that the individual is from a different ethnic group, and that this individual is an entrepreneur. Even people with the same nationality or from the same ethnic group have differences which affect the way they recognise and pursue opportunities. Conversely, the ethnic dimension encompasses the factors only relevant for ethnic entrepreneurs. The influence that the ethnic dimension exerts on the entrepreneurship dimension can vary depending on how big the cultural differences are between host and home country, the discrimination the entrepreneur is subjected to, the level of social integration of the ethnic group, the experience gained in the new environment, age and gender, and the education level of the entrepreneur (Volery, 2007).

Jones and Ram (2007: 451) state that the notion of mixed embeddedness is a direct acknowledgement of Granovetter's (1985) insight that entrepreneurial activity takes place not in a sealed off economic dimension but is rooted in resources and support mechanisms derived from the entrepreneur's social networks. Crucially, such resources are not ethnic specific and are mediated by class relations. Going beyond this however, it insists that enterprise is simultaneously embedded in an external political-economic structure of markets and states, a dimension insufficiently recognised and very much under-theorized by the interactionists. Indeed, the phrase 'double embeddedness' might be thought to capture that ethnic business must be seen as grounded in the wider political-economic environment as well as in the social capital of its own communities.

Welter and Smallbone (2011: 121) state that the institutional context influences the nature, development, and extent of entrepreneurship as well as the way entrepreneurs behave. This is particularly apparent in challenging environments such as emerging and transition economies with an uncertain, ambiguous, and turbulent institutional framework (Shane, 2003). The socio-cultural and the politico-institutional environments influence entrepreneurial attitudes and motives, the resources that can be mobilised as well as the constraints and opportunities for starting a business (Martinelli, 2004).

Peters (2002) attempted to assess the relevance of Rath and Kloosterman's "mixed embeddedness" hypothesis to explain Dutch, Italian, Greek and Vietnamese business enterprise in Western Australia. Her findings illustrate that any comprehensive account of an immigrant group's entrepreneurial behaviour must bring together not only the determinants of Kloosterman et al.'s (1999) "mixed embeddedness model", such as "ethnic resources", the "opportunity structures" and the host country's socio-cultural, economic and institutional context, but also the various types of human agents.

In another study, Barrett, Jones, McEvoy and McGoldrick (2002) found that business survival rates were low, but differentiated by ethnicity, by period, and by city. Secondly, overall South Asians survived better than Whites, which supported the view that South Asians were entering the unwanted niches of the White economy. Third, 53 percent of White firms changing hands were transferred to other Whites, and 47 percent to South Asians, but only 7 percent of Asian businesses became White, while 93 percent remained in Asian hands. Fourth, as areas become demographically more South Asian then the likelihood of a White business becoming Asian on transfer to a new owner increased.

Magatti and Quassoli (2000) compared Chinese and Egyptian "ethnic businesses" among immigrants in Milan. The first Chinese businesses consisted of workshops for working silk and for the production of neckties, while the first self–employed individuals were street sellers of neckties produced in their compatriots' workshops, and both these activities were strongly embedded, which cannot be said of the Egyptian community. It represents one of the cases where a group of entrepreneurs can count on a relatively widespread and structured reference community, which can in turn favour the development of ethnic businesses and an ethnic economy

Elfring & Hulsink (2003) believe that the entrepreneurs and their ventures are embedded in ongoing social and economic relations, including personal and professional ties, (non-)equity partnerships and other networks, all of which affect the way their firm develop. Economic transactions between firms do not take place in a vacuum but rather, are often based upon a history of past dealings and ongoing social interactions (Granovetter, 1985; Uzzi, 1997). Furthermore, economic transactions may produce social networks as well: arm's length ties may eventually be transformed into embedded ties (Uzzi, 1996, 1999). These networks are vital when it comes to gaining access to opportunities, collecting the resources needed to build a new enterprise and obtaining legitimacy (Birley, 1985; Aldrich and Zimmer, 1986; Johannisson, 1987; Dubini & Aldrich, 1991). Their research provides a different angle in that it recognises the value of a particular mix of strong and weak ties for two other entrepreneurial processes: Discovering opportunities and gaining legitimacy. These two processes also have an impact on a company's performance. Companies engaged in radical innovations were seen to benefit from an unexpected mix of strong and weak ties. The notion that in the opportunity discovery process weak ties play a dominant role has to be qualified for start-ups pursuing radical innovations. Strong ties turn out to be beneficial because of their ability to exchange tacit knowledge and trusted feedback on the nature and viability of opportunities. Where legitimacy is concerned, the opposite is found. Instead of the generally approved value of strong ties, it is found that for radical innovations strong ties are detrimental in obtaining socio-political legitimacy and weak ties are needed for the more general endorsement of these new products.

Recently, Rogoff and Heck (2008) state that race, ethnicity and entrepreneurship are powerful concepts that include stereotypes and prejudice. In another study, Danes, Lee, Stafford and Heck (2008) studied the effects of ethnicity, families, and culture on entrepreneurs. They argue that it is imperative to study the complex and interdependent relationships between the ethnic owning family, its firm, and the community context in which the firm operates. Similarly, Cardon, Shinnar, Eisenman and Rogoff (2008) state that ethnicity alone should not be used to describe or categorise entrepreneurs. Based on a comparative study of African, Mexican, Korean and White groups, their results show that minority groups are a very heterogeneous group on many dimensions such as motivation factors, satisfaction with their business, problems experiences, and demographics of their business such as size and profit. Nevertheless, Ram (1994) argues that ethnic embeddedness can actually impede entrepreneurial advancement, and while ethnicity functions as a positive resource endowment up to a certain level, after that, it becomes a brake rather than an accelerator.

Using a sample from a survey in America, Kollinger and Minniti (2006) studied the variables related to observed differences in the rate of entrepreneurship between Blacks and Whites. Their results show that the Blacks tended to be more optimistic of their business environments than the White group, and more likely to start their own business. They go onto argue that the under representation of Black Americans in entrepreneurship is not because of lack of trying, but rather due to stronger barriers to entry and higher failure rates. On a similar note, Phan and Luk (2008) argue that the ethnic economy approach focuses on shared group membership in building social capital and does not differentiate between refugee and immigrant status. Based on a comparative study of Sino-Vietnamese refugees and Hong Kong immigrants, they show that there are distinct differences in migration circumstances, social policy responses, resources and network characteristics of refugees compared to immigrants upon arrival and settlement.

Van Delft et al. (2000) discussed the effectiveness of policies fostering entrepreneurial activities of ethnic minorities. According to their results, policy should focus upon potential of socio-cultural and ethnic networks, importance of training and education, availability of information on facilities and access to financial resources. In addition, Taormina and Lao (2007) collected data from 337 Chinese respondents in three different groups: first, people who do not want to start a business; second, people planning to set up a business; and finally, entrepreneurs who had started successful businesses. The findings showed that group comparisons revealed that psychological characteristics as well as the business environment were both significant predictors. Psychological characteristics were a stronger influence for potential entrepreneurs and the business environment stronger for successful entrepreneurs. In addition, the results help clarify debates regarding the relative importance of personal characteristics and the business environment to entrepreneurial motivation as these variables explained 54 percent of the variance for motivation. Although only one ethnic group (the Chinese) was studied, the results for the personality variables largely matched those in the Western literature, which suggests generalisability of the findings.

In another study, Jack and Anderson (2002) looked at understanding and appreciating how the social context influences and impacts upon entrepreneurial activity. The findings confirm that the productive information and resources gathered through being embedded compensated for environmental constraints and facilitated the entrepreneurial process (Chell & Baines, 2000). In some instances, it was found that local knowledge provided a key factor of profitability. The authors argue that embedding provides a mechanism for bridging structural holes in resources and for filling information gaps. Interestingly, being embedded actually creates opportunities. These opportunities exist within the local structure but only become manifest by the action of embedded entrepreneurial agency. This seems important because these opportunities were unlikely to be available to others not embedded. Entrepreneurial embedding, therefore, creates a link between the economic and the social spheres. This social bond enables entrepreneurs to more effectively exploit economic opportunity.

In a study conducted in Canada, Hiebert (2000) found that those immigrants who have been in Canada for between 5 and 15 years have achieved almost the same level of self-employment as the total working population, while those who have been here longer than 15 years have higher rates. Groups with less than 20 percent immigrants have a wide range of entrepreneurship ratios, from Aboriginals (just over 5 percent self-employment), to Jewish individuals (nearly 30 percent). Note also that several of the most advantaged groups in Canada, especially those of British origin, have only average rates of self-employment, while other privileged groups, such as Germans, Scandinavians, and the Dutch, are more entrepreneurially inclined. Jewish men and women have a particularly distinct profile, with the highest level of self-employment of any group. Groups with more than 50 percent immigrants are similarly varied in terms of self-employment, ranging from Filipinos, at 4 percent, to people from the western part of Asia (mainly from Iran, in the Canadian case), at over 20 percent. As in the United States, Latin Americans in Canada are rarely self-employed. Surprisingly, given the literature on Europe, South Asians are also below-average in this respect.

The World Bank Group Entrepreneurship Survey (Klapper et al., 2007) measures entrepreneurial activity around the world. This paper found significant relationships between entrepreneurial activity and indicators of economic and financial development and growth, the quality of the legal and regulatory environment, and governance. They found that business entry and density rates are significantly related to country-level indicators of economic development and growth, the quality of the legal and regulatory environment, and ease of access to finance.

According to Schnell and Sofer (2002), an example of two different milieus is the case of Arab entrepreneurs in Israel. They face both the wider Israeli capitalist economy, largely dominated by the Jewish sector, and their own socio-economic system. This means that they have to face each sector's value and norm system, which underlies the business culture and power relations - the power of firms to determine exchange relations. Applying the embeddedness ideas to the case of Israeli Arab, mixed embeddedness requires the recognition that there are deep cultural, economic and political gaps between the Jewish and the Arab milieus.

Wahlbeck (2007) states that although the concept of ethnic economy describes the employment pattern in a particular economic sector, state involvement is not necessarily in conflict with the existence of ethnic economies, and in some instances welfare state policies may even support the creation of ethnic economies. The results of their study highlight the importance of the wider economic, institutional and social contexts in which ethnic businesses operate.

3.5.1 Criticism of the mixed embeddedness theory

Jolly (2004) argues that whilst' culturalism', 'structural materialism' and even 'interactionalism', as described by Waldinger, were being criticised for being too simplistic in their attempt to explain ethnic entrepreneurship, a more holistic approach developed. The concept of 'mixed embeddedness' was developed by Kloosterman et al. (1999), on the premise that ethnic entrepreneurs can only be properly understood by taking account of the way they are embedded in socio-economic and politico-institutional environments as well as within social networks (Rath, 2002). The key strength of this approach has been described as its 'comprehensive perspective' (Ram & Smallbone, 2001). Kloosterman et al. (1999) acknowledge that 'mixed embeddedness' has its roots in the more established concept of 'embeddedness', which can be used to explain the success of entrepreneurs in general as well as immigrant entrepreneurs in particular (Granovetter, 1985; Waldinger, 1995). However, they criticise the way 'embeddedness' has moved away from the original meaning intended by Polanyi (1957) which encompassed social, economic and institutional contexts, and argue that it has been used in a rather one-sided way to refer to the social and cultural characteristics of groups. As well as being sensitive to the importance of social networks, 'mixed embeddedness' defines the operating environment by its constituent parts to enable the impact of each element to be assessed.

However, 'mixed embeddedness' is a relatively new concept and there is no consensus on which elements of the external environment should be considered when researching ethnic entrepreneurs. Also, by encompassing a wide range of 'influencing factors', mixed embeddedness runs the risk of losing explanatory potency as a theory and becoming simply a replication or mirror of complexities in the environment. The elements most prominent in the model described by Kloosterman et al. (1999: 258) are market conditions, spatial settings (including location and sector) and institutional (especially state) policies as well as social networks. It is suggested that ethnic entrepreneurs are found in concentration in particular sectors that require relatively small capital outlay and low qualification levels and thus have low barriers to entry for immigrants. The shape of the opportunity structure that surrounds an individual business owner is determined by market conditions and economic trends which are 'embedded and enmeshed in institutions which significantly affect opportunity structures at national, sector and local levels'.

3.5.2 Contribution of mixed embeddedness theory to this study

Social embeddedness is relevant to entrepreneurship because it helps the entrepreneurs identify social resources, an essential step to founding organisations (Hansen, 1995). Furthermore, being embedded within the social context means access to more support during the entrepreneurial process but also a likelihood of increased entrepreneurial activity. However, embeddedness can also act as a constraint. Uzzi (1997: 52) identified conditions when embeddedness can be turned into a liability, for example, the unforeseeable exit of a core network player; institutional forces rationalising markets; even overembeddedness stifling economic action when social aspects of exchange supersede economic imperatives.

Both the opportunity structure and the ethnic entrepreneurs themselves are heavily influenced by the specific context. Therefore, the scope and nature of economic (formal and informal) transactions of ethnic entrepreneurs are to a large extent shaped, generated or constrained by this context (Kloosterman & Rath, 2000). Furthermore, Ram et al. (2008) advocate for a combination of the "forms of capital" model whereby focus in paid to the interplay of social, human, and financial capital in the entrepreneurship process (Davidson & Honig, 2003). Furthermore, attention is also paid to the mixed embeddedness approach whereby the entrepreneur is being grounded not only in their own family and community resources, but equally in an external structural context of state and markets (Ram et al., 2008).

The kind of business an immigrant starts and its role in the immigrant's process of incorporation are not just determined by the resources this aspiring entrepreneur can mobilise, but are also decided by the time-and-place specific opportunity structure (Waldinger et al., 1990a; Light & Rosenstein 1995). Researchers looking at immigrant entrepreneurship were confronted with significant variations between different groups of immigrants and moved beyond this individual approach by looking for explanations on the level of groups (Waldinger 1986; Light & Bonacich 1988; Light & Rosenstein 1995). Neither personal traits nor differential access to finance could explain the observed intergroup variations. The wider societal context had to be analysed as certain groups of immigrants were pushed towards self-employment due to specific obstacles (i.e. discrimination) in the labour market. In addition, group characteristics, especially cultural traits, were also investigated as potential explanations for differences in entrepreneurship. Social embeddedness has become a widespread and very fruitful approach to entrepreneurship, in general and immigrant entrepreneurs in particular (Granovetter 1985, 1995; Waldinger 1986; Portes & Sensenbrenner 1993; Uzzi 1996, 1997; Kloosterman (2010).

Therefore, the mixed embeddedness approach is able to address the ethnic entrepreneurs within the South African context, focusing on resources, the opportunities available to them, and the host country's socio-cultural, economic and institutional context. Thus this approach aims at combining the insights on resources of ethnic entrepreneurs and the interaction with the opportunity structure on the one hand, with the view that those opportunity structures themselves are embedded in a broader institutional framework on the other.

3.6 Proposed Conceptual Model

The conceptual framework utilised in this study is presented in figure 3.1. There are several elements in this framework: the entrepreneur and business characteristics, networking variables, social capital variables, mixed embeddedness variables and ethnic entrepreneurship.

As stated in chapter one, the purpose of the study is to make intelligible how and why different ethnic groups use networks in different ways to acquire and organise capital, within the specific socio-economic and institutional context of South Africa as a developing country in a state of transition. By taking into consideration several shortcomings of previous research, the focus of the study is on three ethnic entrepreneur groups within the same context.

The entrepreneur characteristics of each ethnic group were examined. These include the following: age, education level, marital status, whether the father, mother or relative is an entrepreneur or not, gender and ethnicity. The firm characteristics examined in this research are the following: type of ownership, type of business and size of the firm.

Ethnic entrepreneurship is believed to be influenced by other variables in this investigation. Networking variables such as activity, density and diversity affect ethnic entrepreneurship. The study will address how networking in done within each ethnic enclave and how this affects the way social capital is utilised. The networking strategies of the ethnic entrepreneurs will also be studied within the wider embedded context, taking into account the political, socio-cultural, economic and historical environment of South Africa. This will use mixed embeddedness variables such as perceptions of the institutional environment, government-business interface and major constraints faced by the entrepreneurs. A comparison will also be made between the ethnic groups in network variables, utilisation of social capital and the impact of the institutional environment on their ability to access resources.

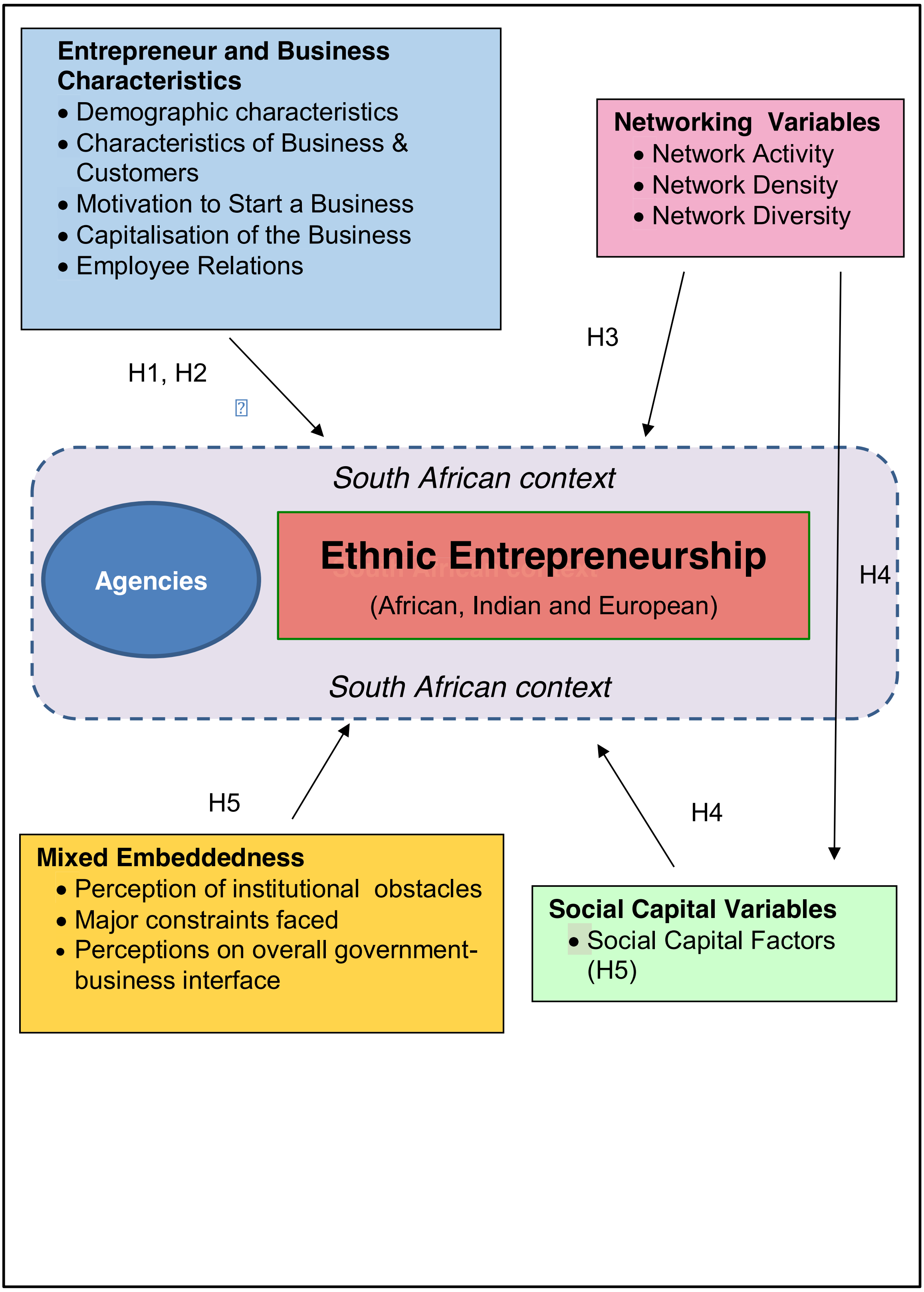


Figure 3.1 Proposed Conceptual framework

Based on the theoretical assumptions and empirical research, the framework raises a number of hypotheses that will be studied:

Empirical evidence has shown that variables such as gender (Davidson et al., 2010), age (Cooper et al., 1994; Chaganti & Greene, 2002), education (Basu & Goswami, 1999; Menzies et al., 2003; Lofstrom & Wang, 2007; Thompson et al., 2010), ethnicity (Johnson, 2001; Smith-Hunter & Boyd, 2004; Clark & Drinkwater, 2009; 2010), previous business experience (Brenner et al., 2000), source of capitalisation (Carter, 2005; Coleman, 2007; Fraser, 2009), business characteristics (Bates, 1991; Min & Bozorgmehr, 2003; Halkias et al., 2009) and employee relations (Zimmer & Aldrich, 1987; Altinay & Altinay, 2008) may affect and individual's decision to start a firm.

This produces the following set of hypotheses:

Hypothesis Set 1:

There are significant differences between the African, Indian and European entrepreneur groups on demographic variables, characteristics of business, capitalisation and employee relations.

1.1 The African ethnic entrepreneur will be different than the Indian and European ethnic group on a variety of demographic characteristics.

1.2 The African and Indian entrepreneurs will have a higher proportion of customers who are from the same ethnic group.

1.3 The European ethnic group will be more reliant on financing their start-ups using their own savings.

1.4 The European and Indian ethnic groups will be more successful in obtaining loans.

1.5 The African ethnic group will be reliant on hiring their employees from their own ethnic group.

Several comparative studies (Chell, 1985; Scheinberg & MacMillan, 1988; Ginsburg & Buchholtz, 1989; Johnson, 1990; Shane, et al, 1991; Shaver & Scott, 1991; Stewart et al., 1996; Moore & Buttner, 1997; Basu, 1998; Raijman & Tienda, 1999; Curran & Blackburn, 2001; Basu & Altinay, 2002; Swierczek & Ha, 2003; Collins et al., 2004; Benzing et al., 2005a; Kirkwood, 2009; Nwankwo, 2005; Wang, et al., 2006; Basu, 2008; Piperopoulos, 2010) indicate that there are differences on the entrepreneur's motivation to start a business across ethnic groups.

Hypothesis Set 2:

There are significant differences between the African, Indian and European entrepreneurs on motivation to start their business.

2.1 European and Indian entrepreneurs are "pulled" into starting their own firms while Africans are "pushed" into starting up.

Several studies (Lever-Tracy et al., 1991; Fadahunsi et al., 2000; Marger, 2001; Dodd et al., 2002; Dodd & Patra, 2002; Drakopolou, 2002; Klyver et al., 2008; Valdez, 2008) have shown that across ethnic groups there are differences in utilisation of networks. These studies indicate differences in network diversity, activity and composition.

Hypothesis Set 3:

There are significant differences between the African, Indian and European entrepreneur groups on network characteristics.

3.1. European and Indian entrepreneurs will have a higher number of people in their networks compared to the African entrepreneurs.

3.2. European and Indian entrepreneurs will have a wider range of people and be more active with their contacts compared to the African entrepreneurs.

3.3. European and Indian entrepreneurs will have a more dense network and known their contacts for longer than the African entrepreneurs.

3.4 European and Indian entrepreneurs will have a more diverse network compared to the African entrepreneurs.

3.5. The responses on the network variables will be able to differentiate between the three ethnic groups.

Research (Ram et al., 2003; Berggren & Silver, 2009; Ndofor & Priem, 2009; Zhang, 2010) has found that there are differences in the use of social capital across entrepreneur groups. Others (Deakins, et al., 2007) focus on whether ethnic groups use social capital to access finance and advice, resource acquisition (Birley, 1985; Johannisson, 1988; Butler & Hanson, 1991; Bruderl & Preisendorfer, 1998). Flap, et al. (2000) found that differences between different ethnic groups could help explain differences in start-up rates (Bailey & Waldinger, 1991; Bates, 1994; Morris, 2000).

Hypothesis Set 4:

There are significant differences between the African, Indian and European entrepreneur groups on social capital.

4.1 European and Indian entrepreneurs use social capital more than the Afrcan entrepreneurs.

4.2 There are significant relationships between network characteristics and social capital

Brunetti, Kisunko and Weder (1997) found that entrepreneurs from different countries identified different perceived problems. Enterprise creation depends on whether the entrepreneurs perceive these problems as significant barriers to entrepreneurship (Dana, 1987; 1990; Bruno & Tyebjee, 1992; Young & Welsch, 1993; Fogel, 1994; Acemoglue, 2003; Aidis, 2005). Several studies (Davidsson, 1991; Shane & Kolvereid, 1995; Trulsson, 1997; Tiessen, 1997; Busenitz et al., 2000; Meyer, 2001; Heilbrunn & Kushnirovich, 2008; Puffer, McCarthy & Boisit, 2009) have presented evidence that the differences in environments influence firm performance.

Hypothesis Set 5:

There are significant differences between the African, Indian and European entrepreneur groups on perceived institutional obstacles in South Africa.

5.1 The African ethnic group will have a more negative perception of predictability of laws and policies.

5.2 The African ethnic group will have a more negative perception of the overall government-business interface.

5.3 The African ethnic group will have a more negative perception on the conduciveness of South Africa for entrepreneurship.

3.7 Chapter reflections

This chapter presented a detailed overview of the various theories of ethnic entrepreneurship, network theory, institutional theory and the mixed embeddedness approach. Secondly, the contributions of each of the major theories were presented in addition to some shortcomings of the theories were discussed. Thirdly, the chapter has discussed the literature on ethnic entrepreneurs, networks used by the various ethnic entrepreneurs. In addition, studies were analysed which addressed the institutional framework as well as studies which had taken a mixed embeddedness approach. Lastly, the conceptual framework for this investigation was drawn up using the concepts from the theories presented in this section.

Certain ethnic theories may be more applicable to specific groups. Regarding the African group, disadvantage in the workplace provides partial explanation. With the Indian group, the middleman minority theory seems to be the most relevant in addition to the cultural theories. The interactive theory seems to be the most relevant explanation of the European entrepreneur as it is the combination of resources and opportunities in the market that leads to their success. There is evidence of social capital in the form of ethnic networks and family ties aiding in the start-ups of ethnic-owned businesses. Furthermore, with some ethnic groups lacking human capital, having strong social ties enable them to overcome these shortcomings in human and financial capital. Furthermore, institutional theory is the theory that focuses on the influence of the wider environmental factors, and in line with the mixed embeddedness approach, one needs to look at the resources available to the entrepreneurs, the context, and the wider institutional environment in which they conduct business. Literature shows that ethnic entrepreneurship arises because these groups are marginalised and disadvantaged. These entrepreneurs use human, cultural and social capital from their ethnic networks to obtain much needed resources and information to establish or operate their enterprises. Studies have found differences in rates of entrepreneurship between ethnic groups in the same context, which is mainly due to the networks and opportunity structures established in that ethnic group.

In the South African context, researchers found that the most effective networks were found in the Indian ethnic group, who are able to draw from their family and community resources they need for their business. The literature also shows that there is a paucity of empirical studies that look at the institutional context affecting entrepreneurship. Several studies have looked at formal institutional factors which include government policy, support and assistance, and laws and regulations. Separately, informal institutional factors have also been focused on, including culture, norms, and values. However, for ethnic entrepreneurship to be better understood and explained in the unique South African context, a mixed embeddedness approach is necessary, which brings together ethnic resources, opportunity structures and the socio-cultural, economic and institutional context.

The institutional perspective is strengthened by Low and MacMillan's (1988) suggestion that future research should consider contextual issues and identify the processes that explain rather than describe entrepreneurial phenomena. Further, they suggest that recognizing the multidisciplinary dimensions of entrepreneurship would add to our understanding. Similarly, Ucbasaran et al. (2001) call for a focus on contextual and multidimensional research in entrepreneurship. Referring to the extant literature, Gnyawali and Fogel (1994) bemoan the lack of an integrated, theory driven comprehensive framework for studying the environmental conditions favorable to entrepreneurship. In response to these noteworthy calls, I provide a multilevel organising framework to situate the specific role of formal and informal institutional contexts on entrepreneurship research.

A unique lens to examine institutional effects on entrepreneurship needs to be adopted. However, that due to institutional theory's focus on the largest structures of society, it provides a "big picture" view. Like aerial snapshots of societal terrain, institutional pictures give us a broad organizational perspective and an image of the context in which other and more specific socio-cultural processes occur. Meso- (intermediate) and micro-level approaches to organizational analysis generate fine-grained detail about socio- cultural processes that are of equal importance. Big pictures cannot provide this extent of detail. Hence, it should be noted, that an “institutional analysis is but one way of looking at the social universe, but nonetheless an important and often neglected way to understand societies and organisations” (Turner, 1997).

On a theoretical level, while much prior research is devoted to the study of micro-level explanations for entrepreneurial behavior (such as the nature of the individual, traits, and personality characteristics), additional value can be gained by an understanding of the macro environmental conditions that would foster or hinder entrepreneurship, since the latter is more amenable to manipulation and change than the former. Besides, any individual characteristic will interact with contextual factors (such as institutions) that facilitate or inhibit the manifestation of entrepreneurship (Salimath, 2010)

An institutional analysis necessarily involves an examination of relevant institutional environments. In general, the institutional environment refers to the set of political, economic, social, and legal conventions that establish the foundational basis for production and exchange (Oxley, 1999). Resource dependency theory assumes that the institutional environment plays a central role in the process in which organisations must effectively manage dependencies in order to acquire and maintain critical resources (Steensma et al., 2000).

In the following chapter, the research methodology of the study will be discussed.

CHAPTER FOUR
Research Methodology

This chapter presents the research methodology used in this study, and the considerations that have influenced the choice of research methods. It will contain a discussion of the underlying assumptions and paradigms, the research philosophy, research purpose, research approach, research strategy, description of the population and sample, the measuring instruments used in the study, data collection, and data analysis.

4.1 Underlying assumptions and paradigms

There are a number of philosophical assumptions that underwrite different approaches to social science. It is convenient to conceptualise social science in terms of four sets of assumptions related to ontology, epistemology, human nature and methodology (Burrell & Morgan, 1979). This study will be based on the objectivist approach to social science, and these assumptions will underpin the objectives and the design of the study. Questions of ontology are concerned with the nature of social entities, and these assumptions concern the very essence of the phenomena under investigation. It asks the question whether "reality" is of an "objective" nature, or the product of individual cognition; whether "reality" is a given 'out there' in the world, or the product of one's mind (Guba & Lincoln, 1994: 108). For this study, a realistic rather than a nominalist view on ontology will guide the study. However, although it is accepted that the different groups might perceive the environment differently, it is assumed in this study, that a real, objective environment exists.

An epistemological issue concerns the question of what is regarded as acceptable knowledge (Guba & Lincoln, 1994). These assumptions are about the grounds of knowledge, and how one might understand and communicate this to others (Burrell & Morgan, 1979: 1). Positivism is an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality. (Burrell & Morgan, 1979). The object (reality) and the subject that is observing or testing it are independent of each other. Second, a positivist view on epistemology will guide the objectives of the study and the methods of data collection and analysis.

The human nature question concerns the assumption of the relationship between human beings and their environment (Burrell & Morgan, 1979: 2). This view tends to be one in which human beings and their experiences are regarded as products of the environment, where people are conditioned by their external circumstances (Burrell & Morgan, 1979: 6). Thirdly, a deterministic rather than voluntaristic view on human nature will guide the purpose of the study and data collection.

The ideographic approach to social science is based on the view that one can only understand the social world by obtaining first-hand knowledge of the subject under investigation (Burrell & Morgan, 1979: 6). The nomothetic approach to social science lays emphasis on basing research upon systematic protocol and technique. Fourth, a nomothetic, rather than an ideographic view on methodology will guide the overall research design, as the study aims to compare the three ethnic groups within the same context.

Entrepreneurship research has been largely positivist, an approach that has acted as “a barrier to other perspectives” (Grant & Perren, 2002: 185). The entrepreneurship literature in general has been concerned primarily with deductive research, concerned with hypothesis testing (Scott, 1986; Shane et al., 1991; Borooah et al., 1997;), focusing on quantitative methodologies, employing survey instruments (Chandler & Lyon, 2001; Carter, 2005;) or mail questionnaires in combination with interviews (Moore, 1990). Similarly, in relation to research on ethnic entrepreneurs, much of the data collection has also been by questionnaires (Moore, 1990; Carter, 2005).

4.2 Research Design

The primary research purpose of this study is to explain how and why different ethnic groups use networking in different ways to acquire and organise capital, within the specific socio-economic and institutional context of South Africa. However, the study also has secondary exploratory and explanatory aspects. Because most of the existing research has focused on ethnic entrepreneurship in other cultures and contexts (Europe, USA), the unique South African context in this enquiry is exploratory as much as it represents developing countries while the differential use of networks of the three ethnic groups makes the investigation explanatory in nature.

The choice of research approach largely depends on the knowledge that one is trying to acquire or identify. Creswell (2013) cites five reasons for selecting a research approach: the researcher’s worldview, training and experience, psychological attributes, the nature of the problem, as well as the audience for the study. Therefore, as the main focus will be to compare the three groups on a number of different variables, this study will be predominantly quantitative in nature. However, the study will use both qualitative and quantitative methods. The qualitative results will largely be used to augment the quantitative results. The surveys will become more meaningful when interpreted in the light of the critical qualitative information. The research design included an interview survey of the three ethnic groups in addition to a postal survey of support agencies in the province.

As the focus of the study is on the unique context of South Africa, the unit of analysis will be South African ethnic entrepreneurship. Therefore the focus will be on studying the African, European and Indian ethnic entrepreneur groups within the overall institutional environment, which will allow the ethnic group to be examined within the unique contextual framework. Thus each of the ethnic entrepreneur groups will be seen as sub-units within the wider context. This is referred to by Yin (2003) as an embedded case study design. Within each group, attention will be placed on how entrepreneurs network with other entrepreneurs inside their enclaves, as well as outside. Focus will also be put on the linkages entrepreneurs have with institutions and agencies, both inside and outside their ethnic enclave.

The survey was used as the main research strategy in this investigation. Based on the form of research questions, lack of control over behavioural events as well as focus on contemporary events, the survey was deemed as the most appropriate strategy for this study. A survey design provides a quantitative or numeric description of some portion of the population (sample) by asking people questions that will, in turn, enable the researcher to make inferences about some characteristic, attitude or behaviour of this population (Zikmund et al., 2012). The survey is the preferred data collection procedure for the study because of the following reasons: (Saunders et al., 2012) Firstly, in order to answer my research question, and the conceptual framework presented in the previous chapter, the economy of the design, considering the amount of information that can be obtained, the survey method is one of the cheapest means to get data. Also, the rapid turnaround in data collection, entrepreneurs can inform the researcher when the accomplished questionnaire can be picked up. Thirdly, the ability to identify attributes of a population from a small group of individuals. Fourthly, it allows the respondents to answer at their leisure (Bryman & Bell, 2011).

Research agenda

The research agenda consisted of a number of research steps. Firstly, a detailed study was made of the unique institutional context in which the entrepreneurs operate. Information was gathered pertaining to the legal, political, and economic policies. Use was also made of secondary and unobtrusive sources of data on current policy frameworks, rules and regulations, and the extent of available training and counselling services. Secondly, surveys were conducted, where entrepreneurs were requested to fill in a structured survey. Thirdly, postal surveys of government, financial agencies, support agencies and other relevant organisations were conducted.

4.3 Data and variables

Population and Sample

The empirical study was aimed at entrepreneurs from the three dominant ethnic groups in the KwaZulu-Natal province of South Africa: African, European, and Indian. Data for the analysis was collected from 325 entrepreneurs in Durban, the largest city in the province. It was decided to only focus on one urban context, so that attention could be paid to potential differences between the three ethnic groups, keeping the context the same. The three ethnic groups chosen for this study will contribute more to our understanding of how relational social capital is mobilised by entrepreneurs within a developing country. The African entrepreneur group is an example of a marginalised group, but in South Africa, they are a majority, and not a minority group. Also this group is not an immigrant group, but an indigenous group, and it is important when comparing ethnic groups to have a “native” group. The Indian ethnic group is an example of a group filling the “middleman minority” group. However, in South Africa, they were also marginalised by institutional factors. The European ethnic group have a long history in South Africa, but their position in South Africa has always been one of privilege, and was originally one of being the colonial power. However, with change, firstly with the Afrikaner-led government and then the Black-led government in 1994, their position has changed dramatically. Therefore, within the same context, each ethnic group has historically had a very different experience and position, and this unique position that each group has had, is expected to influence the results collected in this research project.

The sample was selected largely by personal contacts and referrals. Given that most ethnic businesses still operate in areas dominated by specific ethnic groups, research assistants from the same ethnic group as the respondents’ were used. This methodology was used by Ram (1991; 1994) and Basu and Goswami (1999) in studies conducted in England, and Yoo (2000) and Light and Bonacich (1988) in the US, whereby having interviewers with the same ethnic background led to more access and acceptance by the entrepreneurs. Since a large amount of business in conducted in separate ethnic areas, it was decided that this strategy would increase the acceptance and trust between the interviewee and interviewer. Interviews were conducted in English, because although there are eleven official languages, English is the business language, and most people in this province are fluent in the language. In addition, because the education levels of the potential samples varied widely, it was decided that the research assistants would ask the questions and fill in the responses. However, to ensure consistency, use was made of graduate students that were known to the researcher. This also ensured a 100 percent response rate from the surveys. However, in line with suggestions from Ram et al. (2008: 427), the lead researcher was solely responsible for devising the interview guides, and took exclusive charge of all data entry and analysis. Furthermore, in order to identify suitable respondents the snowballing sampling method was applied, which was useful for accessing potentially ‘hidden’ populations. However, with this sampling technique, there is always a risk of getting very similar samples, which can potentially influence external validity (Bryman & Bell, 2011: 193).

Jack (2010: 122) argues that although no definitive methodological approach for studying networks exists and methodological approaches have included a range of quantitative and qualitative methods, quantitative techniques are dominant (Huggins, 2000; Hoang & Antoncic, 2003). Work using quantitative techniques has been beneficial in highlighting structural features of networks (Johannisson, 2000), defined as the pattern of relationships engendered from direct and indirect ties between actors (Hoang & Antoncic, 2003); for instance, looking at aspects like extensiveness, density, activity levels, centrality and reachability of networks. Such an approach has also been useful in providing examples of counts of contacts, illustrating correlations and indications that individuals use networks and the type of contacts which the entrepreneur has with others and institutions outside the firm, for example other owners, professionals, friends and relatives (Birley, 1985; Dubini & Aldrich, 1991).However, Ibarra (1993: 58) raises a concern that studies which have used surveys can lack a well-developed theoretical explanations of the mechanisms producing variation in structural characteristics of and access to interaction networks.

Qualitative approaches are by no means without their critics and although a range of studies have used qualitative techniques to consider networks and entrepreneurship, concerns have been raised about the use of such approaches. For instance, Johannisson et al. (1994) felt that research concerning dynamics of entrepreneurial networks beyond individual ties is mainly conceptual and any attempt to furnish network models with data calls for considerable effort. In later work, Johannisson (1995) pointed out that large-scale qualitative research is often laborious and time-intensive and constrained by time and resources limitations. Furthermore, issues also arise concerning the use of case studies, which can limit representativeness; data is often retrospective and relies on the accuracy of reports about the network from the focal actor (Coviello, 2006).

However, it is critical to reinforce the message that qualitative research is generalizable (some qualitative researchers use the the term "transferable") by a quite different logic from that of a sample survey. Yin (2003: 31-33) describes these as "analytic generalisation" and "statistical generalisation," respectively. Analytic generalisation is not generalization to some defined population that has been sampled, but to a theory of the phenomenon being studied, a theory that may have much wider applicability than the particular case studied.

Indicators, and operationalisation of variables

Please refer to appendix A to see the questions utilised to measure the following variables.

1) The institutional context

This was examined by focusing on both formal and informal aspects.

Table 4.1 Factors of the institutional context

Indicators	Measure
Formal environment	will include laws and policies; the level of uncertainty; efficiency of services; formal discrimination practices
Informal environment	will address the unique cultures of the ethnic groups; norms and codes of behaviour

The formal institutional environment was analysed using the following indicators seen in table 4.2.

Table 4.2 Indicators of the institutional context

Indicators	Measure
Predictability of laws and policies	the uncertainties created by the law-making process
Political instability	the uncertainties involved in regular and unconstitutional government transfers as well as uncertainties stemming from law-making
Security of property	the ability of the state authorities to protect property rights and to guarantee a predictable judiciary process
Overall government-business interface	the perceived quality of government action in different government action areas
Bureaucratic red tape	the degree of corruption, and difficulty in dealing with officials
Efficiency of government in providing basic services	concentrates on whether and how efficiently the government delivers infrastructure
Efficiency of government in providing assistance to would-be entrepreneurs	concentrates on whether and how efficiently the government delivers SME development assistance

2) Ethnic entrepreneurs.

Ethnic entrepreneurs will refer to the three ethnic groups (table 4.3).

Table 4.3 The three ethnic groups

Indicators	Measure
African entrepreneurs	refer to entrepreneurs of African heritage.
European entrepreneurs	refer to entrepreneurs of European heritage.
Indian entrepreneurs	refer to entrepreneurs of Indian heritage

3) Networking

Networking will refer to interpersonal social ties. The types, varieties and the extent and regularity to which ethnic groups use networks were addressed. Social networks were examined by referring to the activity, density, and diversity of the networks for the ethnic groups.

Table 4.4 Indicators of networks

Indicators	Measure
Network Activity	measured by the size of the network (number of contacts the entrepreneur discusses the business with) and how actively entrepreneurs use these contacts (hours spent developing and maintaining contacts & percent of time spent networking).
Network Density	measured by how well the entrepreneur knows each contact's network, the number of years the entrepreneur has known the contacts and how well the contacts know each other.
Network Diversity	looks at how similar or different the characteristics of the entrepreneur are to the members of his network. The relationships (for example, friend. family, colleague or professional acquaintance) that the entrepreneur has with his contacts also determine network diversity

4) Capital

This refers to any store of value, and includes the following types:

Table 4.5 Indicators of capital

Indicators	Measure
Social capital	the capacity to obtain scarce resources because of their membership in networks, or broader social structures
Human capital	an individual's investment in his/her ability to add value, and includes experience, skills and formal knowledge
Cultural capital	refers to being accepted and belonging to an upper class, which would include prestige and status
Financial capital	refers to money and wealth (assets)

Sources of information

Various sources of information were gathered for the study. In the following sections, each instrument is discussed in terms of the development, rationale, description, instrument items, administration, interpretation, validity, reliability, and motivation for selecting it.

The quantitative phase of this research is a formal, structured, empirical self-administered questionnaire. According to Cooper and Schindler (2010: 303), the self-administered questionnaire has become ubiquitous in modern living. Although this method has some disadvantages, such as accurate mailing list required, no interviewer intervention available for probing or explanation and skewed responses are often obtained; the advantages are particularly suitable to this study, in that it allowed contact with otherwise inaccessible respondents, it allowed for an increased geographical coverage without an increase in costs, its anonymity allowed for more complete and honest answers and it allowed the respondents more time to think about the answers. The researcher decided to use face to face interviews, because of a number of potential advantages. They produce fewer incomplete questionnaires, the correct respondent can more easily be identified, the questions may be clarified and it is a more effective method than self-administered questionnaires for collection of confidential information (Babbie & Mouton, 2003; Bryman & Bell, 2011). This was crucial for collecting this information in this study, as we were researching samples which might be difficult to access.

Pilot Study

A draft questionnaire was designed to establish the information from the entrepreneurs. The draft instrument was refined following an evaluation by a panel of six experts. The panel of experts comprised senior academics and small business owners. The questionnaire was then given to a group of five entrepreneurs who acted as the pilot study. This was done to refine the questions, to ensure the language was understandable and meaningful, to ensure that the questionnaire was coherent, and not too long. The necessary language and question changes were made to the questionnaire before the final fieldwork commenced.

The entrepreneur questionnaire

The quantitative questionnaire was used to get relevant information on the entrepreneurs from the three ethnic groups. The questionnaire was developed by the researcher to provide a standardised instrument for the measurement of certain information hypothesised to be of vital importance in entrepreneurship. The quantitative questionnaire was the result of an in-depth literature review. The questionnaire was based on ideas from Birley, (1985), Hisrich & Brush (1985), Aldrich et al. (1987), Godsell (1991), Ram (1991, 1994), Fischer, Reuber & Dyke (1993), Singh (1993), Greve (1995), Baume (1996), Buttner & Moore (1997), Brunetti, Kisunko & Weder (1997), Trulsson (1997), Onyx & Bullen (2000), and Yoo (2000).

The identified factors were developed into a preliminary questionnaire and evaluated. A final version of the quantitative questionnaire was then compiled (see appendix A). The items chosen for the questionnaire were based on factors that have been shown in research to have an influence on ethnic entrepreneurship.

The quantitative questionnaire consisted of the following 9 sections addressing various different characteristics (see appendix A):

- Characteristics of the entrepreneur (7 items)
- Characteristics of the business and customers (12 items)
- Use of networks (9 items)
- Finance (6 items)
- Characteristics of the staff/employees (4 items)
- Membership (3 items)
- Perceptions of the institutional context (14 items)
- Major problems and constraints (4 items)
- Social capital (1 scale of 20 items)

a) Characteristics of the entrepreneur

This section included demographic questions on the characteristics of the respondent such as ethnic group, age, gender, marital status, education, and whether their parent and close relative was an entrepreneur.

b) Characteristics of the business and customers

The entrepreneurs were asked questions related to their business, ownership status, and their customers. They were also asked whether they owned other businesses. In addition, they were asked what their major motivation for starting their businesses. Lastly, they were asked about major difficulties facing them in conducting their business.

c) Use of networks

Based on literature, a number of items were designed to ask about the utilisation of networks. The entrepreneurs were asked questions about how many people they spoke to, how many hours they spend developing, and maintaining their networks.

d) Finance

The entrepreneurs were asked to indicate all sources of capital for their current business, in addition to asking them about their use of other savings schemes. Furthermore, they were asked to respond to questions about the success of their business, and whether their business is growing.

e) Characteristics of the staff / employees

The respondents were asked questions relating to their staff and employees, whether they were relatives, and if not, were they of the same ethnicity. In addition, they were asked for the reasons for hiring staff of a certain ethnicity.

f) Membership

Questions about membership of social and service organisations were asked of the entrepreneurs. In addition, they were asked whether they felt they received any benefits from membership.

g) Characteristics of the institutional context

Questions 35 to 44 were taken from the World Bank Survey conducted by Brunetti, Kisunko and Weder (1997). The questionnaire contains mainly multiple choice questions using a Likert-type scale of 6 choices. The answers for the questions ranged from 1 to 6 with the option of answering 0 if the question was not applicable to the respondent or where there was no response. Most of the questions aimed to identify the degree of (un)certainty created by state action.

The World Bank Survey was divided into the following six sections:

i) Predictability of laws and policies (questions 35 to 38): These questions seek to evaluate the uncertainties created by the law-making process. By asking questions from different angles, the firm evaluates whether it fears constant surprises in legislation and whether it can reduce its exposure to such surprises by obtaining information early on or by consulting government agencies.

ii Government–business interface (questions 39 - 40): Question 39 provides a list of 15 areas where the firm is confronted with government action and asks to evaluate the degree to which these different areas create obstacles for doing business. The perceived quality of government action in different fields is this question's main thrust. Lastly, an overall question on the perception of government as either a "helping hand" or an "opponent" is asked to end this section.

iii) Law enforcement and bureaucratic red tape (questions 14 to 21): These questions focus on the degree of corruption and whether corruption is predictable or a source of uncertainty. To circumvent this obstacle of directly asking about bribes and to get as clear a picture as possible, several questions address this topic but indirectly. In addition, this section directly asks whether uncertainties in dealing with the state have stifled planned investment and what percentage of management's time is spent on dealing with legal requirements. (see appendix B)

iv) Efficiency of government in providing services (questions 22 to 25): These questions concentrate on whether and how efficiently the government delivers some basic infrastructure as customs, mail delivery, roads, and health care.

v) Questions 41 to 44 focus on programmes and services offered to SMEs. Respondents were asked whether they have heard of the different types of programmes and services. This is followed by a question on whether they have used the programmes and services. They were asked why they had not availed of programmes and services. Next, the entrepreneur was asked to evaluate the importance of the programmes and services to his/her business. Question 45 asked the entrepreneurs whether they have used any of the existing SME support agencies. Next, the availed programmes and services were evaluated specifically on the following criteria: ease of information access, understandability of information, ease of application, speed of application and reliability of terms and conditions. In questions 47 and

48, the entrepreneurs are asked for their perception of the South African environment for conducting business, and specific for their ethnic group, the conduciveness of South Africa for entrepreneurship.

h) Major problems and constraints

The entrepreneurs were asked to detail their major constraints facing their business, in addition to which financial and market constraints were the most difficult for them to overcome.

i) Social capital

The entrepreneurs were asked to complete the social capital scale, which was originally designed and validated by Onyx and Bullen (2000), based on a comparative study of five communities in Australia. The scale consists of 20 items on a four point scale (see appendix A).

The quantitative questionnaire was essentially self-scoring. The items were printed in a 16 page booklet, which was given to the entrepreneur. Regarding interpretation, each individual booklet was checked for completeness. The raw scores were then transferred into a database that would be used for analysis at a later stage. The literature review on ethnic entrepreneurs illustrated that entrepreneurs have certain characteristics. The quantitative questionnaire was developed specifically for the purpose to measure whether the entrepreneurs in the sample are characteristic of the generic entrepreneur, as shown in the literature. It was also included to determine whether there are significant differences between the African, European and Indian entrepreneurs.

Questionnaire for agencies

The questionnaire for agencies was used to get relevant information in terms of what services they offer, their perception of the institutional environment, and the efficiency of the government. The questionnaire for agencies was developed to provide a standardised instrument for the analysing the formal and informal institutional factors affecting entrepreneurs in South Africa. The questionnaire was based on ideas from the World Bank, United Nations and various researchers, such as Godsell (1991), Ram (1991; 1994), Singh

(1993), Baume (1996), Trulsson (1997), Brunetti et al. (1997), Ahwireng-Obeng and Piaray (1999), and Yoo (2000).

The identified factors were developed into a preliminary questionnaire and evaluated. A final version of the quantitative questionnaire was then compiled (see Appendix B). The items chosen for the questionnaire were based on factors that have been shown in research to explain the institutional context of entrepreneurship. Also, the final choice has been directly influenced by the conceptual model shown in section 3.6. The quantitative questionnaire is a self-report instrument directed at gathering individual information regarding a number of variables. The questionnaire consisted of 3 parts, addressing various aspects of the institutional context of entrepreneurship in South Africa.

The survey questionnaire was designed by the researcher although some parts pertaining to the formal institutional factors were adapted from the World Bank survey questionnaire (Brunetti et al., 1997). It contained the following major sections: introduction, questions on formal institutional factors, perceived conduciveness of the environment for entrepreneurship, questions about informal institutional factors, information about the entrepreneur and characteristics of the enterprise. In formulating the questionnaire, the terminology used by interviewed entrepreneurs was used (see Appendix B).

Questions 1 to 25 were taken from the World Bank Survey conducted by Brunetti et al. (1997). The questionnaire contains mainly multiple choice questions using a Likert-type scale of 6 choices. Most of the questions aimed to identify the degree of (un)certainty created by state action. The questions concentrate on different forms of institutional uncertainties.

The questionnaire for agencies consisted of the following sections:

1. Political and economic factors affecting SMEs (39 items in total)

a) Predictability of laws and policies (6 items)

The questions seek to evaluate the uncertainties created by the law-making process, and evaluates whether it fears surprises in legislation and can reduce its exposure to such surprises by obtaining information or by consulting agencies either directly or through its business association.

b) Political instability and security of property (5 items)

The first questions ask about uncertainties involved in regular government transfers and in unconstitutional government transfers (coups). These two questions mainly aim at evaluating possible uncertainties. The remaining three questions in this section focus on the uncertainties in law enforcement. They ask whether the firm has confidence in the ability of state authorities to protect property rights and to guarantee a predictable judiciary process.

c) Overall government-business interface (17 items)

Question 12 provides a list of 15 areas where the firm is confronted with government action and asks to evaluate the degree to which these different areas create obstacles or facilitating for doing business. Lastly, they are asked whether they perceive the government as either a “helping hand” or an “opponent”.

d) Bureaucratic red tape (6 items)

These questions focus on the degree of corruption and whether corruption is a predictable cost or a source of uncertainty. In addition, this section asks whether uncertainties in dealing with the state have stifled planned investment and what percentage of management’s time is spent on dealing with legal requirements.

e) Efficiency of government in providing services (5 items)

These questions concentrate on how efficiently the government delivers some basic infrastructure as customs, mail delivery, roads, and health care.

2. Programmes and support services for SMEs (17 items)

Questions 22 to 38 focus on programmes and services offered to SMEs. Question 26 asks respondents whether they have heard of the different types of programmes and services. This is followed by a question on the various types of media where the respondents have obtained the information on the programmes and services. Question 28 asks the entrepreneur to evaluate the importance of the programmes and services to his/her business. Question 29 involves the usage of the various types of programmes and services, and is followed by a query on whether the entrepreneur's decision to become an entrepreneur has been influenced by the availability of programmes and services, and the next question asks whether they have availed of the programmes and services. Question 32 looks into the evaluation of the availed programmes and services specifically on the following criteria: ease of information access, understandability of information, ease of application, speed of application and reliability of terms and conditions

3. Evaluation of programmes and services (13 items)

These items were based on the development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) (2000) in evaluating development assistance. These items included questions asking about the relevance of the programmes, and whether they perceived of the programme as being efficient and sustainable.

4. Institutional framework (2 items)

Reliability of terms and conditions. The last two questions in this section ask the respondent to evaluate the helpfulness and responsiveness of the availed programmes and services.

The questionnaire for agencies was essentially self-scoring. The items were printed in a booklet, which were posted to the agencies address. Regarding interpretation, each individual booklet was checked for completeness. The raw scores were then transferred into a database that would be used for analysis at a later stage. The questionnaire for agencies was designed specifically to measure the agencies' perception of the unique institutional context in which the entrepreneurs from the three ethnic groups conduct business, and whether they believed there were formal factors which make it challenging to conduct business in this environment.

Validity and Reliability of instruments

It is essential in any research to ensure two important characteristics of sound measurement, validity and reliability (Cooper & Schindler, 1998: 166). The study carried out processes to ensure reliability and validity of the instruments. According to Babbie and Mouton (2003: 152), the data gathered in a research survey need to be reliable and valid if the survey results are to be credible.

Validity

Validity is concerned with the question of whether you are measuring what you intended to measure (Frankfort-Nachmias & Nachmias, 1996: 165). In other words, validity is the extent to which a set of measured items actually reflects the theoretical latent construct that those items are designed to measure (Hair et al., 2010).

Content (face) validity refers to the researcher's subjective evaluation of the validity of the measuring instrument, and is concerned with the extent to which the researcher believes that the instrument is appropriate. It is established when the measurement items are conceptually consistent with the definition of a variable, and this type of validity is established by developing measures from well- grounded theory (Zikmund et al., 2013).

The questionnaire was based on the research model presented in chapter three, which was created based on a thorough literature review. Construct validity refers to the degree to which the underlying constructs are measured, that is the operationalising of the variables for the quantitative study. The extent to which the operationalised measures capture the construct of the variables they are supposed to measure is carefully evaluated. Furthermore, construct validity was achieved by using the judgement of a panel of experts. The questionnaire was shown to two professors who were experts in the field and asked to ascertain the validity for measuring the different characteristics. Based on their feedback, the items were amended to ensure that the questionnaire was valid. For the institutional part of the survey, the implementation of the World Bank survey in more than 70 countries has also helped enforce the validity of the measuring instrument.

External validity refers to the degree to which findings are generalisable to the wider population. The methodology used to ensure these parameters is reported below. The questionnaire was pre-tested to establish its validity, as well as to improve on the questions, format and scales. Fifteen respondents (5 from each ethnic group) from the target population were given the questionnaires for pre-testing. Comments and suggestions from the respondents were incorporated into the final version of the questionnaire.

The validity of the data was measured using Podsakoff and Organ's (1986) method called Harmon's single factor test. The factor structure of the criterion and predictor variables were examined. If only a single factor emerges or if the variance of the data is largely explained by a single factor, the threat of common method variance would be high. This, in turn, undermines the validity of the data. For both the social capital and institutional factors, Harmon's single factor test resulted in more than one factor. This indicates that the validity of the data is not suspect. Construct validity was ensured by including various parts of the content area being measured: for example, for the content area predictability of laws and policies, there were five questions associated with it which measured different parts: policy surprises, credibility of announcements, information, participation and retroactive changes.

External validity refers to the degree to which the findings are generalizable outside the study. This can be achieved by using a random sample, trying to reduce non responses, and by increasing the size of the sample. In line with suggestions from Yin (2003), the results from the study are to follow a process of analytic generalization. Analytic generalisation is a two-step process. First, it involves a conceptual claim whereby investigators show how their case study findings bear upon a particular theory, theoretical construct, or theoretical (not just actual) sequence of events. Second, it involves applying the same theory to implicate other, similar situations where analogous events also might occur. All research takes place in the form of single studies. The significance of any given study depends not only on the study's findings but also on the broader implications of the findings, the extent to which the findings can be “generalised” to other studies and other situations.

As in all research, consideration must be given to construct validity, internal validity, external validity, and reliability (Yin, 2003). Furthermore, Yin (2003) suggested using multiple sources of evidence to ensure construct validity. The current study used multiple sources of evidence; survey instruments, and documents. The specification of the unit of analysis also provides the internal validity as the theories are developed and data collection and analysis test those theories. External validity can be achieved from theoretical relationships, and from these generalizations could be made. The development of a formal case study protocol provides the reliability that is required of all research.

Generalisability is established by an inference made about a population on the basis of empirical data collected about a sample (Yin, 2003). However, statistical generalisation should not be considered to be the method of generalising the results of the case study (Yin, 2003).In analytic generalisation, an existing theory is employed as a framework with which to collate the empirical results of the case study; then, when more cases appear to support the same theory, replication can be claimed (McCutcheon & Meredith, 1993, Yin, 2003). Analytic generalisation can be used in either single case or multiple case study (Yin, 2003).

Reliability

Reliability is an assessment of the degree of consistency between multiple measurements of a variable (Hair et al., 2010). Also, it refers to the degree to which measures are free from error and therefore yield consistent results (Zikmund et al., 2013: 300). One measure of reliability is internal consistency, which applies to the uniformity among the variables in a summated scale. Equivalence refers to the degree to which alternative forms of the same measure produce similar results. In order to ensure a high degree of equivalence, a structured instrument was designed. Furthermore, interviewers were trained and practiced administering the questionnaire.

The reliability of the measuring instrument can be improved by minimising external sources of variation (Cooper & Schindler, 2010). Furthermore, by standardising the conditions under which the measurement takes place ensure consistency in collecting the data. In this study, this was done by ensuring that the three research assistants had been trained, and more importantly collected the data in a standardised way. Furthermore, by broadening the sample of measurement questions by adding similar questions increases the chance of a reliable measure.

Table 4.6 presents the reliability analysis of the different scales for both the entrepreneur questionnaire and agency questionnaire. The results indicate that the alpha value for the motivation scale was 0.633, which indicated a good internal reliability, suggesting that the measure's constituent scales were internally reliable (Bryman & Bell, 2011: 162).

There were a total of 248 cases for the fourteen items in the analysis. The study used the Cronbach alpha value to test for internal consistency, and the generally agreed lower limit for exploratory research is 0.6 (Hair et al., 2010)

Table 4.6 Reliability Analysis of Scales

Scale	Cronbach's Alpha	Items	Cases
Motivation	0.633	14	248
Overall government business interface	0.919	16	115
Major constraints	0.376	9	299
Overall obstacles	0.814	16	210
Social capital	0.678	20	260
Political Instability and Security of Property	0,456	5	12
Bureaucratic Red-Tape	0,493	6	12
Efficiency of Government in Providing Services	0,299	5	12

On the scale, government business interface, the alpha value was found to be 0,919, which indicated that the internal consistency was very high. A total of 115 cases were included in the 16 items analysed. The Cronbach's alpha coefficient (α) for the major constraints was 0,376. There were a total of 115 cases for the sixteen items in the analysis. In addition, the Cronbach's alpha coefficient for overall obstacles scale was 0,814 which is very high, with a total of 299 cases for the nine items in the analysis. On the social capital scale, a Cronbachs alpha coefficient of 0.678 was recorded, which shows a good internal consistency. In addition, there were 260 cases for the twenty items on the scale. The alpha value for political instability and security of property scale was 0,456.

In the next table (4.7), an overview of different techniques is outlined to control for reliability and validity.

Table 4.7 Measures to minimise area of concern regarding validity and reliability

		What is measured	Possible risk	Measures to reduce risk
Validity	**Content**	Degree to which the content of items adequately represents the relevant items	Relevant variables missing	Inclusion of broad range of theories and literature Judgement of panel evaluation Large number of relevant variables in model
	Construct	Attempt to identify the underlying constructs being measured and how well the test represent it	Operationalisation of variables not adequate	Operationalisation from large data sources Careful evaluation of applicability and potential limitations of operationalisations
	External	Degree to which the results can be generalised outside the study	Results not statistically generalisable, but only context specific	Consideration of broad range of industries Consideration of broad range of context variables
Reliability	**Equivalence**	Degree to which alternative forms of the same measure produce the same or similar results	Respondents provide different evaluations of phenomenon	Use of more than one instrument with more than one person Reliance on objective numeric data
	Accuracy of responses	Degree to which respondents give accurate responses	Respondents provide inaccurate data	Reliance on reliable data sources Provision of an institutional analysis

Validity of the agency instrument

The content validity was increased by including a number of questions asking around a certain issue. For example, on the issues of predictability of policy, there were five items asking around this topic. In addition, in using some items from the World Bank, added to the validity of the instrument, as it has already been used. In addition, the instrument was shared with two professors in the area, and adjustments made accordingly.

Reliability of the agency instrument

Reliability is an assessment of the degree of consistency between multiple measurements of a variable (Hair et al., 2010). One measure of reliability is internal consistency, which applies to the uniformity among the variables in a summated scale. Furthermore, in order to enhance the reliability of the measurement instrument, the instrument was administered in a consistent manner. In addition, the three research assistants who were involved in the data collection process were graduate students and well experienced in primary data collection. Please also refer to table 4.6 which presents the results of the Cronbach's Apha results of the reliability measures of the various scales used in the research.

Data collection

In terms of the ***entrepreneur survey,*** the following procedure was used in order to gather the data:

a) Due to many of the ethnic entrepreneurs conducting business in their own enclaves, it was decided to recruit and train research assistants from the three ethnic groups being studied.
b) The appointments with the interviewees were made.
c) The interviewer met at the entrepreneur's place of work, and asked the questions in the booklet. This was done in order to ensure completeness of the survey.
d) The research assistant completed the questioning of the entrepreneur and thanked the person for their time and effort.
e) In total, 111 completed surveys were received from the African group, 121 completed surveys from the Indian group and 90 completed surveys from the European group were received.
f) The collection of the data was concluded.

In terms of the ***questionnaire for agencies,*** the following procedure was used in order to gather the data:

a) A list of entrepreneur support agencies for the KwaZulu-Natal province was obtained from the Department of Trade and Industry.
b) A total of 38 questionnaires were posted to the agencies, which constituted the total listed support agencies in the province.
c) Five questionnaires were returned by prepaid postage mail.

d) A total of ten were sent back by the post office, as the postal address was outdated.
e) After a telephonic follow-up, a further ten questionnaires were returned.
f) After analysis of the returned questionnaires, three were not complete and were discarded, leaving 12 complete questionnaires which represented a 32 percentage return rate.
g) The information was recorded.
h) The collection of the data was concluded.

Ethical and access Issues

Research ethics need to be addressed in all research. The participation for this research was entirely voluntary, and the participants were self-selected. Informed consent was achieved, and a full detailed explanation of the research project was given to each participant before the interview. Furthermore, confidentiality of their responses was assured, and the participant's name and business was not required, so all replies were anonymous. Gaining access and interviewing the various entrepreneurs was crucial to the success for the research project, as restrictions to the interviewees can potentially limit the opportunities of conducting field research (Basu, 1998). Furthermore, Buchanan et al. (1988) emphasised the importance of using friends and informal contacts wherever possible. Also, the willingness of potential respondents to agree to an interview is more likely when researchers have some kind of friendship with the respondent himself or friends of the respondent.

4.4 Methods of data analysis

Data processing generally begins with the editing and coding of the data. According to Zikmund (2013: 73), editing involves checking the data collection forms for omissions, legibility and consistency in classification. Thereafter, the questionnaires were processed by the researcher. The SPSS statistical package was used to compile the descriptive and inferential statistics. Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper & Schindler, 2010; Bryman & Bell, 2011)

During this stage of the research process, data collected are converted into a format that can be used to inform the research problem. When data are processed, they need to be prepared and then analysed. Data preparation is the process of extracting data from questionnaires so that these can be read and manipulated by computer software. During data preparation the data are validated, edited, coded, entered, and then cleaned (Hair et al., 2010: 499).

In terms of the ***entrepreneur survey***, the following procedures were used to analyse the data:

The raw scores from the quantitative instrument were entered into a SPSS database (Statistical Package for Social Scientists) (SPSS, 2011). The researcher utilised both descriptive statistics to describe data, and inferential statistics to determine significant levels of relationships between independent variables and dependent variables. The descriptive statistics used will be discussed in the next section, followed by a discussion of the inferential statistics utilised.

Frequency analyses of the quantitative information were done. Following this, a chi-square (χ^2) test was performed on the nominal data to see if there were any significant differences between African, European and Indian entrepreneurs. According to Bryman and Bell (2011), the chi-square test measures whether the observed or actual frequency of a phenomenon corresponds to the frequencies that have been recorded. The test should be used when you want to test whether the frequencies of two or more nominally scaled variables are related (Hair et al., 2010). The statistic tests the “goodness of fit” for the observed frequency distribution with the expected distribution. The seven items from section I (see Appendix A) included demographic questions such as ethnic group, age, gender, marital status, education, parents occupation, and family members is an entrepreneurs, and motivation to start their business. By using this test, it can be determined whether, for example, entrepreneurs (male versus female) are significantly different on some variables (Welman, Kruger & Mitchell, 2006).

The t-test compares the difference in the means of the two groups using a measure of the spread of the scores, and is the ratio of the difference between the sample means to their standard error. The standard error is an estimate of the difference between means to be expected because of sampling error rather than the real differences between the two groups (Hair et al., 2010). This test was used to assess the statistical differences between the means of female and male entrepreneurs on various network variables.

Analysis of Variance (ANOVA) is used to assess the statistical differences between the means of more than two groups. It compares the variance between the different groups (believed to be due to the independent variable) with the variability within each of the groups (believed to be due to chance) (Cooper & Schindler, 2010). It will be used to compare the three entrepreneur groups on a number of different variables. Items measured by this statistic included the network items, sources of start-up capital, obstacles and constraints in doing business, and social capital.

Factor analysis is designed to identify underlying factors or latent variables present in the patterns of correlations among a set of measures (Blaickie, 2003). It takes a large set of variables and looks for a way that the data can be reduced or summarised using a smaller set of factors or components. Factor analysis was performed on the scale measuring “overall government-business interface", and the scale measuring "social capital", in order to determine whether or not a stable and reliable set of factors existed.

Multiple regression analysis is a statistical technique used to analyse the relationship between a single dependent variable and several independent variables. The objective of multiple regression is to predict the changes in the dependent variable in response to changes in the independent variables (Hair et al., 2010: 148). The analysis established the relative magnitudes of the contributions of each predictor variable (Blaikie, 2003). Multiple regression was used in this study to predict the contribution of various demographic variables on network variables.

The primary objective of multiple discriminant analysis is to understand group differences and to predict the likelihood that an individual will belong to a particular group based on several metric independent variables. For understanding group differences, discriminant analysis gives insight into the role of individual variables as well as defining combinations of these variables that represent dimensions of discrimination between groups (Hair et al., 2010). In this study, discriminant analysis was conducted in order to analyse known groups (the three ethnic groups) to determine the relative influence of specific factors for deciding into which groups various cases fall.

Logit analysis (Logistic regression) will be used to measure the relationships between certain categorical dependent variables and independent variables. Linear probability models are distinguished from discriminant analysis primarily in that they accommodate all types of independent variables (Hair et al., 2010: 17), and do not require assumptions of multivariate normality.

In terms of the ***agency postal survey***, the following procedure was used to analyse the data: frequency analyses were conducted on the various questions (see appendix B for questionnaire) (Creswell, 2013).

CHAPTER FIVE
Results
Ethnic entrepreneurs, networks and mixed embeddedness

This chapter presents the results of the empirical study. The first section of this chapter presents the demographic characteristics. The second section contains the empirical results of the utilisation of networks among the various ethnic entrepreneurial groups. The third section illustrates the perceptions of the various entrepreneurs towards the institutional environment.

5.1. Characteristics of the ethnic entrepreneurs

This section will present the findings from the empirical research on demographic variables, characteristics of the business and customers, form of capital, employee relations, and their motivation to become an entrepreneur.

5.1.1 Demographics of the sample

The various demographic characteristics of the sample will be discussed in this section. This will include the ethnic breakdown of the sample, age, gender, marital status, education levels, and occurrence of parents or relatives being entrepreneurs. The sample size was 325, of which 34.2 percent (n=111) were African entrepreneurs; 37.2 percent (n=121) were Indian entrepreneurs, and 27.7 percent (n=90) were European entrepreneurs, and 1.0 percent (n=2) classified as other.

Table 5.1 Characteristics of the Entrepreneur

Characteristic	African	Indian	European	χ^2 value
Gender				20.91*
Male	58.6%	78.3%	48.9%	
Female	41.4%	21.7%	51.1%	
Age				60.19*
21 – 30	24.1%	8.7%	11.6%	
31 – 40	38.9%	19.6%	4.7%	
41 – 50	22.2%	32.6%	53.5%	
51 – 60	11.1%	26.1%	23.3%	
61 – 73	3.7%	13.0%	7.0%	
Marital status				55.24*
Never married	36.8%	8.3%	8.9%	
Married	55.7%	80.8%	66.7%	
Divorced	4.7%	10.0%	15.6%	
Widowed	2.8%	0.8%	8.9%	
Education				21.64**
Primary school or less	2.8%	2.5%	0%	
High school or less	10.1%	16.7%	8.9%	
Matric/12th grade	36.7%	53.3%	42.2%	
Degree/diploma	45.9%	23.3%	42.2%	
Postgraduate degree	4.6%	4.2%	6.7%	
Entrepreneurs in family				
Father	14.8%	12.4%	9.5%	1.51
Mother	4.8%	2.5%	2.6%	1.18
Close relatives	24.3%	68.6%	66.7%	53.89*

(* $\rho \leq .001$; ** $\rho \leq .05$)

Examining the age distribution in table 5.1 above, it shows that the African ethnic entrepreneurs are younger, with the majority (63%) below the age of 40. In contrast, more than 70 percent (71.7%) of the Indian and 85.8 percent of the European ethnic group are over the age of 40. The Chi-square value show that at $\rho = .001$, there are significant differences in the ages between the entrepreneurs from the three ethnic groups. Furthermore, when we calculate the average ages of each ethnic group, it is noticed that the European group (47.05) is significantly older than the Indian (46.95), and the

African group (38.02). In addition, one notices that the average age of the whole sample is over the age of forty (43.71).

In both the African and European groups, there were approximately equal number of males and females (table 5.1), with 58.6 percent of the African and 48.9 percent of the Europeans being male. However, in contrast, in the Indian group, males constituted more than three quarters (78.3%) of the sample. Results from the Chi-square test indicate that at p = .001 level, there were significant differences between the three group on gender, with less than 22 percent of Indian, 41.4 percent of the African, and 51.1 percent of the European respondents were female. On examining the marital status of the entrepreneurs, the results indicate significant differences between the three ethnic groups. The majority of entrepreneurs in both ethnic groups were married, with 55.4 percent of the Africans, 66.7 percent of the Europeans and 80.8 percent of the Indians being married.

The results show significant differences in education, with approximately 50 percent of both African and European entrepreneurs having a tertiary qualification (university degree of higher), whereas only 28 percent of Indians having completed university. At the ρ = .05 level, there were significant differences between the African, Indian and European entrepreneurs. In the three groups, the majority had completed twelve years of schooling (African 87.2%; Indian 80.8%; European 91.1%) (see table 5.1). However, what is interesting is that looking at respondents who did not finish their secondary schooling, more than 19 percent of Indian respondents, and more than 12 percent of the African respondents did not complete school, whereas, less than 9 percent of the Europeans have less then a high school education.

Referring to whether the respondents had family members who were entrepreneurs in their families, the results showed that there were significant differences between the groups, with approximately two-thirds (68.6% and 66.7%) of the Indian and European respondents having an entrepreneur in the family, whereas only 24.3 percent of the African respondents had a close relative who was an entrepreneur (refer to table 5.1). However, when we just focus on parents, more than 19 percent of the Africans having at least one parent being an entrepreneur, whereas less than 15 percent of the Indian (14.9%) and European (12.1%) respondents had entrepreneurial parents.

5.1.2 Characteristics of the business and of the customers

The results indicate that there is a pattern between the ethnic group and the ethnicity of their customers. Looking at table 5.2, the African group has the highest level of customers coming from their own ethnic group, whereas for the European and Indian group, the percentage of customer belonging to the entrepreneur's own ethnic group is just over 50 percent. Also of interest is that for both the Indian and European group, their level of African customer is the lowest. Furthermore, based on statistical analysis, there was a statistically significant difference between the three groups on ethnicity of customer.

Table 5.2 Ethnic group of major customers

Ethnic group of customer	African	Indian	European	F - value
African customer	82.95%	32.82%	21.96%	123.01***
Indian customer	9.67%	51.52%	16.29%	81.17***
European customer	5.51%	9.69%	57.38%	126.79***
Other customer	1.76%	4.99%	1.71%	6.46***

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*
(Numbers do not add up to 100, as some respondents put in higher values)

It is evident from the results that the reasons for having certain customers is based on a variety of reasons. A Kruskal-Wallis test was conducted because the dependent variable (reason for customer) was measured on a ranking scale. The results show significant difference in mean ranks between the ethnic groups on location, with the European group stating this as the most important reason for attracting certain customers. On the other hand, there were significant differences on product being the reasons for customers frequenting their business, with the African group having the highest mean rank.

Referring to table 5.3 below, we see the results of the three ethnic groups, classified according to the industry sector. What is apparent is that in all of the ethnic groups, the retail and wholesale and business sector is the most common, and the community, social and personal service sector is the least common. Looking at differences between the three ethnic groups, we see that more than two thirds of the Indian entrepreneurs are involved in the retail and wholesale sector, whereas more than half of the European entrepreneurs are involved in the service industry. Based on statistical analysis, the difference between the groups is significant.

Table 5.3 Sector of business

Setcor of buisness	African	Indian	European	χ^2 value
Retail, wholesale	47.7%	68.3%	36%	0.001*
Community, social & personal service	0%	1.7%	0%	
Manufacturing	8.3%	3.3%	7.9%	
Business Service	44%	26.7%	56.2%	

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

It is evident that the majority of the groups did not own other businesses, with only a quarter of the European group, about a fifth (20.8%) of the Indian group, and less than 10 percent of the African group owning another business. Furthermore, the entrepreneurs where asked if they had another business, and what was the relationship to their existing business. What is evident is that for the African group, there are less businesses in different industries, with the majority having some linkage or a copy of their business. For the Indian group, almost half (47.8%) of the respondents had a business that was a copy of their original business. However, based on statistical analysis, the differences were not statistically significant.

The entrepreneurs were asked about the legal form of their business. The results show that sole proprietorships were the most common for all the groups (African 57.9%; Indian 65.3%; European 51.1%), and about one fifth of the entrepreneurs favoured a closed corporation as their form of business. However, after running the Chi-square statistic ($p = 0.099$), the group differences were found to be statistically insignificant

Next, the entrepreneurs were asked whether they started or bought the business. Results show that more than three quarters of the African group (78.2%) and almost two thirds (62%) of the Indian group started their own businesses, whereas just over half (57.8%) of the European group started their own business. Based on statistical analysis ($p = .002$), there was a significant statistical difference between the groups. The entrepreneurs were asked if there was another owner in the business. The results showed significant differences between the groups, with almost three quarters of both the African (70.6%) and the Indian (75%) group having a family member as co-owner of the business. In contrast, only a little more than half (58.8%) of the European respondents had a fellow family member as co-owner. The entrepreneurs were then asked whether they had in the past owned other businesses, and their responses show that there are significant differences ($p= .009$) between the groups, with the African group, almost 90 percent being first time business owners, whereas, in contrast, almost 30 percent of the European entrepreneurs have owned another business, and almost a fifth of the Indian group having owned a business.

In looking at years experience in being entrepreneurs, the results show that the African group have less experience than the other two groups, with the African group having an average of 6,48 years, the Indian group 11.50 years , and the European group 14.76 years respectively. The differences between the groups are statistically significant at $p \leq .001$ (chi-square value = 14.687).

5.1.3 Motivation of the entrepreneurs to start their own business

The motivation factors of the three groups will be analysed in this section. Table 5.4 presents the comparative results between the three groups on motivation for starting their own business.

Table 5.4 Motivation to start a business

Motivation factor	African	Indian	European	χ^2 value
Personal independence	41.4%	70.3%	87.2%	47.89***
Economic independence	27.9%	64.1%	81.6%	59.66***
Earn more money than working for salary	52.3%	55.5%	70.30%	9.09*
Impossibility/difficulty to find adequate job	37.8%	30.4%	30.8%	2.51
Dissatisfaction with previous occupation	19.8%	38.4%	33.3%	10.01*
Compensated fairly for my work	36.6%	41.0%	48.3%	6.77
Being able to implement my own ideas	55.9%	56.2%	86.0%	17.56***
To lead an organisation	29.7%	26.9%	36.7%	2.56
To manage a human group	22.5%	18.7%	12.0%	2.97
To invest personal capital	28.8%	53.1%	16.7%	22.71***
To obtain personal capital	34.2%	56.4%	45.2%	12.96**
Prestige or status of an entrepreneur	24.3%	30.5%	23.1%	2.09
To create something of my own	55.9%	47.2%	71.8%	13.79**
Other	0.9%	1.1%	12.0%	17.62**

*(*** = $p \leq .001$; ** = $p \leq .01$; * = $p \leq .05$)*

Referring to table 5.4, more than half of the African respondents were motivated by the need to be able to implement their own ideas (55.9%), the opportunity "to create something on their own" (55.9%), and the desire to "earn more money than working for a salary (52.3%). A little less than half (41.4%) listed "personal independence" motivating them to start their business, and just over a third (37.8%) went into business because of "impossibility/difficulty to find an adequate job. For the Indian respondents the most common motivation factors were “personal independence” (70.3%), and “economic independence” (64.1%). In addition, more than half (56.4%) saw “to obtain personal capital”, and “being able to implement own ideas” (56.2%) as motivation factors. Furthermore, more than fifty percent (55.5%) started their business for the reason to “earn more money than working for a salary”.

In comparison, for the European respondents, 87.2 percent were motivated by the need for “personal independence”, and eighty six percent by “being able to implement my own ideas”, and 81.2 percent by the need for economic independence. In addition, just less than three quarters (71.8%) saw “to create something of my own” and “earn more money than working for salary” (70.3%) as motivating them to start their businesses.

If we go further, and highlight only the motivating factors, when statistically analysed for significant differences, seven factors show significant differences between the three ethnic groups. The factors have been put in order of ranking according to the African group. Based on a chi-square test, there are a number of factors which show significant differences between the groups (see table 7.4, last column). What is interesting is that on the factor “economic independence”, there are significant differences, with the almost ninety percent (81.6%) of the Europeans saw this as a motivating factor, whereas for the African group, only less than thirty percent (27.9%) were motivated by it. This is mirrored somewhat by the factor “obtain personal capital” with a little over a third (34.2%) of the Africans and more than half (56.4%) of the Indians being motivated by this factor.

5.1.4 Capitalisation of the business

In table 5.5, the various methods the entrepreneurs used to capitalize their current businesses are illustrated. The entrepreneurs were asked to identify which methods they used to finance their business, and then to rank them in order of importance with one being the most important. A Kruskal-Wallis test was conducted because the dependent variable (source of capital) was measured on a ranking scale. Looking at table 5.5, the mean ranks for each group are illustrated. The overall results indicate that accessing finance from one's own savings was the most common form of raising capital for the businesses, with 65.8 percent of the sample using this method of financing. Approximately twice as many Indian respondents (n=107) used their own savings than did African respondents (n=45), and European respondents (n=60). Also used to some extent were loans from relatives/friends (31.4%), although this method was predominantly used by the African respondents. Loans from banks were also utilised by 32.9 percent of the sample, with mainly the Africans making use of this resource. Choosing customers who pay quickly and sharing premises with others was used by approximately a quarter of the sample (27.7 percent and 20.0 percent respectively), although it is more commonly used by the African and European entrepreneurs.

Table 5.5 Capitalisation of your business

Capitalise your business	African	Indian	European	χ^2 value
Use of manager's credit card	8.69	6.38	10.25	1.49
Loan from relatives / friends	56.44	54.59	36.75	9.86**
Loan from banks	61.41	51.63	51.03	2.57
Loan from agencies	20.76	10.50	-	.82
Partnership	32.50	18.0	25.20	6.21*
Own savings	124.93	91.78	118.93	20.05***
Business angels	13.28	3.50	-	5.78*
Credit rotating association	11.90	6.30	-	3.46
Relatives working for non-market salary	23.55	23.00	20.88	.29
Use of interest on overdue payment	10.36	3.50	-	1.48
Borrow equipment from others	20.44	13.00	18.75	1.32
Own equipment in common with others	26.58	19.42	28.83	1.57
Lease equipment instead of buying	15.37	10.61	20.00	4.34
Delay payment to suppliers	15.33	9.09	9.75	4.35
Choose customers who pay quickly	47.28	39.59	47.92	1.73
Share premises with others	30.40	29.28	45.33	6.69*
Share employees with others	4.14	7.00	-	1.35
Other	9.50	9.00	8.92	0.32

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)* *Kruskal Wallis test: Mean rank scores*

After analyzing the results using the Kruskal Wallis test, the results showed that on five factors, there were significant differences. The source “own savings” was the highest ranked source of finance for all the groups, and “loan from relatives / friends” was the second most common source for both the African and Indian group and third for the European group, who saw “sharing premises with others” as the second most important way of capitalizing their business. Using “business angels” as a source of finance was only used by the African and Indian groups, and “partnerships” were also seen as a source of finance for the groups, more so for the Africans (32.5) and Europeans (25.2), and less so for the Indian group (18).

The respondents were asked whether they thought savings schemes were useful for them. Based on statistical analysis, there are a number of significant differences between the three groups. The results show that for the African group more than eighty (80.9%) percent argued that they had economic benefits, and the results are similar with social benefits with eighty three percent of the African group stating that they have social benefits, whereas for the European group, less than twenty percent see any economic or social benefit from savings schemes. These results are mirrored in participation levels of the groups in these savings schemes, with more than half of the Africans involved, and only a little more than ten percent (11.9%) of the Europeans involved in savings schemes. Furthermore, looking deeper into the results, and look at the relationship with the members in the savings scheme, the significant differences are noticeable, according to the statistical analysis. For the African group, almost half (46.7%) are friends with the other savings-scheme members, and less than a third (30%) are fellow businesspeople. For the Indian group, friends constitute more than a third (35%), alumni almost a third (30%), and church-goers and businesspeople fifteen percent respectively. For the European group, the results are quite polar, with half of the savings-scheme members being alumni, and the other half being fellow church-goers. Lastly, on the issue of usefulness of the savings schemes, the majority of both the African (81.7%) and Indian (81.8%) groups saw the savings schemes as very useful, whereas only half of the Europeans saw them as useful, and the other half saw no usefulness at all. This supports the earlier findings on economic and social benefits of savings schemes.

The entrepreneurs were asked about the success of their business. Referring to their success this year, the results again revealed a similar picture with more than three times as many African than European respondents making considerable profit. More than half (55.5%) of the Indian respondents made a considerable profit this year, whereas almost eighty (79%) of the African group stated that they made considerable profit this year, but for the European group a little more than one fifth (22.2%) stated that they made considerable profit this year.

5.1.5 Employee relations

The respondents were asked statements about their employees in their business, and the reason for recruiting certain employees. The results of the ethnicity of the paid employees show significant differences between the groups. Firstly, on the question of whether they have paid employees in their business, less than half (46.7%) of the Africans had paid employees.

However, for the Indian and European groups, more than eighty percent (84.3% and 84.2% respectively) had paid employees in the business. On the issue of who the paid employees in the business are with regards to ethnicity, significant differences are again found.

For the African group, almost all (94.7%) of the paid employees are African, whereas for the Indian group, they have almost equal numbers of Indian and African employees (49.1% African and 46.1% Indian employees respectively). For the European group, they had more than half (54.7%) of the paid workforce being African, and a little more than a third (35.8%) being from the same ethnic group.

Table 5.6 Reasons for hiring employees from the same ethnic group

Reasons for employing?	African	Indian	European	χ^2 value
Better communication	40.77	54.52	69.39	24.14***
Because they work harder and better	27.94	30.15	34.57	1.75
Trustworthy	31.54	29.68	37.22	1.96
Low wage	5.78	8.67	-	1.71
Personal recommendation from others	32.90	34.63	41.75	3.79
Major customers are same ethnic group	24.94	27.60	35.50	5.45
Other reason	9.50	18.19	17.00	7.85*

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)* *Kruskal Wallis test: Mean rank scores*

Referring to table 5.6, there are significant differences between the three groups the reason “better communication” as a factor. For all the groups, this factor was ranked the highest, with the factor “personal relationship/recommendation from others” the second most important reason for hiring someone from the same ethnic group. The other important factor for all groups was the reason “because major customers are same ethnic group”. Next, the respondents were asked what are the reasons for not hiring employees of the same ethnic group? On this question, the two reasons that showed significant differences were “they demand high wages”, and “because major customers are not same ethnic group”.

5.1.6 Summary of major findings

In the following table (table 6.7), the results of the hypotheses presented earlier in section 3.6 will be presented.

Table 5.7 Table of Hypothesis Sets 1 and 2

Hypotheses	Action
There are significant differences between the African, Indian and European entrepreneur groups on business characteristics.	
H 1.1 The African entrepreneur will be different to the Indian and European entrepreneurs on a variety of demographic characteristics.	**ACCEPT**
H 1.2 The African and Indian entrepreneurs will have a higher proportion of customers who are from the same ethnic group.	**PARTIALLY ACCEPT**
H 1.3 The European ethnic entrepreneur will be more reliant on financing their start-ups using their own savings.	**PARTIALLY ACCEPT**
H 1.4 The European and Indian entrepreneurs will be more successful in obtaining loans.	**PARTIALLY ACCEPT**
H 1.5 The African entrepreneur will be reliant on hiring their employees from their own ethnic group.	**PARTIALLY ACCEPT**
H 2 The European and Indian entrepreneurs are ‘pulled’ into starting their own firms while African entrepreneurs are ‘pushed’ into starting up.	**PARTIALLY ACCEPT**

Based on the results of testing hypothesis 1.1 (section 5.1.1), there are significant differences between the three ethnic groups on a number of demographic variables. The African ethnic group is significantly younger than the Indian and European group. On the gender variable, there were significant differences with only one fifth of the Indians being female, whereas more than half of the Europeans and just over forty percent of the Indian group were female. Although most of the respondents were married, there were significant differences between the groups, with more than eighty percent of the Indians and only just over half of the African group being married.

Referring to education levels, almost half of the African and European groups were educated to degree level, whereas just over one fifth of the Indians had a degree level of education. Also of interest is that almost twenty percent of the Indian group did not finish their school education, whereas approximately ten percent of the African and European groups did not finish their school education. Lastly, looking at entrepreneurs in their family, there was a statistically significant difference between the groups, with more than two thirds of the Indian and Europeans having a relative who was an entrepreneur, whereas less than a quarter of the Africans had a relative who was an entrepreneur. ***Therefore, on hypothesis 1.1, we can ACCEPT that the African entrepreneur will be different to the Indian and European entrepreneurs on a variety of demographic characteristics.***

The results on education levels of the three entrepreneur groups produce surprising results. In South Africa, the vast amount of literature tends to support the view that the African group tends to be less educated than the other ethnic groups. This is due to the historical lack of resources allocated to African schools, lack of properly trained teachers, and a lack of school infrastructure. However, these results on education levels show that almost half of both the African and European entrepreneurs had a degree or diploma and supported the view that many parents do not want their children to follow their footsteps into entrepreneuship. Even though they might be successful entrepreneurs, there seems to be a trend where they would rather push their children to get a formal education and get 'status' jobs, such as lawyers, accountants and doctors. Regarding the education levels of the Indian entrepreneurs, the results were puzzling. However, there tends to be support for the view for this ethnic group, in that education is sometimes limited by the business needs of the family. For example, according to Godsell's (1990) findings, a person might study accountancy if their business needed that skill. If not, they would join the business immediately as they were needed by the family business.

Referring to hypothesis 1.2, (section 5.1.2), there were significant differences between the three groups on the ethnicity of their customers, with the African group having the most homogenous customer base, with almost ninety percent of their customers being African, whereas the Indian and European groups, only just over half of their customers were from the same ethnic group. There were also significant differences between the groups regarding the reasons given for why certain customers frequented their businesses, with the location, and product being the most commonly given reason. There were also significant differences between the groups on the following: other business; start or buy their business; other owner of business; ever owned another business; and years experience. The results showed that the African group had just over half the experience of the Indians and a little more than one third of the experience of the European group. ***Therefore, on hypothesis 1.2, we can PARTIALLY ACCEPT that the African and Indian entrepreneurs will have a higher proportion of customers who are from the same ethnic group.***

These results reinforce the business environment in South Africa. Because of the historical laws about where Africans could base their buisnesses, we still have the remnants of this existing. African entreprenerus predominantly supply their own ethnic group, where both the Indian and Euroean entrepreneurs tend to have customers from all groups. A high percentage of African busiensses are still in predominantly African areas and townships where not many customers from other ethnic groups would frequent. Indian businesses have historically been on the fringes between the central business districts and the Africans townships. Historically they have played the role of the middleman, getting their supplies from Europeans and then selling onto African customers. This supported by Godsell (1991), where the results of her study supported the view that Indian entrepreneurs, when they sell to a customer, they are ‘colourblind’ in their strategy.

In section 5,1.4, we tested the hypothesis 1.3, which tested for significant differences between the African, Indian and European entrepreneur groups on sources of capitalisation for their business. These were loan from relatives and friends; partnership; own savings; and business angels. We notice significant differences between the groups in their use of savings schemes with more than eighty percent of the African group utilising both economic and social saving schemes. ***Therefore, on hypothesis 1.3, we can PARTIALLY ACCEPT that the European ethnic entrepreneur will be more reliant on financing their start-ups using their own savings.***

These results on start-up capital support previous work in South Africa. For example, Berry (1978) and Godsell (1991) state that more than half of the Africans used their own savings to start their businesses. However, Godsell's (1991) research showed that for the Indian and European group, less than a quarter used their own savings. The Indian group tended to have more support from their own family and community. While the European group tended to also rely on family, they also made more use of partners, or getting loans from banks.

Regarding hypothesis 1,4, there is evidence that African entrepreneurs rely more than the Indian and White entrepreneurs on loans to capitalise their business. Specifically, loans from relatives and friends and support agencies are the two areas where there is a significant difference between the ethnic groups, with more use by the African group. ***Therefore, on hypothesis 1.4, we can PARTIALLY ACCEPT that the European and Indian entrepreneurs will be more successful in obtaining loans.***

These results are a surprise. Historically, one of the factors always suggested for the lack of growth of African entrepreneurship in South Africa, has been the lack of loans available, or the lack of collateral of the entrepreneur. However, the results do not support this view. One potential reason for this is in the last 20 years, there has been a strong push by the new government to make funding available for start-ups for entrepreneurs from previously disadvantaged groups. These loans tend not to be based on collateral, and come with ongoing mentoring from an experienced businessperson.

In testing for hypothesis 1.5, that there are significant differences between the African, Indian and European entrepreneur groups on employee relations, the results illustrate that there are differences on the following: paid employees; better communication as a reason for hiring employees of the same ethnic group; they are not trustworthy, they demand high wages, because major customers are not the same ethnic group as reasons for not employing employees of the same ethnic group. ***Therefore, on hypothesis 1.5, we can PARTIALLY ACCEPT that the African entrepreneur will be reliant on hiring their employees from their own ethnic group.***

These results were expected. Almost all of the employees of the African entrepreneurs were from their own ethnic goup, whereas for both the Indians and Europeans, half of their work-force were Africans. Two possible reasons for this difference are economic and geographical. Historically in South Africa, the low level jobs were performed by the Africans, and they were subsequently paid the lowest wages. Also, there still exists a geographical distinction between the businesses of the ethnic groups. While many of the Indian businesses operate in all areas, most African businesses are still in the African areas, and therefore, they would tend to hire their local staff.

On hypothesis 2, on motivation to start their own business (section 5.1.3), there were significant differences between the groups on nine of the fourteen factors. For the European and Indian entrepreneurs the two highest motivation factors for starting their business were personal independence and economic independence. However, for the African group, the strongest motivation factors were being able to implement their own ideas, and to create something of their own, and earn more money than working for a salary. ***Therefore, on hypothesis 2, we can PARTIALLY ACCEPT that the European and Indian entrepreneurs are "pulled" into starting their own firms while Africans are "pushed" into starting up.***

Historically, in South Africa, it is assumed that most European entrepreneurs start their own business because of an opportunity (pull factors). In contrast, most Africans are believed to start their own business because of necessity (push factors). However, the results do not clealrly support this view.

Furthermore, in South Africa, there is evidence that entrepreneurship is a relatively low status occupation, and local businessmen often experience ridicule and contempt at the hands of the media and government. Godsell (1990) found that in Africa, on the whole, an entrepreneurial elite is absent, as industrial and commercial activity is shunned by the most highly educated groups in favour of politics and the professions. There is evidence that black businessmen are denigrated by other blacks (Mokoatle, 1979; Godsell, 1991).

Also, evidence seems to suggest that Africans tend not to take the entrepreneurship route. Rather, they tend to favour the private sector in the professions such as lawyers, engineers, doctors and teachers, which were historically not an option for them. In general, Africans view professions with more respect and admiration than they do entrepreneurship.

Legitimacy does not seem to come from running a successful business, but rather, the legitimacy comes from what the business does for the community. An example of this is often in townships and small communities, when there is a funeral or political activity, shopkeepers are often approached for donations. There is also the assumption if that they do not help, then the children will threaten violent retribution.

For the European entrepreneur, their position is very different. The European may be best described as ‘established entrepreneurs’. Engaging in business is not a low status occupation, it is not a devious route towards other desired goals such as political emancipation, it is not engaged in because other routes to status are blocked (Godsell, 1991). The European entrepreneur engages in business neither because of, nor despite compelling group realities. They choose entrepreneurship as one option out of many, and exercise that option in an independent a fashion as possible.

For the Indian entrepreneur, the motivation to become an entrepreneur seems to come from the family and their attitude to enterprise. With this group especially, there seems to be a strong pull from the family and community to help each other get into business. In South Africa, the Indian group have a long history of trading, and tend to dominate certain industries, so there is a very strong tradition of enterprise in this ethnic group.

5.1.7 Reflections

This section has analysed the demographical background of the three groups, characteristics of the business, motivation for starting their business, how they capitalised their business, and employee relations. Quite surprisingly, the African entrepreneurs were more educated than the Indian and European group. However, even though the Indian and European groups are not as highly educated, the majority of them had completed their high school education. In terms of characteristics of the businesses, Africans have more customers and employees from the same ethnic group as themselves. African also had more unpaid employees compared to their Indian and European counterparts. When it came to customers however, more than half of any ethnic entrepreneur’s customer was from the same ethnic background. Most of the respondents only had one business and were first time entrepreneurs. The businesses were mostly sole proprietorships. Most of the respondents also indicate that accessing finance from ones’ own savings was the most common form of raising capital. In terms of the success of their business, the results show that more than three times as many African then European entrepreneurs make profit, and almost eighty percent of the African groups are expecting to make considerable profit in the future whereas only half of the Indian and one fifth of the Europeans are expecting profit in the next year.

The results of the demographics were somewhat surprising. The first unexpected rsults was the education levels, with the African group being the most educated. Historically, the African group have been impeded from many avenues, and restricted education options, and now that they are availlable, there does seem to be a big focus on getting a tertiary education. Also, there is a lot of status attached to certain occupations in South Africa, with most requiring a university degree. Another possible reason is the belief that they need to get a degree in order to compete with the other ethnic groups in order to get a job in the private sector.

The other surprising result was the source of finance. The literature typically informs us that the major challenge facing African entrepreneurship in South Africa is acquiring start-up capital. However, this does not seem to be the case here. However, this researcher believes this is still a major challenge for micro-businesses in South Africa, whereas the entrepreneurs who were iinterviewed tended to be formal businesses and not informal businesses. Also, this group of people, who are well educated are able to access finance from banks and agencies, which have been put in place to help African entrepreneurs start and grow their businesses.

5.2 Results: Networks of the ethnic entrepreneurs

This section will present results on analysing the utilisation of networks. It will also present the results of social capital. Lastly, it will attempt to test hypotheses 3 and 4 which focus on significant differences between the three ethnic groups on networks and social capital.

Network Activity

This feature is measured by the size of the network (number of contacts the entrepreneur discusses the business with) and how actively entrepreneurs use these contacts (hours spent developing and maintaining contacts & percent of time spent networking).

Network Density

This feature is measured by how well the entrepreneur knows each contact's network, the number of years the entrepreneur has known the contacts and how well the contacts know each other.

Network Diversity

This feature looks at how similar or different the characteristics of the entrepreneur are to the members of his network. The relationships (for example, friend. family, colleague or professional acquaintance) that the entrepreneur has with his contacts also determine network diversity.

Comparison of means using analysis of variance (ANOVA) and t-tests of several networking variables were conducted to determine whether there are significant differences between entrepreneurs based on different personal characteristics. Correlation was also made between key network activity and density variables together with entrepreneur characteristics. Cross-tabulations were also performed to determine network density and diversity.

5.2.1 Network Activity

Table 5.8 shows differences in various measures of networking activity, such as size of networks, hours spent developing networks, and hours maintaining networks Each of these three measures are then cross tabulated against various demographic variables to measure for differences.

Table 5.8 Network activity

	Size of network		Hours spent developing		Hours spent maintaining	
Classification	**Mean**	**χ^2 value**	**Mean**	**t-value**	**Mean**	**t-value**
Gender		16.71		-0.26		0.83**
Male	9.20		6.44		7.36	
Female	7.89		6.76		6.34	
Age		145.52*		1.09		0.78
21-30	9.14		8.63		8.5	
31-40	4.68		6.80		6.86	
41-50	8.44		5.55		7.77	
51-60	7.04		7.15		6.67	
61-73	18.95		4.00		3.57	
Ethnic Group		119.30*		0.08		0.50
African	4.50		6.68		6.33	
Indian	11.70		6.76		7.27	
European	10.24		6.22		7.74	
Other	20.00		-		-	
Marital Status		101.71*		1.17		1.31
Never married	6.65		7.62		8.65	
Married	9.88		6.10		6.40	
Divorced	6.39		9.33		9.14	
Widowed	7.09		4.27		6.64	
Education		97.71*		1.21		1.78
Primary school	3.8		6.25		3.5	
High school	8.97		9.52		9.45	
Matric/12th grade	9.67		6.95		8.11	
Degree/diploma	7.49		5.37		5.32	
Postgraduate	10.46		6.00		7.08	

*(*** = $p \leq .001$; ** = $p \leq .01$; * = $p \leq .05$)*

On the average, a South African entrepreneur has discussed aspects of running his business to 8.70 persons. Males however, discuss it with more contacts (9.2 persons) as compared to females (7.89 contacts). There are significant differences on the size of networks based on the age variable, with older entrepreneurs (ages 61 to 73) discussing aspects of running the business with more people (18.95) than younger entrepreneurs, more than double the next highest number, that of the age group from twenty one through to thirty years old.

There are significant differences in the number of persons the South African entrepreneur discusses their business with when classified according to ethnic group. On average, the Indian group discuss it with 11.7 individuals, Europeans to 10.24, whereas the African group only speak to on average 4.5 contacts. In addition, among the respondents, married entrepreneurs also discuss their business with more people (9.88) compared to those who never married (6.65), divorced (6.39) or widowed (7.09).

Furthermore, when compared based on education levels, there were again significant differences on the number of people spoken to when starting their business. Looking at education levels, it becomes apparent that the group with tertiary education spoke to the most people, whereas, the group who had the lowest education levels spoke to the least amount of people when starting their business (see table 5.8). When looking at the variable “hours spend developing” networks, the results showed no significant differences based on the demographic classifications. The average number of hours spent developing contacts for the South African sample was 6.55. The average number of hours that the South African entrepreneurs spent maintaining contacts was 6.99 hours. According to the t-test results, only when the sample is classified according to gender is there a significant difference in the number of hours spent in contact maintenance, with males spending more time (7.36) than females (6.34) maintaining their networks.

In table 5.9, differences in the three measures of network activity (size of networks; hours spent developing; hours spent maintaining) are presented. In response to the question "with how many people did you discuss your business?" the mean score for African entrepreneurs was 4.50, whereas the score for the Indian group was 11.70, and 10.24 for the European group. Based on the results of the Analysis of variance (ANOVA) test (ρ = .001 level), there was a significant difference between the three groups.

Table 5.9 Network Activity Variables and ethnic groups

Statement	African	Indian	European	F
With how many people did you discuss your business?	4.50	11.70	10.24	7.67***
How many hours per week developing contacts?	6.68	6.76	6.22	0.08
How many hours per week maintaining contacts?	6.33	7.27	7.74	0.50

*(*** = $p \leq .001$; ** = $p \leq .01$; * = $p \leq .05$)*

Referring to the second measure of network activity, "hours spent developing contacts", all the groups spent approximately six hours per week developing contacts, and the results were not statistically significant. Furthermore, with regards the last measure of network activity, "hours maintaining contacts", the results were similar, with three groups spending between 6.33 – 7.74 hours maintaining their contacts. Again, there were no significant differences between the three ethnic groups on this measure.

The results of how many people the entrepreneurs talk to are expected (see table 5.9). However the resaons for this are multifaceted. Both the Indian and European entrepreneur speak to more than double the people than their African counterparts. There is support for the view that the African entrepreneur does not always employ his own family and friends, as there is a belief that when money is involved, they are concerned about dishonesty, and relatives might take you for granted or take advantage of you. This is supported from the literature. This mistrust of others is a serious handicap for African entrepreneurs (Mushonga, 1981; Godsell, 1991). Fear of being cheated leads them to avoid forming partnerships or companies with others, or allowing other people to handle the cash in their own businesses. Maris and Somerset (1971) also found evidence of this sort of mistrust in African entrepreneurs, showing a bleak picture of the African entrepreneur, hampered by mistrust and suspicion and somehow unable to convert family ties into business resources.

One would expect the African entrepreneurs to have high levels of networks. Many of the factors which have been seen to promote the development of networks are present here, such as need factors, resulting from the barring from other avenues of survival and status (blocked mobility), and the resource factors which draw on ethnicity, family, and a history of communalism.

With the passing of the Group Areas Act in 1950, many Indian traders had to move their premises out of the central shopping areas into their own peripheral districts. Also, some Indian entrepreneurs have been able to formpartnerships with European entrepreneurs for the European areas, and Africans based in the African areas. They have very successfully fulfilled the role of the ‘middleman minority’ in South Africa for years. Thus they were able to circumvent the legislation, and were able to conduct business with both the European elite and African masses. Historically, the Indian entrepreneur in South Africa has been able to not only survive the discriminatory legislation, which was aimed to specifically impede their economic progress, but they have actually flourished in economic terms (Godsell, 1990). Also, with this group, there is strong support for the view that they tend to keep their business within the family and rely heavily on family, friends and the local community. Religion may also be a source of friendship, for example, in the Moslem group, there is evidence that friends assist because of their religious commitments to each other. Also for this group, there seems to be sense of belonging, a sense of ‘Indianness’ where there is a belief of helping each other. The disadvantaged status and minority status have probably helped this group of Indians to develop.

With the European group, partners seem to be more important than other groups. Some were family members, intensely involved in the business, others were sleeping partners who provided financing and nothing else. There is a sense of rather lonely distrustfulness. The reciprocal demands of networks seem to be treated with some suspicion. For the European entrepreneur, it seems to be a reason to not help somebody, as they will then expect a favour in return. For them, it is a definite way to ruin a relationship. Total independence seems to be something to be proud of.

5.2.2 Network Density

Table 5.10 presents three variables measuring different aspects of network density: how well the entrepreneur knows his contacts' network, the number of years the entrepreneur has known the contacts and how well the contacts know each other. The overall results indicate that the mean South African entrepreneurs' knowledge of his network's contacts is 1.51. This measure was on a three point scale, with one representing "very well", two "somewhat well", and three representing "little". This figure of 1.51 is between the very well and somewhat well scale. The entrepreneur has known his contact on the average 11.72 years and his contacts are somewhat to well acquainted with each other (mean = 2.38). Upon further investigation using t-tests and ANOVAs, results show that when these three network density variables are classified according to gender, age and ethnic group, significant differences emerge.

Table 5.10 Comparison of differences in network density variables

	How well network of contacts are known		Number of years contacts are known		How well contacts know each other	
Classification	**Mean**	**t / F value**	**Mean**	**t / F value**	**Mean**	**t / F value**
Gender		1.25**		-0.25***		1.18*
Male	1.49		12.09		2.41	
Female	1.52		11.06		2.32	
Age		2.425***		6.68*		3.64**
21-30	1.31		9.9		2.36	
31-40	1.40		9.24		2.24	
41-50	1.69		11.48		2.23	
51-60	1.48		14.12		2.57	
61-73	1.51		15.45		2.63	
Ethnic Group		10.547*		21.67*		4.27**
African	1.1340		8.75		2.3	
Indian	1.6477		13.14		2.55	
European	1.8931		13.32		3	
Other	1.00		16.4		2.38	
Marital Status		3.158***		2.88***		0.23
Never married	1.26		9.93		2.38	
Married	1.55		12.03		2.39	
Divorced	1.73		11.51		2.29	
Widowed	1.62		16.12		2.39	
Education		0.951		2.28		2.15
Primary school	1.57		17.13		2.51	
High school	1.64		13.91		2.55	
Matric/12th grade	1.43		11.53		2.42	
Degree/diploma	1.53		10.89		2.24	
Postgraduate	1.72		12.46		2.53	

(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)

Firstly, on the measure “how well network of contacts are known”, there are a number of significant differences, based on statistical analysis (see table 5.10). Males tend to know their contacts better than their female counterparts, in addition, the younger age group also know their network better than the older group. Referring to ethnic group, the African group know the network the best, then the Indian group, and then the Europeans. Lastly, based on the results, the unmarried group know their network better than the other groups.

Referring to the measure “number of years contacts are known”, there are a number of significant differences. The male group on average have known their networks for a longer period of time, and the older group have known their networks longer than the other age groups. Regarding ethnic differences on this measure, there were also significant differences between the groups, with both the Indian and European groups knowing their networks for more than thirteen years, whereas for the African group, the average number of years was only just over eight years. With regard to marital status, the widowed group showed the highest number of years knowing their networks.

On the measure “how well contacts know each other”, there are also a number of significant differences. On average, the males’ contacts knew each other better than the females’ contacts .In addition, for the older group, their contacts knew each other better than the younger group.

Table 5.11 Network density variables and ethnic groups

Statement	African	Indian	European	F
How well network of contacts are known	1.13	1.65	1.89	10.55***
Number of years contacts are known?	8.75	13.14	13.32	21.67***
How well contacts know each others?	2.33	2.55	3.0	4.27***
How contacts were met (own) (referral)	78% 22%	75% 25%	72% 28%	

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

Looking at ethnic group, the contacts of the European group did not know each other very well, whereas for the African group, they knew each other more (see table 5.11). In trying to ascertain whether there are any significant differences based on ethnicity, ANOVA was conducted on the various measures of network density, and the results are presented in table 5.11. The results show that there are significant differences between ethnic groups on the three variables measuring network density. The European entrepreneurs know their contacts the least well, but in contrast, have known their contacts for a longer period of time compared to their Indian and African counterparts. Members of the European entrepreneurs' network also knew each other the least well, in comparison to the Indian and African entrepreneurs.

5.2.3 Network Diversity

Overall, 40 percent of the South African entrepreneurs' network contacts were friends, 36 percent were family members, 22.93 percent were colleagues and 1.45 percent were professional acquaintances. Both male and female entrepreneurs have more friends in their network than any other type of relation, family members comprise about one third of these entrepreneurs networks. Younger entrepreneurs have the most number of friends in their networks while older entrepreneurs have more family members in their list of contacts. In terms of ethnicity, all ethnic groups except the Indians have more friends in their networks than other types of relations. Indians however have a higher percentage of family members in their networks. Entrepreneurs that have never married or are widowed have more friends in their networks while divorced entrepreneurs have predominantly family and colleagues in their networks. Married entrepreneurs tend to have a balance between friends and family in their networks. Entrepreneurs with lower education have friends predominantly composing their networks while those with higher education levels have more family and colleagues in their networks. The networks of respondents with graduate degrees compose predominantly of friends and to a lesser extent family members and colleagues.

Table 5.12 presents the distribution of relationships with contacts. The ANOVA results reveal that at $\rho \leq .001$, there are significant differences in the distribution of relationships with contacts according to the ethnic groups. All ethnic groups except the Indians have more friends in their networks than other types of relations. Indians have a higher percentage of family members in their networks while Europeans have a higher percentage (4.93%) of professional acquaintances than the Indian (0.29%) and Africans (0%).

Table 5.12 Relationships with Contacts

Relationship	African	Indian	European	F value
Friend	41.58	34.10	43.66	10.55***
Family	35.64	42.49	28.17	21.67***
Colleague	22.77	23.12	23.24	4.27***
Professional acquaintance	0.00	0.29	4.93	

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

The results in table 5.13 presents how similar or dissimilar the entrepreneur is to his network contacts in terms of the demographic characteritics, gender, ethnic group, and age. The Chi-square indicates that entrepreneurs from the three ethnic groups have predominantly more males comprising their networks, with Indians having the highest percentage of males in their network. Comparing this to the gender distribution of the sample shown on table 5.1, the results imply that the gender distribution of the sample and their corresponding network is very similar (except for the European sample). The Chi-square results also show that at ρ ≤ .001, entrepreneurs from all ethnic groups predominantly have network members that are of the same ethnicity as them. Lastly, for age, the average age of the European entrepreneurs' network member is 31.13 years which is slightly higher than the African (26.38) and Indian's (25.85). The results show that entrepreneurs tend to favour people younger than they are to be part of their network. A majority of the African entrepreneurs are between thas ages 31-50, while Indian and European respondents were primarily between the ages of 41-60 years old.

The table 5.13 also shows how similar or dissimilar the entrepreneur is to his network contacts in terms of personal characteristics. Most males have primarily other males in their networks while females tend to have a more gender-balanced network. Looking at results, entrepreneurs from all ethnic groups have network members that are of the same ethnicity as them.

Table 5.13 Comparison of Network Diversity Variables

Variable	African	Indian	European	χ^2 value /F
Gender				5.98[a]
Male	60.94%	72.82%	64.32%	
Female	39.06%	27.18%	35.68%	
Ethnic Group				437.89***[a]
African	94.88	2.6	2.94	
Indian	1.88	89.98	1.34	
European	3.04	6.34	94.16	
Other	0.2	1.08	1.56	
Age	26.38	25.85	31.13	4.32**[b]

(*** ρ ≤ .001; [a] = chi square value; [b] = ANOVA value)

5.2.4 Prediction of network variables

In order to determine whether the demographic data (from table 5.1) can predict the respondent’s scores on the network variables, a stepwise multiple regression analysis was conducted. The scores on network activity (number of people the entrepreneur has discussed their business with, number of hours per week developing contacts, number of hours per week maintaining contacts) served as the dependent variables. The entrepreneur’s demographic data were used as independent variables (gender, age, education, marital status and entrepreneur’s in the family).

Of the three regressions performed on network activity variables, the variance of only one variable was found significantly explained by demographic variables.

Table 5.14 Prediction of Network Activity Variable (NUMPEO)

Multiple R R^2 Adjusted R^2 Standard error		.303 .092 .084 11.590			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression Residual	2 220	2987.673 29553.824	1493.837 134.336	11.120	.000
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant Close relative Age	1.346 6.176 1.446	2.098 1.559 .666	 .256 .140	.641 3.961 2.173	.522 .000 .031

The results illustrate the findings of the multiple regression analysis with “how many people did you discuss your business” (NUMPEO) as the dependent variable. The best solutions for the NUMPEO dependent variable, in terms of R^2, significance of t and significance of F were obtained with model 2 (table A). Only about 9 percent of the variation of NUMPEO was explained by close relative and age variables with R^2 =9.2 percent. Analysis of variance indicated that F=11.120, ρ=.000 for the model. The t value of the coefficient for close relative was significant at the 1 percent level (t=3.961, ρ=.000), and significant at the 5 percent level for age with t=2.173, ρ=.031 respectively. Of the three regressions performed on network density variables, the variance of all three variables were found significantly explained by demographic variables.

The findings of the multiple regression analysis with “how well network of contacts are known” (AVECON) as the dependent variable are shown in table 6.15. The best solutions for the AVECON dependent variable, in terms of R^2, significance of t and significance of F were obtained with model 1 (table B). About 32 percent of the variation of AVECON was explained by ethnic group with R^2 =32.1 percent. Analysis of variance indicated that F=100.693, ρ = .000 for the model. The t value of the coefficient for ethnic group was significant at the 1 percent level (t=10.035.961, ρ=.000).

Table 5.15 Prediction of Network Density Variable (AVECON)

Multiple R R^2 Adjusted R^2 Standard error		.567 .321 .318 .51226			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression Residual	1 213	26.423 55.894	26.423 .262	100.693	.000
Variables in the equation	**B**	**Standard error of B**	**Beta**	**T**	**Sig.**
Constant Ethnic Group	.702 .436	.088 .043	 .567	8.006 10.035	.000 .000

Table 5.16 below shows the multiple regression analysis with "number of years contact is known" (AVEKNOW) as the dependent variable. The best solutions for the AVEKNOW dependent variable, in terms of R^2, significance of t and significance of F were obtained with model 2.

Table 5.16 Prediction of Network Density Variable (AVEKNOW)

Multiple R R^2 Adjusted R^2 Standard error		.402 .162 .155 6.50081			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression Residual	2 244	1989.426 10311.566	994.713 42.261	23.538	.000
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant Age Ethnic Group	3.189 1.554 2.134	1.298 .372 .548	 .257 .240	2.457 4.174 3.892	.015 .000 .001

Approximately 16 percent of the variation of AVEKNOW was explained by age and ethnic group variables with R^2 =16.2 percent. Analysis of variance indicated that F=23.538, ρ=.000 for the model. The t value of the coefficient for age was significant at the 1 percent level (t=4.174, ρ=.000), and significant at the 1 percent level for ethnic group with t=3.892, ρ=.001 respectively.

Table 5.17 presents the findings of the multiple regression analysis with “how well contacts know each other” (AVEREL) as the dependent variable. The best solutions for the AVEREL dependent variable, in terms of R^2, significance of t and significance of F were obtained with model 1. About only 2 percent of the variation of AVEREL was explained by age with R^2 = 2 percent. Analysis of variance indicated that F=4.299, ρ=.039 for the model. The t value of the coefficient for age was significant at the 5 percent level (t=2.073, ρ=.039).

Table 5.17 Prediction of Network Density Variable (AVEREL)

Multiple R R^2 Adjusted R^2 Standard error		.141 .020 .015 .61504			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression Residual	1 213	1.626 80.573	1.626 .378	4.299	.039
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant Age	1.346 .0077	.111 .037	 .141	19.0332. 073	.000 .039

This section looked at different networking characteristics of South African entrepreneurs. Three dimensions of networks were used: activity, density and diversity. Network activity looks into the size of the network and the amount of time spent developing and maintaining networks. The results of the study indicate that European and Indian entrepreneurs discuss their business to more than 10 persons. A high number of people may indicate possibilities of receiving diversified information. A high number of network contacts also increase the chances of receiving useful information. When a network is large, the entrepreneur has less time to spend on each contact. By chance, there is a higher possibility of picking up useful information by spending a smaller amount of time with a higher number of persons. The regression results reveal that age and having close relatives that are entrepreneurs can explain the variance in the number of people the entrepreneur discusses the business.

Density refers to how tightly connected the persons in a network are to each other. According to the findings of the study, Europeans tend to have more dense networks than their African or Indian counterparts. The European and Indian entrepreneur has known his contact on the average 13.32 and 13.14 years respectively. The regression results also indicate that age and ethnic group are significant variables for explaining variances in the number of years that the entrepreneur has know his contacts.

A network that is highly dense means that persons in the network know each other and to a large extent may share redundant or overlapping information. In a network that has low density, contacts of the entrepreneur do not know each other well and therefore the probability of redundant information is lower. A low-density network also protects the basic business idea. If these contacts do not know each other, entrepreneurs can discuss parts of their business ideas with other people and gain access to complementary assets without their discussion partners being able to appropriate them. The results of the regression show that ethnic group can significantly explain variations in how well the entrepreneur knows his contacts. Upon further investigation using t-tests and ANOVAs, results show that when these three network density variables are classified according to ethnic group, significant differences emerge. European entrepreneurs know their contacts better, longer and their contacts know each other better compared to Indian and African entrepreneurs. The regression results suggest that age is a significant explanatory variable for how well contacts know each other.

The density of the entrepreneur's network is also indicated by how his contacts were met. Obviously, referrals would indicate that the entrepreneur's existing contacts help him generate other possible sources of information or complementary assets. Regardless of ethnic group, most entrepreneurs' existing contacts were met through their own effort. The background of the contacts is also critical in determining what type of relationship the entrepreneur has with his contacts and what kinds of resources they might contribute. Networks will be congenial to entrepreneurship if they are embedded in an entrepreneurial context, because that means that relevant information and resources are available to prospective entrepreneurs (Johannisson, 1988). Network diversity can also be indicated by how similar the contacts' characteristics are to the entrepreneur. About 40 percent of European and African respondents' contacts were friends and about the same percentage of the Indian entrepreneur's contacts were family members.

In terms of diversity of personal characteristics, findings indicate that the network members have very similar characteristics as the entrepreneurs (particularly for gender and ethnic group). The principle of homophyly suggests that we tend to make friends with people with similar characteristics as us. Furthermore, people in our networks whom we interact with frequently also tend to know each other. However, if an individual's goal is to maximise resources and search for information, it is more advantageous to have diverse networks that contain a variety of people.

5.2.5 Social capital

To determine whether there were significant differences in the various social capital variables among the three ethnic groups, an analysis of variance (ANOVA) was performed. The results are shown on table 5.18. Of the 20 items included in the questionnaire, at $\rho \leq .001$, 12 were found to be statistically significant when ethnic groups was used as a differentiating factor.

The results of table 5.18 indicate that African respondents have two of the highest means and nine of the lowest means in the 12 significant items. They scored the highest in joining a local community action to deal with an emergency and thinking that multiculturalism makes life better. They scored the lowest in feeling valued by society, satisfaction with the meaning of one's life, believing that by helping others one helps oneself, attending a local community event, feeling that the local community is like home, going outside the community to visit family, running into friends and acquaintances when shopping, knowing where to find information to make a life decision, and feeling free to speak out when one disagrees with everyone else.

As for the Indian respondents, the results indicate that they scored the highest in five items and lowest in three items. They scored the highest in the following items: feeling valued by society, satisfaction with the meaning of one's life, attending a local community event, going outside the community to visit one's family, and running into friends and acquaintances when shopping. They scored the lowest on being in a management or organising committee for any local group or organisation, joining local community action to deal with an emergency, and thinking that multiculturalism makes life better.

The results of the European entrepreneurs indicate that they scored highest in five items and none lowest. The five highest scoring items were – believing that helping others helps oneself, feeling that the local community is like home, knowing where to find information, being in a management or organising committee for a local group or organisation, and feeling free to speak out when one disagrees with everyone else.

Table 5.18 Social Capital

Question	African	Indian	European	F-value
Do you feel valued by society?	2.66	3.56	3.11	14.93*
If you were to die tomorrow, would you be satisfied with what your life has meant?	2.38	3.49	3.04	19.85*
Do you believe that by helping others you help yourself?	3.02	3.60	3.80	14.38*
Do you help put a local group as a volunteer?	2.32	2.60	2.35	1.14
Do you feel safe walking down your street after dark?	2.07	1.78	1.56	4.56
Do you agree that most people can be trusted?	2.15	1.77	2.07	3.51
Does your area have a reputation for being a safe place?	2.31	1.95	2.44	5.19
Have you attended a local community event in the past 6 months (e.g. church fete, school concert)?	2.31	3.45	2.98	18.72*
Are you an active member of a local organization or club (e.g. craft, sport, social club)?	2.21	1.88	2.32	3.46
Does your local community feel like home?	2.40	2.73	3.27	9.63*
Do you go outside your community to visit your family?	2.53	3.79	3.69	48.96*
When you go shopping in your local area are you likely to run into friends and acquaintances?	2.62	3.78	3.69	44.88*
If you need information to make a life decision, do you know where to find that information?	2.67	3.29	3.62	17.19*
Are you on a management committee or organising committee for any local group or organization?	2.10	1.57	2.22	6.91*
In the past 3 years, have you ever joined a local community action to deal with an emergency?	2.35	1.65	1.89	7.94*
Have you taken part in a community project?	2.38	2.08	2.31	1.21
Have you helped organise new service in your area?	2.34	2.02	1.89	2.56
If you disagree with what everyone else agreed on, would you feel free to speak out?	2.83	3.40	3.61	11.92*
Do you think that multiculturalism makes life better?	2.87	2.22	2.81	8.92*
Do you enjoy living among people of different lifestyles?	2.96	2.62	2.84	3.36

*(*** = $p \leq .001$; ** = $p \leq .01$; * = $p \leq .05$)*

A factor analysis was also performed on the social capital questions. Findings from the factor analysis illustrated in table 5.19 show the emergence of a six-factor solution that accounts for 63.08 percent of the variance. The six factors identified in the factor analysis are as follows:

Table 5.19 Rotated Factor Structure for Social Capital

Factors	Factor Loading
Factor 1. Participation in community activities	
Joining local community action to deal with emergency	0.756
Participating in community project	0.746
Being in a management/organising committee of local group	0.711
Helping organise new service in the area	0.699
Being an active member of local organization or club	0.623
Helping out a local group as a volunteer	0.488
Factor 2. Proximity of network members	
Attending local community events	0.715
Running into friends and acquaintances when shopping	0.704
Going outside community to visit family	0.649
Feeling that the local community is like home	0.484
Factor 3. Perceptions of contribution to society	
Feeling valued by society	0.825
Feeling satisfaction with what life meant	0.799
Believing that helping others helps yourself	0.544
Factor 4. Attitude towards multiculturalism	
Enjoying living with people of different lifestyles	0.864
Thinking that multiculturalism makes life better	0.862
Factor 5. Perceptions of safety and trust	
Feeling safe walking down ones street after dark	0.783
Having a reputation of ones area being a safe place	0.740
Agreeing that most people can be trusted	0.542
Factor 6. Access to and freedom to provide information	
Knowing where to find information when making life decision	0.766
Feeling free to speak out when disagree with everyone else	0.525

Extraction Method: Principal Components Analysis
This table is based on Varimax Factor Rotation
6 factors extracted/only items that loaded with absolute values greater than 0,35 are shown

Factor 1: Participation in community activities

This factor had six item loadings and included the following items: joining local community action, participating in community project, being in a management/organising committee, helping organise new service, being an active member of local organization or club, and helping out a local group as a volunteer. This factor deals with the entrepreneurs' level of participation in community activities. The component loadings ranged from 0.488 to 0.756.

Factor 2: Proximity of network members

This factor had four item loadings ranging from 0.484 to 0.715, and included items such as: attending local community events, running into friends and acquaintances, going outside the community to visit family, and feeling that the local community is like home. This factor related to the proximity of entrepreneurs' network members.

Factor 3: Perceptions of contribution to society

This factor had three item loadings ranging from 0.544 to 0.825 and included the following items: feeling valued by society, feeling satisfaction with what life meant, and believing that helping others helps yourself. This factor deals with the entrepreneurs' perceptions on his/her contribution to society.

Factor 4: Attitude towards multiculturalism

This factor had two item loadings ranging from 0.862 and 0.864 and included items such as enjoying living with people of different lifestyles, and thinking that multiculturalism makes life better.

Factor 5: Perceptions of safety and trust

This factor had three item loadings and included items such as: feeling safe walking down one's street after dark, having a reputation of one's area being a safe place, and agreeing that most people can be trusted. This factor deals with the respondents' perceptions of how safe one's area is as well as how trustworthy people are. The component loadings range from 0.542 to 0.783.

Factor 6: Access to and freedom to provide information

This factor had two item loadings ranging from 0.525 and 0.766, including the following items: knowing where to find information when making life decisions, and feeling free to speak out when one disagrees with everyone else.

The initial-components factor analysis method was used to determine the number of possible factors present. From the eigenvalues greater than one, it was decided to have six factors because the eigenvalues of the seventh factor onwards was less than one. In order to determine a finer selection of factors, an orthogonal varimax rotation was completed. The factor loadings for each of the six factors are greater than 0,35. All the eigenvalues for the respective factors are greater than 1,0 which fulfils the Kaiser criterion (SPSS, 2011).

The six factors and their contribution to variance are presented in table 5.20.

Table 5.20 Factors, Eigenvalues, Percent of Variance, Cumulative Percent of Variance and Alpha Coefficients

Factor	Eigenvalue	Percent of Variance	Cumulative Percent of Variance	Alpha Coefficient
Participation in community activities	4.100	20.499	20.499	0.7746
Proximity of network members	2.931	14.654	35.154	0.6823
Perceptions of contribution to society	1.936	9.678	44.831	0.7255
Attitude towards multiculturalism	1.436	7.182	52.013	0.7975
Perceptions of safety and trust	1.205	6.025	58.037	0.5226
Access to and freedom to provide information	1.008	5.040	63.078	0.5035

It can be seen that all the six factors have an eigenvalue of above 1, ranging from 1.008 to 4.100. Factor 1, participation in community activities, contributes a variance of 20.499 percent, followed by factor 2, proximity of network members, which contributes 14.654 percent. Perceptions of contribution to society, factor 3, contributes 9.678 percent of the variance, while factor 4, attitude towards multiculturalism, explains 7.182 percent of the variance. Factor 5, perceptions of safety and trust, contributes 6.025 percent in explaining the variance while factor 6, access to and freedom to provide information contribute 5.040 percent. The total cumulative variance explained by the six factors is 63.078 percent.

The data collected were also subjected to item analysis. The Cronbach's alpha coefficient (α) was calculated to determine the internal consistency of the items on the scale. The alpha value for the entire social capital scale was found to be 0.7757, which indicated that the internal consistency was quite high. Cronbach's alpha coefficient for each factor of the scale were as follows: factor 1 = 0.7746; factor 2 = 0.6823; factor 3 = 0.7255; factor 4 = 0.7975; factor 5 = 0.5226; and factor 6 = 0.5035.

Discriminant analysis was also performed on the data to determine whether the social capital scale can accurately classify the respondents according to their ethnic groupings. The results of this analysis are presented in table 5.21.

Table 5.21 Classification Matrix for Discriminant Analysis

Actual	Predicted Group			Actual Group	Percentage
Group	African	Indian	European	Size	Correctly classified
African	65	3	6	111	58.56
Indian	8	84	26	121	69.42
European	15	25	54	90	60.00
Predicted Group Size	88	112	86	322	63.04

The results indicate that using the social capital scale, the overall classification accuracy (hit ratio) is 63.04 percent. Of the 111 African entrepreneurs, 65 were correctly classified, accounting for 58.56 percent. Among the 121 Indian respondents, 84 were correctly classified, corresponding to 69.42 percent. As for the Europeans, of the 90 respondents, 54 were correctly classified, equivalent to 60 percent. A measure of classification accuracy is the maximum chance criterion which is simply the hit ratio obtained if we assign all the observations to the group with the highest probability of occurrence. In the computation, this results to 37.58 percent. Compare this figure to the overall percentage correctly classified. Based on the maximum chance criterion therefore, the model is very good.

In order to determine whether the social capital data (from table 5.18) can predict the respondent's scores on the network variables, a stepwise multiple regression analysis was conducted. The scores on network activity (number of people the entrepreneur has discussed their business with, number of hours per week developing contacts, number of hours per week maintaining contacts) served as the dependent variables. The entrepreneur's social capital data were used as independent variables.

Table 5.22 illustrates the findings of the multiple regression analysis with "how many people did you discuss your business" (NUMPEO) as the dependent variable. The best solutions for the NUMPEO dependent variable, in terms of R^2, significance of t and significance of F were obtained with model shown in table 5.22. Only 12% of the variation of NUMPEO was explained by the following variables – thinking that multiculturalism makes life better ($t=-4.351$, $\rho=.000$), running into friends and acquaintances when shopping ($t=3.489$, $\rho=0.001$), and being an active member of a local organization or club ($t=2.228$. $\rho=0.027$), with R^2 =11.9%. Analysis of variance indicated that $F=10.185$, $\rho=.000$ for the model.

Table 5.22 Regression of Network Variable (NUMPEO) and Social Capital Variables

Multiple R		.344			
R^2		.119			
Adjusted R^2		.107			
Standard error		11.917			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression	3	4339.221	1446.41	10.185	.000
Residual	227	32238.15	142.018		
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant	4.253	3.449		1.233	.219
Thinking that multiculturalism makes life better	3.127	0.719	-.277	-4.351	.000
Running into friends and acquaintances when shopping	2.951	0.846	.220	3.489	.001
Being an active member of a local organization or club	1.518	0.681	.141	2.228	.027

The solution for the HRSDEV dependent variable, in terms of R^2, significance of t and significance of F were obtained with model shown in table 5.23. Only about 5% of the variance of HRSDEV can be explained by only one variable – enjoying living among people of different lifestyles (t=3.215, ρ=.002), with R^2 =4.7%%. Analysis of variance indicated that F=10.334, ρ=.002 for the model.

Table 5.23 Regression of Network Variable (HRSDEV) and Social Capital Variables

Multiple R		.216			
R^2		.047			
Adjusted R^2		.042			
Standard error		8.655			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression	1	774.056	774.056	10.334	.002
Residual	211	15804.56	74.903		
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant	0.998	1.667		0.595	.553
Enjoying living among people of different lifestyles	1.758	0.547	.216	3.215	.002

Table 5.24 presents the results of the multiple regression analysis on the dependent variable "number of hours spent maintaining contacts" (HRSMAIN). The solution for the HRSMAIN dependent variable, in terms of R^2, significance of t and significance of F were obtained with model shown below. Only about 3% of the variance can be explained by one variable– enjoying living among people of different lifestyles (t=2.645, ρ=.009), with R^2=3.3%. Analysis of variance indicated that F=6.998, ρ=.009 for the model.

Table 5.24 Regression of Network Variable (HRSMAIN) and Social Capital Variables

Multiple R R^2 Adjusted R^2 Standard error		.182 .033 .028 8.569			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression Residual	1 204	513.882 14979.57	513.882 73.429	6.998	.009
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant Enjoying living among people of different lifestyles	2.321 1.449	1.684 0.548	 .182	1.379 2.645	.170 .009

Multiple regression analysis was also performed with the responses on the question "what percentage of time spent establishing contacts" (PERTIM). Table 5.25 indicates the best solutions for the PERTIM dependent variable, in terms of R^2, significance of t and significance of F. the results show that 32 percent of the variation of PERTIM was explained by six social capital variables. An analysis of variance indicated that F=16.967, ρ=.000 for the model. The t-value of the coefficient for the significant social capital variables are as follows: running into friends and acquaintances when shopping (t=-3.234, ρ=0.001), being in a management committee (t=3.080, ρ=0.002), feeling safe walking down ones street (t=2.653, ρ0.009), attending a local community event (t=-2.984, ρ=0.003), helping out a local group as a volunteer (t=2.829, ρ=0.005), and going outside ones community to visit family (t=-2.623, ρ=0.009).

Table 5.25 Regression of Network Variable (PERTIM) and Social Capital Variables

Multiple R		.562			
R^2		.315			
Adjusted R^2		.297			
Standard error		25.997			
Analysis of variance	**DF**	**Sum of Squares**	**Mean Square**	**F**	**Sig.**
Regression	6	68803.52	11467.25	16.967	.000
Residual	221	149365.4	675.862		
Variables in the equation	**B**	**Standard error of B**	**Beta**	**t**	**Sig.**
Constant	92.71	8.081		11.473	.000
Running into friends and	0	2.469	-.238	-3.234	.001
acquaintances when shopping					
Being in a management		1.462	.179	3.080	.002
committee for a local group	4.503				
Feeling safe walking down ones		1.758	.154	2.653	.009
street after dark	4.665				
Attending a local community		1.713	-.200	-2.984	.003
event	-5.111	1.666	.186	2.829	.005
Helping out a local group as a	4.713				
volunteer		2.363	-.201	-2.623	.009
Going outside ones community	-6.198				
to visit family					

5.2.6 Summary of major findings

Table 5.26 presents the results of hypothesis set 3 (there are significant differences between the African, Indian and European entrepreneur groups on network characteristics), and hypothesis set 4 (there are significant differences between the African, Indian and European entrepreneur groups on social capital).

Based on the figures in table 5.9, there is clear evidence that Indian and European entrepreneurs have almost twice as many people in their networks compared to the African entrepreneurs. ***Therefore, on hypothesis 3.1, we can ACCEPT that the European and Indian entrepreneurs will have a higher number of people in their networks compared to the African entrepreneurs.***

Referring to table 5.10 and 5.11, there is evidence to support the hypothesis that both Indian and European entrepreneurs have a wide range of networks.

However, there is no support for the fact that they are more active with them. ***Therefore, on hypothesis 3.2, we can PARTIALLY ACCEPT that the European and Indian entrepreneurs will have a wider range of people and be more active with their contacts compared to the African entrepreneur.***

Table 5.26 Table of Hypotheses (3 & 4) (Networks & Social Capital)

Hypotheses	Action
P 3. There are significant differences between the African, Indian and European entrepreneur groups on network characteristics.	
P 3.1. European and Indian entrepreneurs will have a higher number of people in their networks compared to the African entrepreneurs.	**ACCEPT**
P 3.2. European and Indian entrepreneurs will have a wider range of people and be more active with their contacts compared to the African entrepreneurs.	**PARTIALLY ACCEPT**
P 3.3. European and Indian entrepreneurs will have a more dense network and known their contacts for longer than the African entrepreneurs.	**ACCEPT**
P 3.4. European and Indian entrepreneurs will have a more diverse network compared to the African entrepreneurs.	**ACCEPT**
P 3.5. The responses on the network variables will be able to differentiate between the three ethnic groups.	**PARTIALLY ACCEPT**
P 4. There are significant differences between the African, Indian and European entrepreneur groups on social capital.	
P 4.1. European and Indian entrepreneurs use social capital more than the African entrepreneurs.	**ACCEPT**
P 4.2. There are significant relationships between network characteristics and social capital.	**PARTIALLY ACCEPT**

Referring to table 5.11, the results support the hypothesis that states that both the Indian and European entrepreneurs have known their contacts for longer. ***Therefore, on hypothesis 3.3, we can ACCEPT that the European and Indian entrepreneurs will have a more dense network and known their contacts for longer than the African entrepreneur.***

Similarly, there is evidence from the results (table 5.11) that Indian and European groups having a more diverse network. ***Therefore, on hypothesis 3.4, we can ACCEPT that the European and Indian entrepreneurs will have a more diverse network compared to the African entrepreneurs.***

There was only limited support for whether responses on the various network variables was able to differentiate between the ethnic goups. Based on the results, a mixed picture is evident. ***Therefore, on hypothesis 3.5, we can PARTIALLY ACCEPT that the responses on the network variables will be able to differentiate between the three ethnic groups.***

On testing hypothesis 4.1, we want to find out whether European and Indian entrepreneurs use social capital more than the African entrepreneurs. Based on the results of ANOVA test, the results indicate that there are significant differences between the groups on twelve of the twenty (60%) social capital variables. ***Therefore, on hypothesis 4.1, we can PARTIALLY ACCEPT that there are significant differences between the African, Indian and European entrepreneur groups on utilisation on social capital.***

In the following section, we present the results of testing the hypothesis that states that there are significant relationships between network characteristics and social capital. On the network measure, “how many people did you talk to”, twelve percent of the variation could be explained by a number of social capital variables (see table 5.22). In addition, on the network measure, “hours spent developing contacts”, five percent of the variation could be explained by one variable (see table 5.23). In addition, the network measure, “hours spent maintaining network”, was explained by three percent by one variable (see table 5.24). Lastly, on the network measure, “percentage of time spent on networking”, thirty-two percent of the variation was explained by a number of variables (see table 5.25). ***Therefore, on hypothesis 4.2, we can PARTIALLY ACCEPT that there are significant relationships between network characteristics and social capital.***

5.2.7 Reflections

The study shows significant differences in two of the three measures of network activity when classified according to ethnic group, number of people the entrepreneurs discuss their business with and number of hours spent per week developing contracts. In terms of network density the results indicate that there are significant differences between ethnic groups on the three variables measuring network density – how well network contacts are known, number of years contacts are known and how well contacts know each other. The results show that there are significant differences in the distribution of relationships of contacts according to ethnic groups. Africans and Europeans have more friends in their networks than other types of relations. Indians have a higher percentage of family members in their networks while Europeans have a higher portion of professional acquaintances compared to the other two ethnic groups. Results also show that entrepreneurs from all ethnic groups predominantly have network members who are of the same ethnicity and have similar characteristics as them.

The results of the network analysis are puzzling. One would expect the African group to network extensively. One would expect the extended family to be involved in the business. Also, the rhetoric of communality, ethnicity as a whole, of being African, would be a rich resource for entrepreneurial networks. However, this does not seem to be the case. A possible reason for this lack of networks is because of the low status of entrepreneurship and small business among the African community. One also needs to look at historical reasons for this low status. As Baumol (1990) argues, if entrepreneurship is not valued in the community of a particular country, then not only will it be associated with criminality and corruption but also other forms of economic encouragement will prove ineffective. This seems to be the case of South Africa. The African entrepreneur had no political approval for his business. Politically, capitalism is still the bogeyman, identified with oppression. The township businessman is regarded as a source of 'voluntary contributions' for funerals and other occasions, and an ally, willing or otherwise, in various boycott campaigns.

The Apartheid-created institutions, homelands and black councils, are suspect, labelled corrupt across the board, family cannot be relied on. Perhaps it is this mistrust which is the most important factor shaping the individual nature of the black enterprise, rather than being a symptom of it. (Godsell, 1990). There still seems to be black suspicion of large-scale capitalism and contempt for small scale industry. The Africans have a historical opposition to capitalism as a system, and a resultant low status assigned to small business as an occupation.

Contrastingly, the 'Indian group is never alone' (Godsell, 1991: 40). There seems to be evidence of the old-fashioned spirit of helping among the Indians. Family and religion both play an important role in Indian networks. There seems to be evidence of a belonging, a sense of 'Indianness'. The disadvantaged status and minority status have probably helped this group of Indians to develop. You can extend special terms to other Indians because they form only part of your clientele.

In terms of social capital variables, the study found that there were significant statistical differences in 12 out of 20 items in the scale when ethnicity was used as a differentiating factor. After a factor analysis was performed on the 20 items, a six-factor solution emerged with included the following: participation in community activities, proximity of network members, perceptions of contribution to society, attitude towards multiculturalism, perceptions of safety and trust, access to and freedom to provide information. When a discriminant analysis is performed on the social capital scale, the overall classification accuracy is quite good at 63.04 percent. The regression results indicate that an individual is able to discuss his/her business to more people if he is open to networking with diverse people and participating in community activities. The number of hours spent developing and maintaining contacts also increases when the entrepreneur enjoys living among people of different lifestyles. Lastly, the percentage of time spent networking also increases when the entrepreneur participates actively in community activities and has trust in other people.

5.3 Results: Mixed embeddedness of ethnic entrepreneurship in South Africa

5.3.1 Predictability of laws and policies

The entrepreneurs were asked a number of questions relating to their perception of the institutional context (see appendix A, questions 35–38).

In table 5.27, different obstacles related to predictability of laws and policies are illustrated. Four dimensions were assessed – predictability of changes in law, concerns taken into consideration, coping with changes in suppliers, and coping with changes in customer base. The Chi-square test and ANOVA was used to assess for significant differences between the three groups.

Table 5.27 Predictability of Laws and Policies

Obstacle	African	Indian	European	χ^2 value/F value
Regularly have to cope with changes in rules, laws or policies that affect our business				46.354***a
No	34.3	73.3	54.5	
Yes	64.8	25	45.5	
Changes in laws and policies				
X value	2.12	2.68	3.42	8.849***b
Government takes into account concerns voiced by the public				
X value	2.56	4.89	4.43	51.253***b
Regularly have to cope with changes in suppliers that affect your business	13.9	66.7	37.8	68.792***a
No	86.1	33.7	6.2	
Yes				
Changes in suppliers	2.37	2.56	3.23	7.187***b
X value				
Regularly have to cope with changes in customers that affect your business	14.3	67.5	55.8	69.892***a
No	85.7	32.5	44.2	
Yes				
Changes in suppliers	2.05	2.82	3.28	14.0111***b
X value				

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)* A = chi-square; b = f value

Referring to table 5.27, it is evident that there are significant differences between the three groups on their perceptions of the predictability of laws and policies. The entrepreneurs were asked whether they had to cope with changes in rules, laws or policies, and the results show that almost two thirds (64.8%) of the African group stated that they had to deal with changes in rules and laws that affect their businesses. In contrast, less than half (45%) of the European and only a quarter of the Indian entrepreneurs had to deal with these changes. They were then asked to what degree these changes were predictable, and again, the results showed significant difference between the three groups. Almost three quarters (72.9%) of the African entrepreneurs believed that the changes in laws and policies were completely or highly predictable, whereas only a little more than forty percent (41.3%) of the Indian and just over five percent (5.3%) of the European entrepreneurs stated that these changes were completely or highly predictable. These results indicate that the African group appear to have a more optimistic view of the wider institutional context, whereas the Indian and particularly the European group have a far more pessimistic view of the changing business environment.

The issue of whether the entrepreneurs felt that their concerns were taken into account revealed significant differences between the group, with similar patterns, with more than half (51.1%) of the African group believing that their needs and concerns are always or mostly taken into consideration by the government when changes are suggested. Less than ten percent of the Indian group (6.3%) and European group (4.3%) believe that their voices are heard when changes in laws or polices are raised. Again, these results support the earlier view with both the Indian and European group having a very negative perception of the role of the government in aiding entrepreneurship in this institutional context.

The entrepreneurs were asked whether they had to cope with changes in their suppliers, and whether these changes were predictable. Almost ninety percent (86.1%) of the African group stated that had to cope with changes in suppliers, whereas only a third of the Indian group (33.7%) and less than seven percent (6.2%) of the Europeans had to cope with changes. However, when the groups were asked about whether they had to cope with changes in their customers, the results showed different outcomes. The results are similar for both the African and Indian groups, but now, almost half (44.2%) of the European group stated that they had to deal with changes in customers.

Trying to understand the figures from table 5.7 is challenging. These results are puzzling. On all three obstacles, the African entrepreneurs state that they have to deal with changes in rules and policies, as well as changes in suppliers and customers. Thus, a pattern seems to be emerging that the African entrepreneur does not seem very settled in the entrepreneurial environment. The challenge is to find the reasons for this. One potential reason is the lack of human capital, which included education levels, but perhaps more relevant here, is the business experience. Most evidence from South Africa still shows support for Indian and European entrepreneurs having significantly more experience in the business world and industry in general. Having less experience in adapting to, changes in policy, customers or suppliers would then have a bigger impact on the African's business. They basically have not had to deal with this 'ambiguous' environment, and it is alien to them. This is further worsened by their mindset, of been afraid of failing in their venture.

Another potential reason is the lack of confidence in being able to manage the ongoing changes in the entrepreneurial environment.This could be further evidenced by the lack of confidence in what they are doing. Another potential reason is the level of social capital. Previous research from the South African context shows support for the fact the the Indian entrepreneur in particular, is able to draw on a wide range of contacts from family, friends and their community in order to assist in his business. The evidence points to the collective 'Indianness' and being willing to help each other. There is also evidence from the European entrepreneur that he gets more support from family and has a wider network of formal networks, so is able, when needed, to get legal, financial, and operational advice. In contrast, the African entrepreneur has a very narrow network, and does not always seem to get the support of the family and friends. Also, the community, at times is against entrepreneurial activity. In certain communities, entrepreneurs are viewed with mistrust and are perceived to be more individualistic rather than community-oriented. Hence, African entrepreneurs would struggle to get the support from networks, and the traditional view of African culture being community in spirit and always looking out for each other seems to have been eradicated. The cause of this is not clear, but there is some merit in arguing that with mass urbanisation, this predominantly rural village culture has been lost over time.

There also seems to be a school of thought that the African entrepreneur has become more like the Western European entrepreneur and looks after himself first. However, what they are missing is the background and experience that many of the European and Indian entrepreneurs have been fortunate to have in the entrepreneurial world. There is also support for the view that one of the outcomes of Apartheid was to develop a culture of dependency. For almost fifty years, they have been treated as inferior human beings, told what to do, told where to live, and where they could and could not do for work, that over time, this has had a major impact on their mindset. There is also support that the African group tend to be less risk-taking and initiative takers, which one could argue is due, to some degree, the history of colonialism and more recently Apartheid.

The results of the agencies perspective of the predictability of laws (table 5.28), indicate that the agency employees agree that entrepreneurs have to deal with unexpected changes in rules and policies, and almost ninety percent (83.3%) agree that entrepreneurs have to deal with this uncertainty. In addition, only half of the agency employees believed that the government takes into account concerns voiced by the entrepreneurs.

Table 5.28 Agencies' perspective of the predictability of laws and policies

Obstacle	Agency
Regularly have to cope with changes in rules, laws or policies that affect our business	
No	16.7
Yes	83.3
Changes in laws and policies	
X value	3.58
Government takes into account concerns voiced by the public X value	3.92

Comparing the results to the entrepreneurs, one notices that the African group are far more optimistic about changes in laws and policies, whereas the European group are more sceptical than the agency employees. Furthermore, on the issue of government taking into account concerns of entrepreneurs, the entrepreneurs are far more pessimistic abut the government than the agency employees, with less than half of the European and African entrepreneurs (47.8% and 43.7% respectively) stating that there concerns are only sometimes taken into account, whereas for the Indian group, less than a quarter (24.1%) of the respondents stating that that their concerns are taken into consideration.

5.3.2 Characteristics of the institutional context

The study was also concerned with the obstacles that the entrepreneurs faced in doing business in the context of South Africa. Respondents were asked to judge on a six – point scale, (1= not problematic; 6 = very problematic), on how problematic different policy areas were for doing business. Looking specifically at the African group, financing, labour regulations as well as crime and theft were seen as the most problematic. For the Indian entrepreneurs, crime and theft, tax regulations, and labour regulations were perceived as the most problematic in doing business. Crime and theft, inflation as well as high taxes were the major obstacles identified by the European respondents.

Table 5.29 Overall government-business interface

Statement	Overall	African	Indian	European	Agencies	F value
Regulations for starting business	2.48	2.64	2.24	2.65	3.18	2.168
Price controls	2.76	2.85	2.58	2.92	3.80	.953
Regulations on foreign trade	2.84	3.11	2.67	2.74	4.73	2.641*
Financing	2.87	3.42	2.35	2.90	5.64	10.245***
Labour regulations	3.23	3.39	3.28	3.00	4.64	2.235
Foreign currency regulations	2.71	2.93	2.48	2.77	4.36	2.116
Tax regulations and/or high taxes	3.59	2.97	4.20	3.56	4.82	12.252***
Inadequate infrastructure	2.58	2.99	2.15	2.71	3.55	7.820***
Policy instability	2.52	2.82	2.18	2.64	3.45	4.770**
Safety/environmental regulations	2.85	2.84	2.82	2.91	3.91	.247
Inflation	3.65	2.91	3.95	4.19	4.19	13.105***
Uncertainty on costs of regulation	2.91	2.94	2.61	3.41	3.41	4.584**
Crime and theft	3.95	3.18	4.40	4.30	4.30	9.966***
Corruption	3.15	3.24	2.96	3.36	3.36	1.691
Terrorism	2.47	3.23	1.91	2.15	2.15	12.574***
Other	2.21	2.75	1.36	2.75	2.75	13.475***

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

Based on the results of ANOVA tests, there are a number of significant differences between the three ethnic groups with regard to perceived obstacles in doing business (see table 5.29). Financing as an obstacle was significantly different between the groups (F=10.245; ρ=.001), with it being very problematic for the African group, who had an average score of 3.42, but less of a problem for the Indian group (2.35) and the European group (2.90).

There was also significant differences regarding tax regulations between the groups (F=12.252; ρ= .001), with the Indian group seeing it as a major obstacle in doing business more than Africans and Europeans. Inflation was also a major problem for the Indian and European respondents, but less so for the Africans. There were significant differences between the groups with regard the issue of crime and theft (F= 9.966; ρ= .001). The Indian group scored on average 4.40, European group 4.30 and the African group 3.18 respectively.

Therefore, the results indicate that there were significant differences in the perceptions of obstacles facing their business between the African, Indian and European entrepreneurs on nine of the fifteen obstacles, which included the following: regulations on foreign trade, financing, tax regulation and/or high taxes, inadequate infrastructure, policy instability, inflation, uncertainty on costs of regulation, crime and theft, and terrorism.

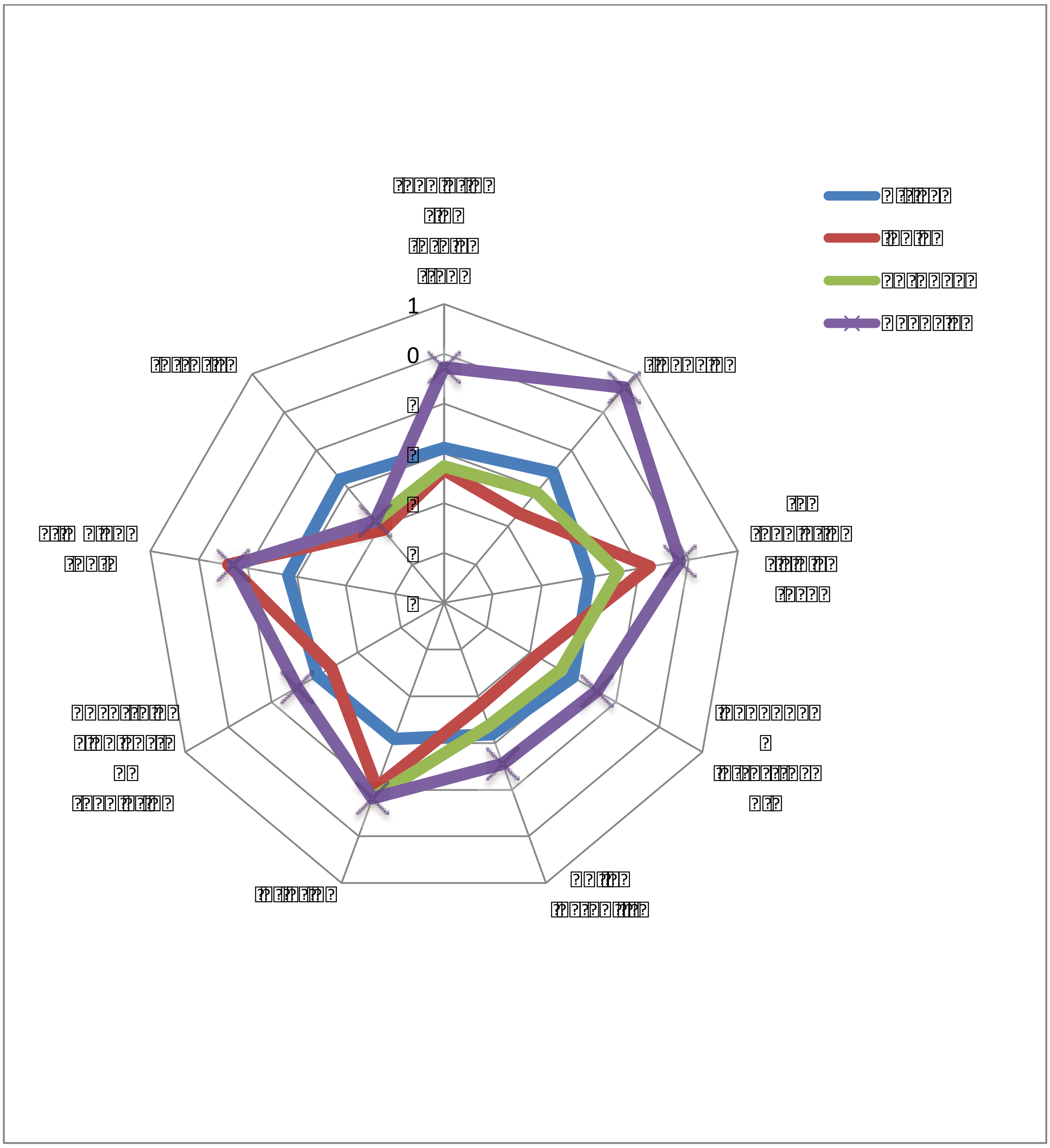


Figure 5.1 Comparison of the three groups on obstacles

In figure 5.1, the nine obstacles which showed significant difference between the groups are illustrated. In addition, the responses of the agencies are also shown. What is interesting to note from the diagram, is that on the obstacles “crime and theft”, and “financing”, and tax regulations/high taxes”, the agencies’ responses were much higher, indicating that they saw these obstacles as very problematic.

What is most interesting about the results in figure 5.1 is the fact that the responses from the three ethnic groups are very similar on a number of factors, whereas the agenceis see tax and foreign tade as being a major obstacle for the entreprenurs. A possible reason for this is that agencies are asked for assistance form entreprenurs when they are faced with these problems, whereas for most of the entreprenerus, these might not play a role in their everyday business, so they are not aware of them.

The other enlightening result is that the agencies rate finance as a major obstacle, and see it is as a more significant obstacle than any of the ethnic groups. This result seems to contradict what we tend to know about access to finance, especially within the African entrepreneur group. One potential reason for finance being seen as a major obstacle for African entrepreneurs in the research is that there has been a major government drive to make access to capital available to entrepreneurs, especially African and women entrepreneurs. Therefore, we might be seeing the results of this programme.

The other interesting result is the figure on crime and theft. The Indian group see this is a more significant obstacle than the other two groups. One potential reason for this might be the type of industry that many Indians are involved in, such as retail and manufacturing. The other feasible reason might the location of the business, where historically many Indian businesses being based on the outskirts of African areas and on the outskirts of the central business district, where crime might be higher as they are seen as easy targets for the criminals.

In order to reduce the number of factors, it was decided to factor analyse the instrument. The results of the factor analysis on the problematic policy areas are illustrated in table 5.30, and show the emergence of a three factor solution that accounts for 68.2 percent of the variance.

Table 5.30 Rotated Factor Structure for Policy Areas

Factors	Factor Loading
Factor 1. Regulatory environment	
Policy instability	0.811
Price control	0.767
Inadequate infrastructure supply	0.715
Regulations on foreign trade	0,699
Regulations for starting business	0,662
Safety or environment regulations	0.622
General uncertainty on cost of regulations	0.534
Foreign currency regulations	0.489
Factor 2. Security and corruption	
Terrorism	0.866
Corruption	0.802
Financing	0.712
Factor 3. Crime and economic costs	
Crime and theft	0.836
Inflation	0.791
Tax regulations	0.764
Labour relations	0.662

Extraction Method: Principal Components Analysis
This table is based on Varimax Factor Rotation
3 factors extracted/only items that loaded with values greater than 0.35 are shown

The three factors identified through the factor analysis are:

Factor 1. Regulatory environment

This factor had eight item loadings ranging from 0.816 to 0.485 and included items such as policy instability, price control, inadequate infrastructure supply, regulations on foreign trade, regulations for starting business, safety or environment regulations, and general uncertainty on cost of regulations. This factor related to the entrepreneurs' perception on various regulations, the lack of infrastructure, and the instability and uncertainty of government policy.

Factor 2. Security and corruption

This factor had three item loadings and included the following items: terrorism, corruption and finance. This factor deals with the entrepreneurs' perception of how the influence of corruption on terrorism on business, and the issue of finance. The component loadings ranged from 0.862 to 0.707.

Factor 3. Crime and economic costs

This factor had four item loadings ranging from 0,833 to 0,659 and included items such as labour relations, tax regulations, inflation, and crime and theft. This factor corresponds to entrepreneurs' perceptions of the impact of crime and theft to their business, and the costs of inflation and high taxes.

Based on the initial-components factor analysis method used to determine the number of possible factors present, and from the eigenvalues greater than one, it was decided to have three factors because the eigenvalues of the fourth factor was less than one (0.935). In order to determine a finer selection of factors, an orthogonal varimax rotation was completed. The factor loadings for each of the three were greater than 0.35. All the eigenvalues for the respective factors were greater than the value of one, which fulfils the Kaiser criterion (SPSS, 2011). Furthermore, a scree test was also performed to confirm the decision. Based on the scree plot and the Kaiser criterion, it was confirmed that the correct number of factors to extract was three.

As can be seen from the table (table 5.31), a number of items were loaded onto more than one factor. For purposes of interpretation, only factor loadings greater than 0.30 were shown in Table 5.31, and the highest loading of each variable was identified and used in the labelling of the factors. It can be seen that all the three factors have an eigenvalue of above the value of one, ranging from 1.31 to 7.43. Factor 1, regulatory environment, contributes a variance of 46.43 percent, followed by factor 2, security and corruption, which contributes 13.61 percent. Crime and economic costs, factor 3, contributes 8.16 percent of the variance. The total cumulative variance accounted for by the three factors is 68.20 percent (refer to table 5.31).

Table 5.31 Rotated Factor Matrix for Policy Areas

Item	Regulatory environment	Security and corruption	Crime and economic costs
Policy instability	0.811		
Price control	0.767		
Inadequate infrastructure supply	0.715	0,459	
Regulations on foreign trade	0,699		0.336
Regulations for starting business	0,662		0,376
Safety or environment regulations	0.622		0.372
General uncertainty on cost of regulations	0.534		
Foreign currency regulations	0.489	0.447	
Terrorism	0.375	0.866	
Corruption		0.802	
Financing	0.429	0.712	
Crime and theft			0.836
Inflation			0.791
Tax regulations			0.764
Labour relations	0.402		0.662
Eigenvalue	**7.43**	**2.18**	**1.31**
Cronbach's Alpha Coefficent (α) (Overall 0,837)	**0.764**	**0.735**	**0.686**
Percent of Variance Explained (Total 68.20%)	**46.43**	**13.61**	**8.16**

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalisation

Item analysis was also performed on the data. The Cronbach's alpha coefficient (α) was calculated to determine the internal consistency of the items on the scale. The alpha value for the entire problematic policy areas scale was found to be 0.8373, which indicated that the internal consistency was quite high. Cronbach's alpha coefficients for each factor of the scale were as follows: factor 1 = 0.764; factor 2 = 0.735; and factor 3 = 0.686 (table 5.31) respectively.

5.3.3 Efficiency of government in providing services

Table 5.32 shows the results when entrepreneurs were asked how efficient in general the government is in delivering services now.

Table 5.32 General Efficiency of Government in Delivering Services

Response	African	Indian	European	Agency	F value
Very efficient	41.9	3.4	0	0	31.650***
Efficient	26.7	42.0	2.4	8.3	
Mostly efficient	14.3	10.9	24.4	41.7	
Mostly inefficient	4.8	14.3	39.0	33.3	
Inefficient	7.6	19.3	17.1	16.7	
Very inefficient	4.8	10.1	17.1	0	
X value	2.24	3.34	4.22	3.58	

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

Looking at the results show that the African group see the government as being efficient in delivering services, with almost ninety percent (82.9%) responding as efficient, in answering the question " how would you generally rate the efficiency of the government in delivering services?" In contrast, only a little less than sixty percent (56.3%) of the Indian and a little over a quarter (26.8%) of the European entrepreneurs having the same believe in the government's efficiency in delivering services. Based on the results of the ANOVA, the differences are significant (see table 5.32). When the responses of the agency employees are looked at, the results show that only half (50%) believe that the government is efficient in delivering services.

5.3.4 Programmes and services

An important component of the formal institutional framework is the programmes and services made available to SMEs. This section details the responses of the entrepreneurs on various aspects of using, and their evaluation of the various programmes and services available to them. Table 5.33 presents the level of awareness that the various entrepreneurs have about SME programmes and services. Overall, all groups were more aware of the financial rather than the non-financial programmes, and the African group being more aware of the government services than the other two groups. Only the first type of programme, “government non-financial” showed significant differences between the groups. More than a third (37.7%) of the African and a third of the Indian (33%) entrepreneurs were aware of these programmes, whereas only less than twenty percent (18.4%) of the European entrepreneurs were aware of these programmes.

Table 5.33 Awareness of Programmes and Services for SMEs

Type of programme	African	Indian	European	χ^2 value
Government non-financial	37.7	33.0	18.4	9.023*
Private non-financial	33.0	37.8	23.3	3.145
Government financial	42.1	36.5	24.3	7.213
Private financial	43.0	48.3	42.1	2.570

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

Referring to the entrepreneurs who actually used the various programmes, the results are displayed in table 5.34. Only a few of all the groups (11.8% African; 6.2% Indian and 0% European) took advantage of the government non-financial services, but in contrast, more than three quarters (77.6%) of the African entrepreneurs utilised private non-financial services, with less than seven percent (6.5%) of the Indians and no Europeans accessing this service.

Table 5.34 Availed of the following services

Type of programme	African	Indian	European	χ^2 value
Government non-financial	11.8	6.2	0.0	13.141*
Private non-financial	77.6	6.5	0.0	1.11***
Government financial	48.2	15.2	12.1	27.277***
Private financial	9.4	53.7	20.6	31.140***

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

Regarding financial services, just under half (48.2%) of the Africans used this service, whereas only 15 percent of the Indians and 12 percent of the Europeans chose to use this service. In contrast, utilisation of private financial services shows a different picture, with less than ten percent (9.4%) of the Africans using this service, whereas more than half (53.7%) of the Indian and just over 20 percent (20.6%) of the European entrepreneurs using this service. In addition, when we look at the results of the Chi-square test, it shows significant differences between the groups on all types of programmes.

The entrepreneurs were then asked if they had not availed of the programmes, what the reasons for that decision were. The results (table 5.35) show the main reason given was that they did not know about the programmes, with more than three quarters (76.5%) of the European, and a little under half (48.1%) of the Indians and more than a third (35.6%) of the African entrepreneurs not being aware of the existence of these programmes. Interestingly, more than half (57.8%) of the African group said that they did not need the programmes, whereas only a little more than a third (36.5%) of the Indians and less than 20 percent (17.6%) of the Europeans stating that they did not utilise the programmes because they did not need them.

Table 5.35 Reasons for NOT availing of the programmes

Reason	African	Indian	European	χ^2 value
Did not know about them	35.6	48.1	76,5	42.290***
Do not need the assistance programmes	57.8	36.5	17.6	
Someone I know had a bad experience	6.7	5.8	0.0	
Others	0.0	7.7	5.9	

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05)*

Regarding the usefulness of the programmes, 70 percent of the African entrepreneurs stated that the programmes were useful to the success of their business, However, in contrast, only 17 percent of the Indian and 10 percent of the European entrepreneurs stated that the programmes for useful for them. In addition, we notice that there are also significant differences in the mean values of the three ethnic groups, with the Africans agreeing to a greater degree with the statement, and the Indian groups disagreeing the most with the statement about the value of these programmes. The Chi-square and ANOVA value show that the differences between the three groups are statistically significant.

The entrepreneurs were asked whether they made use of the specific agencies. What is apparent is the lack of use made of the agencies by the Indian entrepreneurs, whereas for the other two groups, there is a certain pattern emerging. For the African group, the most used agencies were Ithala and KwaZulu Financing Corporation. Both of these agencies are fairly new and focus heavily on start-up capital predominantly for the ethnic groups that have been discriminated against in the past in South Africa. Looking at the responses of the European group, the only well used agency is the Durban Chamber of Business, which traditionally has been an organisation where information and contacts can be made and developed. There was a statistically significant difference between the groups on the three agencies.

Entrepreneurs were asked their general evaluation of various aspects of programmes. The different dimensions were the ease of information access, understandability of information, ease of application, application speed, and reasonability of the programme terms and conditions. The majority of all groups stated that the information was easy to access, as well as easy to understand. However, there was mixed reaction to the question of the ease of application, with a third of the European entrepreneurs stating that it was poor, and a little under 18 percent of the Africans stating the same. The results were similar for speed to application, with a quarter of the Africans and a third of the Europeans stating that the speed to application was poor, and 17 percent of the Indians stating that it was very poor. The results show that there was a statistically significant difference between the groups on ease of application, speed to application, and reasonability of terms and conditions.

The entrepreneurs were asked whether the country is conducive to entrepreneurship (on a scale from 1 to 5, with 1 representing strongly agree, and 5 strongly disagree), and their responses show almost eighty percent (78%) of the Indian and two thirds (67%) of the African entrepreneurs see South Africa as being conducive to entrepreneurship (see table 5.36). In contrast only a little over half (53.3%) of the Europeans stated that they see the country as being conducive to entrepreneurship. Also looking at the mean scores, we again notice that the Indians are the most positive, and the Europeans the least optimistic about conducting business in this environment. Furthermore, the differences between the groups are statistically significant.

Table 5.36 Conduciveness of South Africa to Entrepreneurship

Response	African	Indian	European	χ^2 / F value
X value	2.06	1.98	2.40	2.357b

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05) (a= chi square test; b = ANOVA result)*

The entrepreneurs were then asked, specifically for their ethnic group, how conducive is South Africa for entrepreneurship (see table 5.37). A similar pattern emerges, but this time, the African entrepreneurs are the most positive, with almost three quarters (72.6%) stating that South Africa is conducive for African entrepreneurs to conduct business.

Table 5.37 Conduciveness of South Africa to Entrepreneurship (for my ETHNIC Group)

Response	African	Indian	European	χ^2 / F value
X value	1.96	2.10	2.87	10.924***b

*(*** = p ≤ .001; ** = p ≤ .01; * = p ≤ .05) (a= chi square test; b = ANOVA result)*

The responses of the Indian entrepreneurs are very similar with 70 percent stating that the country is conducive for their ethnic group to do business. In contrast, only a little over a third (35.5%) of the European entrepreneurs stated that South Africa is conducive for Europeans to conduct business, and more than a quarter stating that it was not conducive. Again, looking at the mean score, we notice that the African group are the most positive, with the European group being the most pessimistic about the conduciveness of the environment for their ethnic group to conduct business.

These results on the conduciveness of the environment are a little ambiguous. As expected the Indian entrepreneurs see the country as being very conducive to entrepreneurship. A potential reason for this lies in their unique history in South Africa. They have a long tradition of trading and enterprise, and were able to survive during Apartheid, and there is every reason to expect them to survive and flourish under the new democracy.They are at ease with their ethnic minority position in South Africa and have managed to find ways of being successful, irrespective of the wider context. They also have the advantage of having a very strong network of family and community.

With the African group, one possible reason for this positive outlook of the context, is that they have the opportunities to go into industries that were previously inaccessible to them. Furthermore, there are many government agencies and programmes geared to helping them on their entrepreneurial journey. In contrast, the more experienced European entrepreneur has a more negative outlook of the context. One possible reason is that they might be comparing the situation now to what happended in the past, and one major change for many entrepreneurs is government policy, such as Black Economic Empowerment (BEE) and Affirmative Action (AA), which have been put in place to attempt to redress the past inequalities. However, the direct impact this has for many European entreprenurs is that they cannot get access to government tenders or projects as preferential treatment will be given to the ethnic groups which were seen to be disadvantaged in the past regime. However, there seems to be some evidence that both Indian and European entrepreneurs are joining forces with African entrepreneurs in order to get access to these lucrative business opportunities. This is especially common in large construction projects, such as stadiums and infrastructure for the World Cup of 2010, where we saw partnerships between new African and old European construction forms working together on major contracts.

5.3.5 Major constraints

Overall constraints facing your business

Referring to table 5.38, respondents were asked what the most important overall constraints facing their business were. The findings indicate that there are a number of significant results. An ANOVA test was conducted to measure for significant differences between the three ethnic groups. On the issue of business environment, the African groups saw all measures of constraints as higher than the other groups. In addition, based on the ANOVA results, two of the three measures showed significant differences between the three ethnic groups. On the constraint of access to loans, the Indian group saw this as a higher constraint than the other groups facing their business, and there was a significant difference between the groups on this measure. On the various measures of the market as a constraint, the Indian and European groups saw these constraints as being more important, and there were significant differences between the groups on two of the four measures. On the issue of regulation being a constraint, the Indian group saw this as a bigger issue, and the statistical analyses showed significant differences between the groups on both measures. Lastly, on measures of skills and labour, four of the six measures showed significant differences between the groups, with accounting being a constraint for the African group, whereas having affordable and reliable labour was a constraint for the Indian group.

Table 5.38 Most important overall constraints facing your business?

Overall constraint	African	Indian	European	F value
Business environment				
Gangsters	2.33	1.74	1.70	6.226***
Theft	2.67	2.66	2.47	.548
Violence	2.71	1.83	1.81	13.258***
Finance				
Access to loans	2.52	1.63	2.03	11.945***
Market				
Competition	2.47	3.15	2.66	7.439***
Cost of equipment	2.43	2.48	2.39	1.064
Cost of materials	2.62	2.67	2.91	2.366
Cost of supplies	2.58	2.98	3.06	3.806*
Regulation				
Company tax	2.23	3.32	2.36	19.319***
VAT administration	2.20	2.82	2.47	4.769**
Skills and labour				
Accounting	2.26	1.69	1.94	5.183**
Calculating costs	2.25	1.58	1.62	9.498***
Cost of labour	2.48	2.71	2.26	3.350*
Reliable labour	2.37	2.93	2.50	4.345**
Skilled labour	2.46	2.70	2.76	1.254
Technical skills	2.45	2.14	2.35	2.160

*(*** = $p \le .001$; ** = $p \le .01$; * = $p \le .05$)*

Financial constraints

The entrepreneurs were asked about their most important financial constraints. For the African group, all funding and credit problems (49.5%), lack of operational funds (44.4%), and lack of investment funds (33.3%) were the major financial constraints. For the Indian group, lack of credit (14.3%), lack of operational funds (14.3%), and lack of investment funds (10.6%) were the most important, although none of these factors were crucial for more than fifteen percent of the sample. For the European group, lack of operational funds were a major constraint for more than half (51.4%) of the group. When comparing the groups, there were statistically significant differences between the groups on all constraints except for the measure “lack of credit”.

Market constraints

Referring to market constraints, competition was a major market constraint for more than half (57.8%) of the African group, and more than a third stated that illegal competition (36.7%) and number of competitors increasing (35.8%) as major market constraints affecting their business. For the Indian group, the results were very similar with competition (55.8%) being the major constraint, and illegal competition (45.4%), and number of competitors increasing (37.5%) also being major constraints. For the European group, competition was the major constraint (47.4%), and not enough customers (45.9%), and number of competitors increasing (44.7%) also being a constraint. When testing for significant differences between the groups, only the following showed significant differences: bad debt from credit, lack of product publicity, not enough customers, and all market problems.

5.3.6 Agencies perspective of the institutional context

This section presents the results from the questionnaire given to the various agencies involved with SMEs in the province. Please see appendix B for the questionnaire.

The responses of the agencies on the following aspects of the institutional context will be presented:

- Political and economic factors affecting SMEs
  - Predictability of laws and policies
  - Political instability and security of property
  - Overall government-business interface
  - Bureaucratic red tape
  - Efficiency of government in providing services
- Programmes and support services for SMEs
- Evaluation of programmes and services

Political and economic factors affecting SMEs

This section will reflect the results from five aspects of the political and economic factors affecting SMEs in this context. Table 5.39 shows the responses of the agencies regarding predictability of laws and policies.

In referring to the table 5.39, which reflects the agencies responses, it is apparent that the agency employees agree that entrepreneurs have to deal with unexpected changes in rules and policies, and almost 90 percent (83.3%) agree that entrepreneurs have to deal with this uncertainty. Furthermore, half of the agency representatives believe that entrepreneurs expect the government to stick to announced major policies. In addition, only half of the agency employees believed that the government takes into account concerns voiced by the entrepreneurs. Comparing the results to the entrepreneurs, one notices that the African group are far more optimistic about changes in laws and policies, whereas the European group are more sceptical than the agency employees. Furthermore, on the issue of government taking into account concerns of entrepreneurs, the entrepreneurs are far more pessimistic about the government than the agency employees, with less than half of the European and African entrepreneurs (47.8% and 43.7% respectively) stating that their concerns are only sometimes taken into account, whereas for the Indian group, less than a quarter (24.1%) of the respondents stating that that their concerns are taken into consideration.

Table 5.39 Predictability of laws and policies

Obstacle	Agency (%)	X-value
Regularly have to cope with changes in rules, laws or policies that affect our business **No**	16.7	
Yes	83.3	
Changes in laws and policies X value		3.58
Do entrepreneurs expect the government to stick to announced major policies? X value		2.58
The process of developing new rules or policies is usually such that affected businesses are informed X value		4.0
Government takes into account concerns voiced by the public X value		3.92
Do entrepreneurs fear retroactive changes of regulations that are important for their business operations? X value		3.17
In the last ten years, predictability of laws and policies has Increased, remained about the same, decreased? X value		.67

The results relating to the issue of political instability and security of property, show that five dimensions were evaluated – rule changes due to regular and irregular government changes, theft and crime, judiciary reliability, security of property and personal safety. Change in government is one of the frequent causes of unpredictable changes in rules and policies. The responses from the agencies showed that more than eighty percent (83%) agreed that a constitutional change in government leads to a change in rules and regulations that impact their business. The problem of unpredictable changes in rules and policies caused by irregular changes in governments is a form of political instability that does not automatically imply that there is also large uncertainty for entrepreneurs. Results shown in table 5.39 indicate that almost half (49%) of the agencies stated that this is a problem facing businesses. On the issue of theft and crime increasing the cost of doing business, the results indicated that all (100%) of the agencies stating this was a major problem for entrepreneurs conducting their business in the South African context.

The results seem to paint a very negative picture that agencies have of the entrepreneurial context. One needs to be careful not to read too much into these results as the sample of agencies was small. One possible reason for this result is that there have been significant changes to the SME support industry in the province, with many organisations being started, and others being merged. This ‘chaotic’ environment became clear when the Department of Trade and Industry did not even have an up to date register of all the agencies in the province. Also, there seemed to be a lot of duplication and agencies offering similar programmes and services. I think this disorganisation and state of transition and change has been reflected in the negative responses of the agencies. Also, another potential reason is that they tend to only see the entrepreneurs that are wanting support, or training, or intending to start their own business. Therefore, they might not have exposure to the well established and successful businesses, so they do not always see the whole picture.

The security of property question also addresses the question of personal safety. As opposed to the preceding question, this question does not relate crime and theft to the cost of doing business, but asks whether business people trust the authorities to protect them and their property. More than ninety percent (92%) of the agencies stated that they did not feel confident that the state authorities would protect their person and property from criminal actions. Lastly, on the issue of unpredictable judiciaries, the results of the agencies again show that more than ninety percent (91%) state that this is an obstacle for entrepreneurs conducting business in this context.

In table 5.40, the results of the agencies perception of the overall government business interface is presented, and reflects the agencies perspective of the major obstacles facing entrepreneurs in this context. Looking at the results, a clear pattern emerges, which shows the perception of the agency representatives are a great deal more pessimistic than those of the entrepreneurs. On all but one of the obstacles (terrorism), the agencies see the obstacles as being stronger than the entrepreneurs do. For the agencies, financing is a big obstacle facing entrepreneurs, with tax regulations and labour relations also being very strong.

Table 5.40 Overall government-business interface

Statement	Agencies	Entrepreneurs
Regulations for starting business	3.18	2.48
Price controls	3.80	2.76
Regulations on foreign trade	4.73	2.84
Financing	5.64	2.87
Labour regulations	4.64	3.23
Foreign currency regulations	4.36	2.71
Tax regulations and/or high taxes	4.82	3.59
Inadequate infrastructure	3.55	2.58
Policy instability	3.45	2.52
Safety/environmental regulations	3.91	2.85
Inflation	4.19	3.65
Uncertainty on costs of regulation	3.41	2.91
Crime and theft	4.30	3.95
Corruption	3.36	3.15
Terrorism	2.15	2.47
Other	2.75	2.21

*(*** = $p \leq .001$; ** = $p \leq .01$; * = $p \leq .05$)*

The results of the agencies on the issue of bureaucratic red tape facing entrepreneurs in this context, reveals that the agencies perception of various obstacles related to bureaucratic red tape. It assesses six dimensions – frequency of corruption, bribe amount predictability, corruption and blackmail, uncertainty about receiving service after bribe, discretionary power of bureaucrats, and changes in dealing with officials.

On the question of entrepreneurs having to make irregular extra payments to get things done, the results show that a third (33%) of the agencies believe this mostly or always happens. Another fifty percent believe that it frequently or sometimes occurs. The question on predictability of amount of bribe show that a quarter (25%) of the agencies stating that entrepreneurs usually know how much extra payment is due, whereas almost half (42%) that they sometimes know the amount expected of them. On the statement of whether dealing with government officials in the last ten years has got more difficult or easier, three quarters stated that it has become more difficult than in the past.

The agency respondents were asked about the efficiency of the government in providing services. Results show the agency results when they were asked to rate their overall perception of: efficiency of customs, roads, mail delivery and public health care provision. Only a third (33%) stated that customs were efficient, whereas more than forty (41%) percent stated that the condition of the roads were good. On the issue of mail, more than ninety (92%) percent stated that they saw this service as being very efficient. On the general question of the efficiency of the government in delivering services, only half (50%) stated that they were efficient or mostly efficient.

Programmes and support agencies for SMEs

The agencies were asked a number of questions relating to programmes and service that they offer to SMEs in the province. The results illustrate that of the agencies surveyed, more than half (58%) offered non-financial services, and a third (33%) offered both financial and non-financial services to entrepreneurs. Regarding non-financial programmes, all offered various sorts of information, and almost ninety percent (83%) gave training, and three quarters acted as consultants to entrepreneurs. In contrast, only a quarter gave technical advice, and offered marketing expertise for entrepreneurs.

Regarding the financing of the various programmes, half of them were government funded, with only a quarter relying on international aid. Also of interest, is that a little over half (58%) used internal funds to assist in operating expenses. In addition, when asked whether the financial assistance give to their organisations affected what types of services and programmes they could offer entrepreneurs, almost ninety (83%) percent said that it did. Therefore there seems to be a very high reliance of external funds in order to operate efficiently. Furthermore, almost all (92%) of the agencies stated that they were influenced in choice of services and programmes offered by what the demands of the market were at that stage.

The agencies respondents were asked how they informed the entrepreneurs of their services. The use of brochures were used by almost ninety (83%) percent of the agencies, whereas only half used advertisements in the print media, and a little more than forty (43%) percent used specific invitation letters to get their information to the entrepreneurs. The internet was only used by less than twenty (17%) percent of the agency respondents as a means to inform the entrepreneurs of the services and programmes that they offer. The agency respondents were asked whether they evaluated the effectiveness of the dissemination of information, and only a third said that they did this, whereas almost all (92%) stated that they evaluated whether the programmes and services they offered were effective. In addition most of the agencies (83%) stated that they gained feedback from the entrepreneurs with regard to the programmes offered to the entrepreneurs. In addition, the agency respondents were asked whether they believed that their programme helped people become entrepreneurs, and almost ninety (83%) percent believed that hey assisted them. Furthermore, most (92%) believed that their programmes and service aided entrepreneurs in becoming more successful, and all stated that their services were responsive to the needs of the entrepreneur.

Evaluation of programmes and services

The respondents of the agencies' general evaluation of various aspects of programmes and services will be illustrated. The different dimensions were – relevance, effectiveness, efficiency, and sustainability of the programmes. Regarding the relevance of the programmes, almost all (83%) of the respondents believed that their programmes are relevant, and consistent with the overall goals and objectives. However, when asked whether the objectives were achieved, the number dropped to three quarters (75%), which shows that one quarter believe that their objectives are not achieved in delivery of the programmes and services. Looking at the efficiency of the programmes and services, only a third (33%) believe that the activities are cost effective, and half stated that the objectives are achieved. On the issue of sustainability, only forty percent stated that their programmes and services continued after the donor funding ended, which illustrates that there is a dependency on external funding for the survival of the services, rather than being self sustainable.

5.4 Summary of major findings

Table 5.41 presents the results of the hypotheses discussed earlier in section 3.6 relating to the institutional context.

Table 5.41 Table of hypothesis set 5 (perceived institutional obstacles in South Africa)

Hypothesis	Action
P 5. There are significant differences between the African, Indian and European entrepreneur groups on perceived institutional obstacles in South Africa.	**ACCEPT**
P 5.1. The African entrepreneur group will have a more negative perception of predictability of laws and policies.	**ACCEPT**
P 5.2 The African entrepreneur group will have a more negative perception of the overall government-business interface.	**PARTIALLY ACCEPT** (on 9 of the 15 statements)
P 5.3 The African entrepreneur group will have a more negative perception on the conduciveness of South Africa for entrepreneurship.	**NOT ACCEPT (reject)**

Based on the results of testing hypothesis set 5, there are significant differences between the African, Indian and European entrepreneur groups on perceived institutional obstacles in South Africa. The results in table 5.27 show that on all measures of predictability of laws and policies, there are significant differences between the three ethnic groups. ***Therefore, on hypothesis, 5, we can ACCEPT that there are significant differences between the African, Indian and European entrepreneur groups on obstacles facing their business.***

Referring to hypothesis 5,1, that tested for perception of the predicatability of laws and policies, the results are clear. The results from table 5.27 illustrate that the African entrepreneurs perceives the entreprenerurial environment as being very challenging and they have to deal with both changes in rules and polciies, in addition to changes in suppliers and customers. ***Therefore, on hypothesis 5.1, we can ACCEPT that the African entrepreneur group will have a more negative perception of predictability of laws and policies.***

On hypothesis 5.2, that tested for perceptions of the overall government-business interface, the results are less clear. Referring back to table 5.29, the results only support the hypothesis on a number of the questions. For the Africans, financing was a major obstacle whereas for the Indians and European entrepreneurs, crime and theft was the most important obstacle facing them in their businesses. ***Therefore, on hypothesis 5.2, we can PARTIALLY ACCEPT that the African entrepreneur group will have a more negative perception of the overall government-business interface.***

Referring to hypothesis 5.3, which tested for perceptions on the conduciveness of South Africa for entrepreneurship, the results were unexpected. Based on the figures illustrated in table 5.36, the results do not support the hypothesis. ***Therefore, on hypothesis 5.3, we can REJECT the hypothesis that the African entrepreneur group will have a more negative perception on the conduciveness of South Africa for entrepreneurship.***

5.5 Chapter reflections

The research results show that entrepreneurs of different ethnicities within the same context can have dissimilar perceptions of their environment. The results indicate that the African entrepreneurs are more optimistic about the entrepreneurial environment than the other two groups, and have a more positive attitude towards the role of the government. What was interesting is that the view of the agency respondents is that they have a more negative view of the changes in laws and policies affecting the entrepreneurs.

Results from the factor analysis showed that the problematic policy areas can be reduced from fifteen to three dimensions: regulatory environment, security and corruption, and crime and economic costs. Entrepreneurs consider these three dimensions in deciding whether the environment is conducive to enterprise or not. As for programmes and services for entrepreneurs, the responses from the three ethnic groups show significant differences with more than two thirds (68.6%) of the African group stating that they believe that the government is efficient in delivering its services. Regarding the respondents' awareness of programmes and services, the results showed that a third of all ethnic groups were aware of the existing programmes and services. However, the financial programmes are better known than non-financial ones. This links up with the main reason for not utilising the programmes, that of not knowing about them. The types of programme that are most utilised are financial and non-financial programmes offered by private institutions.

More than half of all the ethnic groups stated that they agreed that South Africa is conducive to entrepreneurship. However, the African group tended to be more optimistic than the Indian and European group regarding the country being attractive for entrepreneurs. In addition, they agreed that entrepreneurs have to deal with unexpected changes in rules and policies, and almost ninety percent (83.3%) agree that entrepreneurs have to deal with this uncertainty. The results indicated that all (100%) of the agency respondents stated that theft and crime increased the cost of doing business, and was a major problem for entrepreneurs. Regarding obstacles facing entrepreneurs, the agencies stated that financing was the biggest obstacle facing entrepreneurs, with tax regulations and labour relations also being very strong. On the question of the efficiency of the government in delivering services, only half (50%) stated that they were efficient or mostly efficient in offering this service.

Looking back at the results of this chapter, there are a number of surprises. Regarding the characteristics of the entrepreneurs and their business, the major surprising result is the education levels of the entrepreneurs. The results contradict most previous researches that suggest that typically African entrepreneurs are less educated than their Indian or European counterparts. However, in the South Africa context, education has always been an incredibly political subject and was one of the sectors that the Apartheid government was able to control. Therefore, what we might be seeing here is the outcome of many people now having new educational opportunities that were not afforded their parents, with the implication that a tertiary qualification is revered across all ethnic groups in South Africa, and particularly within the African community. This I believe, is a legacy of Apartheid, with a generation of people being prevented access to a sound education now ensuring that their children will not have to go through their experience. The second surprising result is the availability of loans to start the business. This does seem to be a problem with the African entrepreneur, which contradicts all literature on developing African entrepreneurship, with one of the major constraints being suggested is the lack of start-up capital. The results of this study do not show this. One possible reason might be that the African entrepreneur has been able to access one of the many organisations that have been set up to help develop African business as part of Black Economic Empowerment.

Regarding networks, the biggest surprise is that the African and Indian entrepreneurs speak to twice as many people as the African entrepreneur. This seems to contradict what one would expect. The reason seems to be that the African entrepreneur fears that others will take from him, and therefore he does not trust many people with his business. Unsurprisingly, for all entrepreneurs, their networks tended to be mainly from their own ethnic group. One of the reasons for this is a legacy of the Apartheid laws which dictated where different groups of people could live and conduct business, and therefore, people tended to live and do business with their own ethnic groups.

The most surprising result from the perceptions of the environment was that the African entrepreneurs perceived that they had to adjust to changes in rules and policies, as well as changes in suppliers and customers. One reason for this might be because they have not had the level of experience of both the Indian and European entrepreneur in business. Another problem they face is they seem more ‘alone’ than the Indian entrepreneur who has a very close network of family and community, and the European entrepreneur who is able to call on his family for support. However, in contrast, the African entrepreneur group are the most optimistic of the South African environment for entrepreneurship. Whether this is due to the perception that he feels that he is in the ‘best position’ to get finance, and contracts because of government legislation, such as Affirmative Action, or whether it is due to the excitement of being an entrepreneur is difficult to say, and needs further investigation.

CHAPTER SIX
Conclusions and Recommendations

In the previous chapter, the statistical analyses of the results were presented and the hypotheses of the study were tested. This final chapter presents the empirical conclusions to the study as well as methodological contributions. Furthermore, implications for policy and practice will be discussed in addition to limitations of the study. Lastly, recommendations for future research are presented.

Referring back to section 1.2, the purpose of the study was to make intelligible how and why different ethnic groups use networking in different ways to acquire and organise capital, within the specific socio-economic and institutional context of South Africa.

The previous chapter presented statistical results of this study and these results were used to confirm or reject the hypotheses derived from the research questions outlined in chapter one. This final chapter presents a summary of the findings from the previous chapters, related to the research questions and the implications of the findings.

6.1 Conclusions

Empirical study

The study was guided by five hypothesis sets and relevant sub-hypotheses, and this section will discuss the relevant outcomes pertaining to each of these hypothesis sets.

There are significant differences between the African, Indian and European ethnic entrepreneur groups on demographic variables, characteristics of business and customers, capitalisation and employee relations.

As the results showed, there were both similarities and differences between the African, Indian and European ethnic groups. An analysis of the demographic data revealed that the Indian group was predominantly male and the majority of them were married. The results show that in both the African and European groups, approximately half have a university degree or higher, whereas only a quarter of the Indian respondents have a degree. However, even though the Indian group is not as highly educated, the majority of them had completed their high school education. Regarding entrepreneurs in the family, less than 20 percent of all the groups had an entrepreneurial parent. However, when asked if they had a close relative that was an entrepreneur, 68.6 percent of the Indian and 66.7 percent of the European, and less than one quarter of the African group responded in the affirmative. This result partly explains why the level of entrepreneurship is lower in the African ethnic groups. Other research has supported the view that what is lacking in African communities is entrepreneurial role models (Godsell, 1991), by which nascent entrepreneurs can model their careers on. Being related to an entrepreneur most facilitates one's own entrepreneurship when one can take over a parent or relative's business relationships and reputation (Light & Gold, 2000).

Regarding how the entrepreneurs obtained start-up capital, the results illustrated that the African group used the following sources the most often: share employees with others; relatives working for non-market salary; own savings and loan from agencies. The Indian group, on the other hand used the following methods: loan from agencies; business angels; use of interest on overdue accounts; and own savings. Furthermore, the European group used the following methods: own savings; loan from relatives/friends; and relatives working for non-market salary. The study reinforces the importance of using savings, especially for the Indian entrepreneurs, who used this method more than all the other methods. Basu and Goswami (1999) explain that South Asian entrepreneurs try to maximise returns by using their personal investment in their business. Personal savings are the only source of start-up capital that has been shown to have a significant positive relationship with the growth of the business (Basu, 1998).

The most relevant result on demographic findings was that of education levels of the entrepreneurs. Often the most common reason for the lack of entrepreneurship among Africans is due to the “historical burden” of Apartheid. There was no investment in the education of Africans, and this still causes a lack of entrepreneurship. However, reflecting on the results on education levels, which show that approximalety half of both the African and European entrepreneurs had a tertiary qualification, whereas only a quarter of the Indians were university.qualified. Athough these results contradict previous research, one needs to be cautious about this finding. The sampling for this research study focused on urban entrepreneurs and only interviewed entrepreneurs in the formal sector. Therefore, the large informal, unregistered group of entrepreneurs, who, in South Africa, tend to be African were not researched. Subsequently, in attempting to generalise the results on the education level variable, one needs to be a little cautious.

In theoretical terms, this means a lack of “human capital.” With respect to the concept of human capital, the literature distinguishes between general and specific human capital (Bates, 1990; Brüderl et al., 2007). While general human capital relates to the general level of schooling, specific human capital in the context of entrepreneurship includes business administration and management skills (Preseindorfer et al., 2012). On the ***human capital explanation***, the academic literature on entrepreneurship teaches us that people with a higher level of education have a higher propensity to be self-employed (Godsell, 1991; Storey, 1994; Bates, 1995; Trulsson, 1997; Ramachandran & Shah, 1999; Davidsson & Honig, 2000; Parker, 2005; 2009). Furthermore, black South Africans have a low level of schooling and few educational credentials (GEM, 2010; Statistics South Africa, 2010; 2012). This results in a low participation rates in entrepreneurial activities, confirming the human capital explanation. The necessity to enhance the level of education of the African population is now a widely accepted goal in South African politics. However, these reforms will take time. Furthermore, this is exacerbated by the governmental affirmative action programme "Black Economic Empowerment" (BEE), which demands a certain percentage of African people be in higher positions of private companies and public agencies, which may be one reason for the deficit of ambitious Africans (Preseindorfer et al., 2012). Well-educated blacks who would have the capacity to establish and manage their own business are encouraged to take lucrative positions in existing large private companies or in public organisations.

There are significant differences between the African, Indian and European entrepreneurs on motivation to start their business.

Another issue that was investigated was the motivation factors of the respondents. The study revealed that the need to earn more money was considerably more important for the African respondents compared to other respondents. The Indian and European respondents were motivated by the need for personal and economic independence. In addition, the European respondents were motivated by being able to implement their own ideas, whereas for the Indian respondents, being able to invest personal capital was an important motivation factor. This is supported by Ram (1997), when he found that different ethnic groups are attracted by different pull and push factors to enter self-employment. Furthermore, Chavan (2003) found first generation immigrants tend to go into business due to push factors, whereas the second and the third generations consider pull factors as significantly more important reasons for being in business.

Thus the results do support the expectation that both the Indian and European groups are attracted to entrepreneurship (pull factors) because of what it can offer them. In contrast, there is support, to some degree, that the African group are pushed into entrepreneurship to avoid unemployment, or a low level job with a lack of upward mobility (Curran & Blackburn, 2001). There is strong support from the academic literature within the African context that 'making a living' and 'survival' are key motivating factors (Bewayo, 1995; Chamlee-Wright, 1997; Nelson & Mwaura, 1997; Chu et al., 2007). Furthermore, these results, to some degree, support previous research by Mitchell (2003a) on a rural African sample that the major motivation for starting their own business was the need to be independent and for a sense of personal achievement. Therefore more empirical evidence to support the 'pull factors' of motivation is necessary. However, the results somewhat contradict the findings from Babo's (2004) research conducted in South Africa. He found that only a third of Africans started their business because of lack of opportunities, and the majority were motivated by being able to become independent and to reap the rewards of their own hard work.

There are significant differences between the African, Indian and European ethnic entrepreneur groups on network characteristics.

The third hypothesis set related to utilisation of networks. Three dimensions of networks were used: activity, density and diversity. Overall findings indicate that South African entrepreneurs are not maximising the use of their networks.

Although potential network elements are very common in the country, such as ethnicity, immigration, family ties, marginality, almost all conditions which elsewhere has been found to favour the formation of networks is present, one needs to take into account the interacting cultural, political and economic factors. The unique political situation in South Africa which rendered the majority group marginal, raises questions over whether theories of marginality in ethnicity which have been developed in the study of minority groups, may be relevant to a marginalized majority group. Also, one needs to ask whether theories of ethnic business, based on immigrant groups, apply to indigenous groups, such as the African ethnic group.

Network activity looks into the size of the network and the amount of time spent developing and maintaining networks. The results of the study indicate that European and Indian entrepreneurs discuss their business to more than 10 persons. This figure is higher than results from American (9.5), Northern Irish (7.2), Italian (7.7) and Greek (7) entrepreneurs. A high number of people may indicate possibilities of receiving diversified information. A high number of network contacts also increase the chances of receiving useful information. Compared to results from a cross-country study (Dodd, Jack & Anderson, 2002), the number of hours African, Indian and European entrepreneurs spend developing and maintaining contacts are much less than their Scottish (8.1 & 5.5), Northern Irish (13 & 16.4), Greek (19 & 24.6), and Italian (11.5 & 12) counterparts but higher than American and Japanese entrepreneurs. When a network is large, the entrepreneur has less time to spend on each contact. By chance, there is a higher possibility of picking up useful information by spending a smaller amount of time with a higher number of persons. The regression results also reveal that age and having close relatives that are entrepreneurs can explain the variance in the number of people the entrepreneur discusses the business.

Density refers to how tightly connected the persons in a network are to each other. According to the findings of the study, Europeans tend to have more dense networks than their African or Indian counterparts. The European and Indian entrepreneur has known his contact on the average 13.32 and 13.14 years respectively, which, compared to Japanese (13.39) and Greek (15.8) entrepreneurs are lower (Dodd, et al., 2002). They however, have longer established ties compared to Italians (11.9), Canadian (10), Northern Irish (8.1), American (10.6), and Swedish (11.6) entrepreneurs (Dodd, et al., 2002). The regression results also indicate that age and ethnic group are significant variables for explaining variances in the number of years that the entrepreneur has know his contacts.

A network that is highly dense means that persons in the network know each other and to a large extent may share redundant or overlapping information. In a network that has low density, contacts of the entrepreneur do not know each other well and therefore the probability of redundant information is lower. A low-density network also protects the basic business idea. If these contacts do not know each other, entrepreneurs can discuss parts of their business ideas with other people and gain access to complementary assets without their discussion partners being able to appropriate them. The results of the regression show that ethnic group can significantly explain variations in how well the entrepreneur knows his contacts. Upon further investigation using t-tests and ANOVAs, results show that when these three network density variables are classified according to ethnic group, significant differences emerge. European entrepreneurs know their contacts better, longer and their contacts know each other better compared to Indian and African entrepreneurs. The regression results suggest that age is a significant explanatory variable for how well contacts know each other.

The density of the entrepreneur's network is also indicated by how his contacts were met. Obviously, referrals would indicate that the entrepreneur's existing contacts help him generate other possible sources of information or complementary assets. Regardless of ethnic group, most entrepreneurs' existing contacts were met through their own effort. This is particularly important for the African entrepreneur, who might be new to entrepreneurship, and also might not have extablished legitimacy in the industry. Therefore ***developing his own network*** is crucial not only for the survival of the business in the long run, but also in order to access valuable social resources (Johannisson, 2000). Furthermore, the personal network, whether emerging from random meetings or a deliberate measure to meet specific individuals, has the ability to access a wide range of resources. Especially in the South African context, developing and actively seeking situations where you have the potential to develop your networks can potentially allow access to valuable human and social capital. Especially with the African entrepreneur, personal networks might be an avenue in order to address the lack of trust of entrepreneurs in addition to giving legitimacy to a new business.

The background of the contacts is also critical in determining what type of relationship the entrepreneur has with his contacts and what kinds of resources they might contribute. Networks will be congenial to entrepreneurship if they are embedded in an entrepreneurial context, because that means that relevant information and resources are available to prospective entrepreneurs (Johannisson, 1988). Network diversity can also be indicated by how similar the contacts' characteristics are to the entrepreneur. About 40 percent of European and African respondents' contacts were friends and about the same percentage of the Indian entrepreneur's contacts were family members. Only Europeans and Indians had contacts that were professional acquaintances although the percentage was quite small. Contrarily, results from Japan, Canada, Northern Ireland, USA, Italy, Sweden and Greece (Dodd and Patra, 2002) indicate that entrepreneurs in these countries have more business ties than family or friends in the entrepreneurs' networks.

In terms of diversity of personal characteristics, findings indicate that the network members have very similar characteristics as the entrepreneurs (particularly for gender and ethnic group). The principle of homophyly suggests that we tend to make friends with people with similar characteristics as us. Furthermore, people in our networks whom we interact with frequently also tend to know each other. However, if an individual's goal is to maximise resources and search for information, it is more advantageous to have diverse networks that contain a variety of people.

Referring to whether network variables can be explained by demographic variables. In terms of the measure, "how many people did you discuss your business with", only the variables "age" and "having a close relative who was an entrepreneur" explained the variation in the network measure. Referring to hypothesis 3.5, there are significant relationships between all three network density measures and demographic characteristics. On the network density measure, "how well network of contacts are known", the variable "ethnic group" explained thirty two percent of the variation of the network measure. In addition on the network measure, "number of years contact is known", sixteen percent of the network measure variation was explained by the demographic variables "age" and "ethnic group". Furthermore, on the network measure, "how well contacts know each other", only two percent of the variation in the network measure was explained by the demographic variable "age". On testing for significant relationships between network diversity and demographic characteristics, the results show that there are significant relations between the variables, gender, ethnic group and age.

One of the legacies of Apartheid was that it ***did not allow blacks to start their own business ventures***, as a result of which there is ***restricted experience with the entrepreneurial role*** and a ***shortage of social network contacts*** encouraging entrepreneurship (social network explanation). Apartheid ***supported a black culture of dependency***, and this cultural heritage is still an obstacle to African entrepreneurship (mindset explanation) (Maas & Herrignton, 2011; Preseindorfer et al., 2012). The outcome of this is that African entrepreneurs have developed a 'mindset' or 'mentality' that is not well suited to entrepreneurship. Some believe that there is an issue with a lack of self-confidence in their own skills, and risk avoidance or fear of failure, both which will impede entrepreneuriqal development.

Historical and cross-national comparison studies (ie. GEM project) show that there are significant differences in the societal legitimacy and acceptance of entrepreneurship. In some countries, entrepreneurs have a very positive image and a high social standing, while in others it is negative and low, (e.g., based on anti-capitalist sentiments). Cultural approaches to entrepreneurship have also influenced the South African debate (Co, 2003; Babo, 2005; Urban, 2006; Mitchell & Co, 2007). The view of culture can be used to explain why certain personality characteristics are linked to a particular group of the population. Whether a culture of dependency, combined with a collectivist orientation, actually exists in the African population of South Africa is an empirical question that needs further investigation.

Applied to the phenomenon of entrepreneurship, the network approach is a well-established theory in the research field (Aldrich & Zimmer, 1986; Brüderl & Preisendörfer, 1998; Johannisson, 2000; Preisendörfer, 2007). It predicts that characteristics of the social network of a person, such as an extended and diverse network, a high level of individual networking activity and a high level of network support, each increase the propensity to start a business on the one hand, and to be successful with this business on the other.

Some believe that Africans do not have a network. Given the deficit of black entrepreneurship in the past and in the present, it is a convincing conclusion that there is a lack of useful social contacts and of appropriate role models. One elementary path into self-employment is that children simply follow in their parents' footsteps (Laband & Lentz, 1985). For blacks in South Africa, this path is very rare, given the AApartheid history (Preseindorfer et al., 2012). This is further supported by empirical findings from the South African context by Godsell (1991) and Hawke (1996), who both discovered that the African entrepreneur did not have as many and as diverse a network as other ethnic groups. This is also supported by other empirical work from South Africa that showed a lack of networks among the African entrepreneurs groups (Jack et al., 2008, Urban, 2006; 2011; De Klerk, 2010).

There are significant differences between the African, Indian and European ethnic entrepreneur groups on social capital.

As the literature indicates (Portes, 1995) social capital refers to the individual's ability to mobilise resources. For entrepreneurs to be successful they need to be able to obtain scarce resources through various sources. It is important for them to establish relationships with others in order to access these resources. The findings indicate that among the respondents from the three ethnic groups, the Africans scored the lowest and the Europeans scored the highest in the social capital variables. This shows that the African entrepreneurs do not mobilise social capital as well as their Indian and European counterparts. These results support Godsell's (1991) findings that Indian entrepreneurs access social capital better than Africans.

The way social capital is accessed also differs according to the respondent's ethnic grouping. European entrepreneurs tend to access social capital in more formal avenues such as participation in management or organising committees for local groups. Indians tend to rely on more informal means of gathering social capital such as through family, friends and acquaintances. It is quite interesting to note that for the African respondents, they scored the highest in the item related to joining a local community action to deal with an emergency. This could indicate that Africans only mobilise social capital when there is no choice and they do not make a conscious effort to cultivate and maintain relationships that would help in this aspect.

Active participation in community activities will help the entrepreneur develop new contacts. Constant interaction with people in the community will create relationships that can help the entrepreneur access needed resources.

Having network members that are close (distance) also makes it easier for the entrepreneur to nurture relationships with them. Having positive perceptions of one's contribution to society also encourages entrepreneurs to develop relationships with others as they feel that they will be able to give something of value in return to society and the community. More relationships can also be developed if one is open to the idea of multiculturalism and diversity. Having diverse network members can help one to gain access to resources normally not available from network members with the same characteristics. Trust is also an important factor in social capital mobilisation success. High levels of trust can reduce costs of resources as well as provide access to normally unattainable resources. Lastly, a society that allows access and freedom to provide information also is supportive of building relationships beneficial to entrepreneurs.

The social capital argument has been used more to explain the shortage of African enrtepreneurship in South Africa. Social capital is a somewhat elusive concept, it emphasises, on the collective level, the societal advantages of common norms and values leading to trust and solidarity, and, on the individual level, the personal advantages of social relations and of embeddedness in a social network (Coleman, 1990; Putnam, 2000). Some believe that the one of major factors inhibiting African entrepreneurship is a low level of trust, a lack of role models and generally, an unfavourable "background" of African South Africans for the entrepreneurial role (Urban, 2011; Preseindorfer et al., 2012).

The 'role model argument is also mentioned. Because role models are an important manifestation of cultural norms and values, this reasoning is also akin to the mindset explanation. That African entrepreneurs' lack of social capital is responsible for their low participation in entrepreneurial activities is just as plausible as is the lack of human and financial capital. The resources that can be drawn upon in the social network of the average African person in South Africa, and that are helpful for the entrepreneurial role, are restricted because the typical member of such a network is poor and economically deprived. Also, the settlement pattern of townships perpetuates and encourages ethnic enclaves, which are usually not beneficial to successful business start ups (Aldrich & Waldinger, 1990; Bates, 1994; Light, 2005).

Our findings on social capital, and the significant differences between the African group to the others supports existing literature (Coleman, 1988; Portes, 1995; Flap et al., 2000; Light & Gold, 2000; Janjuha-Jivraj, 2003) which shows empirical support for showing less entrepreneurial groups utilise social capital less than the successful entrepreneurial groups. I believe this to be the case in the South African case, and is further reinforced by the legacies of Apartheid, in that they were limited in their exposure and experiences, and being able to develop their social capital.

There are significant differences between the African, Indian and European ethnic entrepreneur groups on perceived institutional obstacles in South Africa.

Another issue that was investigated was major obstacles (macro – generally external to the organisation) that entrepreneurs faced in conducting business. Institutional risk factors exert a powerful negative influence on entrepreneurship in South Africa. The majority of entrepreneurs believed that crime and theft represented serious problems that increased the cost of doing business. An overwhelming number of the African, Indian and European groups complained about the uncertainty of government laws and policies, specifically labour relations. The three labour laws that have been passed: the Labour Relations Act, the Employment Equity Act, and the Basic Conditions of Employment Act have all added to the inflexibility of the labour market and increased the cost of doing business. Tax rates and regulations were also perceived as major obstacles, because South African corporate tax rates are among the highest in the world.

Orford et al. (2003), based on interviews with African entrepreneurs for the Global Entrepreneurship Monitor (GEM) on obstacles faced, answered financial support and lack of education and training were the major obstacles facing them. Going further, the results show that the key to increasing entrepreneurial activity lies in increasing the proportion of South Africans engaged in it, especially black people and women. Furthermore, there is support for increasing the proportion of people who complete secondary school, and continue to higher education.

With regard to constraints (micro – generally internal to the organisation) that entrepreneurs face, there were a number of interesting findings. For the Indian group, company tax, supplies cost, and competition were the most constraining. For the African entrepreneurs, violence and theft were the major constraints. Thus, although the data analysis revealed a number of significant differences between the groups in constraints such as gangsters, access to loans and accounting. The results also illustrated that the three groups have a number of constraints in common such as high company tax and the increasing cost of supplies.

Referring to reasons explaining the low level of entrepreneurial activity in South Africa, Foxcroft et al. (2002) states that it is mainly due to four factors: the high transaction cost of tax compliance, Secondly, weak support structures, in particular business development services which are not easily accessible. Thirdly, insufficient access to credit, and lastly, inadequate technical support structures.

The increase in crime means a relative shrinkage of productive entrepreneurship and a restraint on economic growth and employment generation. This scenario is according to Ahwireng and Piaray (1999), so dire, for the South African economy as other implications of the country's poor institutional millieu. First, reduced direct investment will diminish the country's role as the gateway *to* trade and investment in Africa. Second, the present conditions of economic power asymmetry in Southern Africa will not change but will perpetuate South Africa's political predominance in the region and this will impact poorly on the prospects for regional integration. Third, a disintegrated regional economy will increase the influx of immigrants into South Africa and fuel social conflicts that may spill over state borders (Ahwireng & Piaray, 1999). They go onto state that long- awaited, post-Apartheid dividends may not be realised in the foreseeable future. Inevitably, any hope of an entrepreneurial revolution to kick-start the economy will depend, to a large extent, on an improved institutional climate.

The results show that there were significant differences in the perceptions of the government-business interface between the African, Indian and European entrepreneurs on nine of the fifteen obstacles, which included the following: regulations on foreign trade, financing, tax regulation and/or high taxes, inadequate infrastructure, policy instability, inflation, uncertainty on costs of regulation, crime and theft, and terrorism.

Past studies have shown that capital constraints effectively destroy the plans of numerous potential small business owners and the lack of access to capital restricts the growth and development of small businesses (Bates, 1997; Huck et al., 2004). Furthermore, studies also reveal that a common business problem confronting ethnic entrepreneurs is that of obtaining the required capital needed to establish or to expand their businesses (Waldinger et al. 1990; Collins, 2002). Mitchell (2003b) found that, in South Africa, the difficulty posed by financing differed significantly between businesses owned by different ethnic groups. Therefore, it is possible that the capital raising problem is common among ethnic small businesses but the degree of this problem may vary among ethnic small businesses. Cultural factors, such as the propensity to save money, access to informal borrowing from relatives and friends, and the availability of rotating credit associations, could affect the degree of difficulty associated with financing a business.

Studies based in the UK demonstrated that ethnic minority businesses show a low propensity to use facilities from mainstream business support agencies (Marlow, 1992; Fadahunsi et al., 2000). Government policies are not seen as particularly conducive to maximizing the opportunity structure of ethnic small business. Although both local and national government institutions have assistance programmes to promote small businesses, this study seems to suggest that ethnic entrepreneurs have not capitalised on these initiatives due to the non-availability of information.

The results of this study confirm similar research findings (Ahwireng-Obeng & Piaray, 1999; Co, 2004; Co & Mitchell, 2004) on South African entrepreneurs. Entrepreneurs from previous South African studies ranked the same top five obstacles as this study. This reinforces the fact that some obstacles encountered by entrepreneurs are universal and are unaffected by the context of each individual country. Furthermore, it is also interesting to note that in both the studies, most entrepreneurs perceived crime and theft, tax regulations and inflation as the main obstacles faced by entrepreneurs.

The South African entrepreneurial environment is marked by a combination of negative factors, a mix of institutional, political and economic problems at the domestic level, superimposed by regional political instability such as the problems in Zimbabwe and adverse international economic forces like the instability of emerging markets. The combination of these forces that has provided a thick veil of unfavourable perception about South Africa, and the institutional risk component is debilitating and reflects the complex difficulties of the country's transition (Ahwireng & Piaray, 1999).

The results of the three ethnic groups' ***perception of the institutional environment*** are very enlightening. Although all groups tend to face the same obstacles, the African group are more optimistic about the South African entrepreneurial environment. However, in contrast, they are the most concerned with changes in rules and policies. One potential reason for this is their lack of experience in being able to deal with the challenges of running a new business, and also the lack of being able to call on assistance from somebody in their network. It is not helped by the lack of trust and self-confidence of the African entrepreneur (Levitsky, 2004).

Drawing on the academic literature (North, 1990; Scott, 2008) on institutions and the view that they consist of ***cognitive, normative and regulative structures*** and activities that provide meaning, the normative and cognitive pillar of institutions, is relevant to the position of the African entrepreneur in the South African context (Bruton et al., 2005; Kiss & Danis, 2008; Vecaina & Urbano, 2008). One of the outcomes of the previous political system was the impact it has had on the value and belief system of the African population. Whole generations of people have lived in an environment where they were treated as 'third-class' citizens, with no political power, and the only aspect that they had in common with each other was their opposition to the Apartheid government. However, this 'common' enemy has now been removed, but the inate mind-set' is stil there. Their self-confidence and ability to take the initaitve and take risks has been affected. There also seems to be a lack of the African culture or 'ubuntu' (humanness) that is always mentioned. This community spirit that one sees in the villages, of helping others seems to be missing. Perhaps as a consequence of never having opportunities, there is a mindset presently that they want the 'easy' life of high-paying government jobs, with the high status and benefits that come with it. Linked to this is the 'legitimacy' of entrepreneurship within the African ethnic group. For the majority of South Africans, not much has changed in the day to day lives of people, with millions still unemployed and struggling to survive, while there still exists a small very wealthy elite, often in government positions.

Methodological contributions

This study has made a number of new contributions to the area of ethnic entrepreneurship. Methodologically, the investigation has made a number of possible contributions to this area of study

This study is the first quantitative study conducted in South Africa that studies three ethnic groups' utilisation of networks, in addition to taking a mixed embeddedness approach. It is unique because it covers variables not included in previous researches. The studies that have been done in South Africa have focused on the psychological traits and demographic information of entrepreneurs. Although there has been one comparative study done on ethnic entrepreneurs in South Africa (Godsell, 1991), it merely looked at the characteristics of the entrepreneurs, but failed to look at the opportunities available to them. Also the wider institutional context was ignored. Therefore there was a need to take an embedded approach in this research study.

The majority of studies on ethnic entrepreneurship have been conducted in the developed world, and subsequently theories have been developed using these samples, and then haphazardly applied to the developing regions of the world. The context in which entrepreneurs do business is vastly different in a developing country, and thus research is needed in these contexts.

Furthermore, South Africa is unique because of the historical and political circumstances that led to the majority of the country being marginalised. In addition, more so than most countries, social class is race-based in South Africa, due to the effects of colonialisation, importing of cheap labour, and more recently AApartheid. This also has implications for support agencies and government programmes that focus on entrepreneurs.

South Africa is a unique country that is ripe for a case study. The adopted policy of Apartheid has had a devastating political, social, and economic impact on the lives of South Africans. Therefore South Africa represents a very unique case, and even more so when studying ethnic entrepreneurship. The majority of South Africans were marginalised, whereas in other studies of marginalised groups, they were the minority group. Thus in a study of entrepreneurship in South Africa, it is essential that the wider institutional formal and informal context be addressed. Presently, South Africa is a country undergoing radical change in the political, economic and social spheres and therefore this study will make a significant contribution to research. Thus although both the African and Indian entrepreneurs have been victims of AApartheid legislation, some have still managed to establish businesses. Therefore, in these times of turbulence, it will make for an intriguing study to analyse how different ethnic entrepreneurs have taken advantage of the changes, and how some have been hindered by the changes.

Secondly, since this research is a comparative study of three ethnic groups within one country, it will allow for multi-group comparisons to be done. It will take a mixed embeddedness approach, in that groups' use of networking to mobilise social, human and financial capital will be the focal point, but in addition, it will also address the wider economic and institutional context of a developing country.

Thirdly, since most ethnic businesses are still operated in areas dominated by specific ethnic groups, research assistants from the same ethnic group as the respondents' were used. It was decided that this strategy would increase the acceptance and trust between the interviewee and interviewer. Interviews were conducted in English. Although South Africa has eleven official languages, English is the business language, and the majority of citizens are fluent in the language. This methodology was utilised by Ram (1991; 1994) and Basu and Goswami (1999) in studies conducted in England, and Yoo (2000) and Light and Bonacich (1988) in studies in the US, whereby having interviewers with the same ethnic background led to more access and acceptance by the entrepreneurs.

In addition, a questionnaire has been developed for evaluating support programmes. The questionnaire covers a range of qualitative and quantitative measures of evaluating support services. Since most of the representatives from SME-assisting agencies indicated that a major problem they encountered was that they did not know what measures to use in evaluation, the programme evaluation questionnaire developed in this study can be used by various government and private agencies in effectively evaluating their offerings to entrepreneurs.

This investigation also confirms and validates the usefulness of Brunetti et al's (1997) questionnaire on institutional obstacles. It has been found in this study that the questions on predictability of laws and policies, political instability and security of property, government-business interface, law enforcement and bureaucratic red-tape, and efficiency of government in providing services are reliable measures of institutional

Contextual contributions

In unstable and weakly structured environments, informal networks help entrepreneurs mobilise resources, obtain sales and cope with the constraints imposed by highly bureaucratic structures and difficult officials (Smallbone & Welter, 2001). Therefore, in the South African context, which is undergoing rapid change, similary to what is occurring in post-soviet countries, affects both the attitudes and bahvaiours of of entrepreneurs.

More recently, Welter and Smallbone (2011) state that the unique institutional context influences the nature, pace of development, and extent of entrepreneurship as well as the way entrepreneurs behave. This is particularly apparent in challenging environments such as emerging market and transition economies with an uncertain, ambiguous, and turbulent institutional framework. The results of this study show support for the argument that different entrepreneurs are able to recact differently to the same set of conditions in the context. This is referred to in the literature as the heterogeneity of entrepreneurial responses to institutional conditions, depending on the situational configuration of institutional fit, enterprise characteristics, and entrepreneur's background. Therefore, it is crucial to acknowledge that entrepreneurial behaviour needs to be analysed by focusing on these interrelationships with the social context (Welter & Smallbone, 2011)

Entrepreneurship by ethnic firms has become an important aspect of modern urban development policy. It is noteworthy, however, that ethnic entrepreneurs are not a homogeneous group, but are composed of people with rather different cultural, geographical, linguistic and socio-economic backgrounds. As a consequence, the success factors of ethnic business show a significant variation across different ethnic groups. And therefore, there is not a clear and uniform panacea for successful entrepreneurship in a modern network economy, as there is a diversity of critical success (or failure) conditions which are determining the commercial market performance of ethnic firms (such as language skills, commercial knowledge, market insight, network contacts, access to venture capital, ICT skills, etc.). The orientation towards informal networks is a common phenomenon among ethnic entrepreneurs that may offer a strong competitive support in the start-up phase of the business firm. But it may become a handicap in case of a growing business. A major challenge for a successful entrepreneur is formed by the need for break-out strategies to enter mature market segments, eventually accompanied by diversification strategies (Masurel et al., 2004).

The concept of ethnic entrepreneurship does not refer to one uniform population group. The performance and the success conditions appear to differ for various socio-cultural groups. In general however, we also find a confirmation of informal economy features for the phenomenon of ethnic entrepreneurship. The encouragement of ethnic entrepreneurship by public authorities requires careful governance, as many, even supporting, regulatory frameworks tend to limit the movement of ethnic business in an informal market. Regular consultation of ethnic entrepreneurs and permanent monitoring of their performance are necessary to offer tailor-made support conditions.

Although it is crucial within the South African government to pay attention to supporting entrepreneurs in gaining access to financial resources, as well in investing in human capital through education, it is also key to also build social capital. This is especially crucial with the African entrepreneurs who, as results from this study as well as other studies in Africa show (Kristiansen, 2001; 2004). Johannisson (2000: 28) suggests that you need to support both local networking and create global networks. He goes onto say that the authorities must help entrepreneurs develop emerging networks between various entrepreneurs. This view is also supported by Chell and Baines (2000), based on their research on minority groups in the UK. In the South African arena, it is also imperative to facilitate networking outside of their ethnic groups as well as support entrepreneurs to develop networks with larger organisations.

To focus on the development of entrepreneurship, governments should continuously strive to be sensitive to the needs of entrepreneurs and ensure that the formal institutional environment (including policies, programmes, support services, incentives, and economic outlook) stimulates entrepreneurial activity. Enforcement of property laws and private ownership also encourages individuals to become entrepreneurs. There must be constant feedback from entrepreneurs as to the effectiveness of various aspects of the formal institutional environment.

This research has attempted to add to our understanding of ethnic entrepreneurship in South Africa. It is widely accepted that entrepreneurship is a social activity, embedded in a social context. Therefore, in line with the mixed embeddedness perspective, we need to examine the influence of the wider socio-economic and politico-institutional environments on entrepreneurship. The results show that various factors, internal and external to the individual affect the decision to start a firm. The individual's entrepreneurial motivation will determine the urgency of proceeding with the entrepreneurial activity. The availability and sources of capital will determine how easy or difficult it is to start the business, and external concerns such as tax and labour regulations will either foster or hinder business performance.

Overall contributions

Therefore referring back to section 1.3 (page 14), this study has contributed to entrepreneurial knowledge in a number of ways. Firstly, it has compared a number of ethnic groups within the same context, by taking a mixed embeddedness approach. It has focussd on a country in transition, and acknowledging the unique history of the country, and the impact that it has had on its people. It has also heeded the call to conduct entrepreneuruial research in the developing world, and Africa in particular. Furthermore, in order to access groups which might prove difficult, I have utilised reseach intermediaries from the same ethnic group as the entrepreneurs surveyed. Lastly, as advocated by Foley (2007), and Galbraith et al. (2006), I have responded to the call for researchers from the local area to conduct research on communities that they have some level of similarity and inside knowledge.

6.2 Implications for policy and practice

This study has several implications for practitioners and policy makers. Firstly, this study ***contributes to an understanding of ethnic entrepreneurship***. The results of this research indicate the value of studying small businesses owned by a particular ethnic group and the importance of gaining greater understanding about ethnic entrepreneurship in South Africa.

Secondly, this study shows that the ***major business problems experienced by ethnic entrepreneurs are competition and rising costs***. This study suggests business owners need to prepare a feasibility report about their businesses before they are established and they need to use appropriate marketing and cost reduction strategies to overcome the competition and meet the rising costs. In order to achieve this, the business owner needs to acquire education and training in order to improve the owners' knowledge of small business management.

Thirdly, the current study found that the ***ethnic groups have a low propensity towards membership of ethnic associations***. This study suggests that ethnic small business owners should be aware of the importance of ethnic association membership in promoting their businesses. They could use ethnic associations to market their product, provide information about their product and services, attract customers, recruit co-ethnic employees, organise trade fairs, undertake market research, develop networking, and gather information about sources of finance ethnic associations could also develop strategies to promote ethnic businesses.

Fourthly, this study will ***assist policy makers by providing a more thorough understanding of ethnic small businesses***. This study highlighted that the ethnic groups are not aware of government assistance programmes. The government agency officials should look at to re-examining and modifying their approach to improve the availability and accessibility of information sources to ethnic small business owners. They need to take some initiatives to develop appropriate methods to provide information about government programmes that provide assistance to ethnic small businesses. They should provide information in a native language to ethnic small business owners. They could use ethnic radio, and newspapers and ethnic associations to provide this information. They could organise workshops, and short training programmes for ethnic small business owners to educate them about various aspects such as marketing, general business regulations and finance.

Finally, results from this study suggest that ***ethnic groups have a low propensity towards banking finance***. Shanmuganatha et al. (2004) argues that banks need to deepen their understanding of the banking differences between ethnic groups. Further, they argue that banks need to understand how bank products are understood by various ethnic markets, what are their levels of service expectations, and channel preferences. These results show that the ethnic groups have perceived that borrowing from financial institutions is problematic and believe that banks will not give them a loan. This information could guide financial institutions to design appropriate banking products to satisfy the ethnic small business owners' banking needs.

This researcher proposes some recommendations for ***incorporating the concept of social capital into policy***. First, in developing interventions, social institutional analysis needs to be used to ***identify the correct range of stakeholders and their interrelations***. Policymakers need to understand how policy interventions will affect the power and political interest of stakeholders. It is important to examine how dominant groups can mobilise social capital that can possible undermine the public good.

Second, it is important to ***invest in building bridges between communities and social groups***. For entrepreneurs to create new ventures or expand, they need to leave the confines of their own community and create new networks. This relates to the concept of "weak ties" discussed in network literature. These weak ties provide access new opportunities, resources and information which the entrepreneur does not normally have. To this end participatory processes can facilitate consensus-building and social interaction among different communities and social groups.

Third, ***improvements in physical access and modern communications technology that can foster information exchange across social groups*** should be emphasized to complement social interaction based on face-to-face dealings. The use of internet-based discussion boards can be an effective way of fostering increased contact between communities and social groups.

In unpacking the literature on social capital and development, a recurring message is that social relations provide opportunities for mobilising resources, that ***social capital does not exist in a vacuum***, and that the nature and extent of the interactions between individuals and communities hold the key to understanding the prospects of growth in society.

Although specifically related to the South African environment, the following policy recommendations have relevance to other developing countries. To improve on the predictability of laws and policies, the ***government must stick to announced major policies***. A realistic amount of time must be given for new policies to be implemented and evaluated before they are changed. Entrepreneurs must also be consulted when changes in laws and policies are planned. This will also help make the implementation easier as the affected parties are included in the process. Informing the entrepreneurs of changes in laws and policies is also critical.

Political instability can be reduced by ensuring that although there are changes in the government (whether constitutional or unconstitutional), ***basic policies pertaining to SME creation, promotion and development remain consistent***. This involves leaders of different political parties sitting down with SME representatives and discussing what matters must be kept stable to ensure the viability of the SME sector.

In terms of security of property, the ***government needs to improve on its policing measures***. If entrepreneurs perceive that the government is doing its job of protecting their persons and property, this might induce additional investment. The government should also improve on the reliability of judiciaries. Unreliable judiciaries can cause two forms of uncertainty – they offer no fair recourse against unlawful behaviour between citizens and similarly unfair treatment of citizens by state officials is not clearly prosecuted by the judiciary.

Negative perceptions of bureaucratic red tape can be improved when the ***culture of corruption by government officials is eradicated.*** This can be done by prosecuting culprits and by imposing heavy penalties on guilty individuals. Entrepreneurs must also be made aware that they should not succumb to corrupt practices, and they must report erring civil servants.

Information on programmes and services for SMEs must be disseminated effectively. The survey respondents mentioned that the main reason they do not utilise these programmes is because they don't know about them. Agencies should also determine whether the medium used in their information dissemination is effective and relevant for their purposes. Ensure that the information is easily accessible to and understandable by the target group.

There should be a constant ***evaluation of the usefulness and responsiveness of the programmes and services***. The best way to do this is by asking users to evaluate how the programme was delivered as soon as they finish the programme, and then following up with a series of evaluations after a certain period of time. By using this method, such institutions can actually see if there are positive effects on the entrepreneur's performance after they have used the programme.

A qualitative assessment should also be made after the delivery of the programme. SME assisting agencies also make the mistake of using only financial data to indicate whether programmes used were helpful to the entrepreneur. There are other non-financial indicators (such as being able to network with other entrepreneurs, finding new sources of materials or customer bases) that should not be overlooked in this case.

Improvements in the delivery of the programmes and services can also be made, in the ease and speed of application as well as the reasonability of terms and conditions. Entrepreneurs normally do not have much time on their hands to queue for applications and wait for them to be processed.

6.3 Limitations of the research

The interpretation of the results of the study is subject to several limitations.

Network focus

It is important to point out that this study does not claim that the utilisation of networks is solely responsible for the success and explain differences between the ethnic groups. Based on previous research, evidence indicates that the differences between ethnic groups can be attributed to other factors, such as religion, the industry/sector, and certain cultural reasons.

Dominant Ethnic Group Focus

The sample size can be a limitation, as only 325 entrepreneurs in the area were surveyed, which was made up of the three ethnic groups. In selecting the sample, entrepreneurs from the three dominant ethnic groups in the KwaZulu-Natal region were selected: African, European and Indian. It is also important to note that even within each ethnic group there are sub-groups: Europeans include Dutch, English, Portuguese, French, and Scandinavians; Africans have various ethnic groups such as Xhosas, Zulus, and Ndebele; and Indians can include Tamil and Guajarati for example.

Urban Context Focus

The study was conducted in the KwaZulu-Natal province of South Africa. The sample was selected from entrepreneurs in the city of Durban because it is the largest city in the province and has large numbers of the three ethnic groups. Therefore, the sample was limited to only subjects who live in the vicinity of the city, and entrepreneurs from the other areas and rural areas were excluded. This therefore potentially limits the generalisability of results to the wider population as the sample may not be representative of the general entrepreneurial population. It was decided to limit the context to one province, otherwise differences between the three ethnic groups or within-groups could have been attributed to the different milieu in which they conduct business.

Investigated Variables Focus

The study focused on the demographic and business characteristics of the business, their utilisation of networks and social capital, and their perception of the institutional environment. Finally, the survey instruments were administered by research intermediaries of the same ethnic group as the respondents. This was done for the reasons of accessibility to certain ethnic groups which would not have been easily accessible to the researcher. However this could be a potential limitation as the research made use of a structured survey instrument, and therefore the types of responses tended to be fairly concise and detailed reasons for certain answers were not given.

6.4 Implications for future research

A deeper and broader understanding of entrepreneurship will be made if ***more studies on entrepreneurship are conducted in developing countries***. At present, most of the research on entrepreneurship comes from developed countries (mainly, US and Europe). The results of these studies are not always applicable to the developing world, because of differences in the contextual environment and informal institutional factors. Furthermore, comparisons could also be made with developed and transitional economies to contrast disparity in contextual aspects and similarities or differences in perceptions of various institutional variables. Countries with differing political systems could also make a worthwhile area of future research, especially with regards to the formal institutional factors.

Formal institutional factors such as the institutional provision of microfinance and venture capital, education, training and business incubators could be included in future research. Several studies (Moini, 1998; Moha-Asri, 1999; Davidsson & Henreksson, 2000; Fogel, 2001) have shown that these factors influence the performance and survival of SMEs. Informal institutional factors such as entrepreneurial intentions, perceptions of business opportunity, feasibility, and intrapreneurship would make useful additional dimensions to future research undertakings. Entrepreneurial decision-making is linked to the individual's perceptions of the environment and hence is an important area for further investigation.

In terms of methodology, the research could be approached by ***undertaking multimethod studies that combine the strengths of different methods.*** Fieldwork can also better address how networks become embedded in the systems and competencies of the small business and results in advantages for the entrepreneur (Hoang & Antoncic, 2003). The quantitative research methods will then be guided by insights gleaned from the original qualitative research. In addition, it would be interesting to research how the entrepreneurial "landscape" has changed for each of the ethnic groups. Finally, it would also be worthwhile to examine perceptions of institutional environments between nascent, one-time and serial entrepreneurs.

The ***scope of the study could be made broader if respondents from the different parts of the country were included in the sample***. Adding rural entrepreneurs as respondents could also provide a different insight in terms of possible differences in utilisation of networks and perceptions of the institutional context affecting entrepreneurship. Future research could focus on differences within ethnic groups as well as differences between ethnic groups. Furthermore, a possibility for future research is to translate the questionnaires into the various indigenous languages, in order to conduct a comparative study of all the ethnic groups in the region.

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Appendix A

Form E

(there was a separate form for each ethnic group)

QUESTIONNAIRE FOR ENTREPRENEURS

The purpose of this survey is to make intelligible how and why entrepreneurs of different ethnic groups use networking in different ways to acquire and organise capital. This analysis will take place within the wider socio-economic and institutional context of South Africa.

Your responses will be strictly anonymous and confidential.

Section A: Characteristics of the business and customers

1. Who are the major customers (based on sales volume) of your store?

Ethnic group: African ____________________________(%)
Indian ____________________________(%)
White ____________________________(%)
Other ____________________________(%)

2. Why do you think a certain race of customers became a major customer of your store?
(Rank in order of importance with 1 being the most and 4 being the least.)
___ Because of the location of the store (closeness)
___ Because of the product my store carries?
___ Because of the special services or benefits to customers offered in the store?
___ Others, specify____

3. What sector / industry is your business in ? (activities).
____
____
____

4. Do you currently run other businesses in addition to the present one? □ Yes □ No

   If yes, how many? ________________

   What is the type of business (es)?
   □ 1 copy of present business
   □ 2 some linkage
   □ 3 different industry

   Specify ____

   Why did you choose the type of business(es)?

   Specify ____

   ____

5. Have you ever owned any other businesses in South Africa other than the current one?

   □ Yes □ No

6. Did you start this business or did you buy an already established business?

   □ Start □ Buy

7. How many years of experience do you have in the industry in which your present business is operating? ________________________________

8. What type of business do you own?
   □ 1 sole proprietorship
   □ 2 close corporation
   □ 3 partnership
   □ 4 corporation

9. If there are other owners of the business, are they (Please tick **ALL** that apply.):

   □Family □Same Ethnic Group □Other ______________________

10. When did you start your first business? ____________________________

11. What motivated you to start a new firm? (Please tick **ALL** that apply.)

 Personal independence (freedom to decide and act)

 Economic independence

 Earn more money than working for a salary

 Impossibility/difficulty to find an adequate job or to achieve my goals in another field

 Dissatisfaction with my previous occupation

 To be compensated fairly for my work/efforts

 Being able to implement my own ideas

 To lead an organisation

 To manage a human group

 To invest personal capital

 To obtain personal capital

 Prestige or status of an entrepreneur

 To create something of my own

 Other ____

12. What are the major challenges or difficulties in managing your business?

(1) ____

(2) ____

(3) ____

(4) ____

Section B: Use of networks

From time to time, most people discuss important business matters or business plans with other people. The following questions are aimed at measuring the extent of networking for purposes of running a business.

Looking back over the past six months:

13. With how many people would you estimate you have discussed aspects of running your own business? ____________________ people

14. How many hours per week do you spend ***developing contacts*** with persons with whom you can discuss business matters (either starting a new business or operating your current one)?

_____________________ hours

15. How many hours per week do you spend ***maintaining contacts*** with people with whom you can discuss business matters? ____________________ hours

16. If you have started a business, what percentage of your time would you spend during the start-up and early stages establishing contacts with people who could help with your business?
_______________________%

17. Please indicate up to five (5) people with whom you feel especially willing or able to discuss your ideas for a new business or your ideas for running your current business. Use initials, the following questions will ask you to fill in more details about your primary network.

Person #	Initials	How did you get in contact with each person? Or in what circumstances did you meet, as e.g. through friends, work, family, university, etc.?
(1)	______	______________________________
(2)	______	______________________________
(3)	______	______________________________
(4)	______	______________________________
(5)	______	______________________________

18. Think about the relationship between the five people you named above. For each pair, indicate the relationship between these 2 people as far as you know it.

	Stranger	Somewhat acquainted	Well acquainted	Not sure
Persons (1) and (2)	1	2	3	4
Persons (1) and (3)	1	2	3	4
Persons (1) and (4)	1	2	3	4
Persons (1) and (5)	1	2	3	4
Persons (2) and (3)	1	2	3	4
Persons (2) and (4)	1	2	3	4
Persons (2) and (5)	1	2	3	4
Persons (3) and (4)	1	2	3	4
Persons (3) and (5)	1	2	3	4
Persons (4) and (5)	1	2	3	4

19. *Primary Network:* We would like more information about the persons you named in the question above. Please indicate gender (M or F), ethnic group, age, occupation, and your knowledge about their **network** (how well you know their most important social relations).

Person # Initials (see Q above)	gender	ethnic group	age	occupation	How well do you know their contacts: very well	somewhat	little
(1) _____	M F	__________	____	________________	1	2	3
(2) _____	M F	__________	____	________________	1	2	3
(3) _____	M F	__________	____	________________	1	2	3
(4) _____	M F	__________	____	________________	1	2	3
(5) _____	M F	__________	____	________________	1	2	3

20. Indicate the relationship of your primary persons to you. Use the same identification No. as above (list all the possible ways you are connected, start with the most important relation: e.g. friend, colleague, in-law, professional acquaintance, etc. More than one relation is possible for each person).

How many times per week do you discuss business matters?

(1)___________________________________ ___________________________________

____

____

(2)___________________________________ ___________________________________

____

____

(3)___________________________________ ___________________________________

____

____

(4)___________________________________ ___________________________________

____

____

(5)___________________________________ ___________________________________

____

____

21. *Primary network*: For each of the five persons listed in earlier questions, please indicate how long you have known them (years), how you met (O = own initiative, R = referred by a **third person**, and indicate the relationship between you and the third person) (More than one type of relationship is possible as in the previous question).

Person # (initials)	How long known? (years)	How met? O = own contact R = referred by third person		Is third person listed in column 1? if YES, identify		Relationship between you and third person
(1) _____	________	O	R	1	YES	______________
				0	NO	______________
				___________		______________
(2) _____	________	O	R	1	YES	______________
				0	NO	______________
				___________		______________
(3) _____	________	O	R	1	YES	______________
				0	NO	______________
				___________		______________
(4) _____	________	O	R	1	YES	______________
				0	NO	______________
				___________		______________
(5) _____	________	O	R	1	YES	______________
				0	NO	______________
				___________		______________

Section C: Finance

22. How did you capitalise your current business? (Please tick **ALL** that apply and then rank **only those ticked** in the order of importance, 1 being the most important)

		RANK
Use of manager's credit card	☐	____
Loan from relatives/friends	☐	____
Loan from bank(s)	☐	____
Loans from agencies (Get Ahead, Ithala, etc.)	☐	____
Partnership	☐	____
Own savings	☐	____
Business angels (private investors)	☐	____
Credit rotating association	☐	____
Relatives working for non-market salary	☐	____
Use of interest on overdue payment	☐	____
Borrow equipment from others	☐	____
Own equipment in common with others	☐	____
Lease equipment instead of buying	☐	____
Delay payment to suppliers	☐	____
Choose customers who pay quickly	☐	____
Share premises with others	☐	____
Share employees with others	☐	____
Other ______________________________________	☐	____

23. Do you think that savings schemes (e.g. Stokvel, credit rotating associations) are useful for European businessmen in South Africa for economic or social benefits?

	Yes	No	Don't know
Economic	☐	☐	☐
Social	☐	☐	☐

24. Have you ever participated in a savings scheme before?

☐ Yes ☐ No (Please proceed to question 25.)

If yes, why did you participate in a savings scheme?

To capitalise the first business ☐
Friendship and social meeting ☐
Savings ☐
To finance an ongoing business ☐
To buy a house, a car or other ☐
To finance a ceremony (wedding, funeral) ☐

If yes, on average how many members were in the savings scheme? ________

If yes, what was your relationship with the members?

☐ 1 friends	☐ 2 businessmen
☐ 3 alumni	☐ 4 relatives
☐ 5 church members	☐ 6 others ______________________________________

If yes, were savings schemes useful to capitalise your business?

☐ 1 very useful
☐ 2 more or less useful
☐ 3 more or less not useful
☐ 4 not useful at all

If no, why not? ____

25. How was the success of the business ***last year***?
☐ 1 considerable profit
☐ 2 some profit
☐ 3 no profit
☐ 4 loss

26. What is the expected business success ***this year***?
☐ 1 considerable profit
☐ 2 some profit
☐ 3 no profit
☐ 4 loss

27. Is your company:
☐ 1 growing
☐ 2 staying about the same
☐ 3 shrinking

Section D: Characteristics of the staff/employees

28. Are you personally related to any of your European employee(s) (i.e. family)?

☐ Yes ☐ No (Please proceed to question 29.)

If yes, what is the relationship? ____________________________________

If yes, please provide information regarding family member(s) who work in your store.

Relationship with respondent	***Age of worker***	***Type of work***	***Working hours per week***

If yes, do you think that help from family members is important for the success of your business?
□ 1 very important
□ 2 more or less important
□ 3 more or less not important
□ 4 not important at all

29. Do you have any paid employee(s) in your store? □ Yes □ No
If yes, please provide the following information.

Ethnicity	***Full-time worker***	***Number***	***Part-time worker***	***Number***

30. If you have European employees, are there any special reasons for employing them rather than non-European)? (Rank the three most important reasons, with 1 being the most important)
□ (1) Better communication with European employees
□ (2) Because they work harder and better
□ (3) Trustworthy
□ (4) Low wage
□ (5) Personal relationship or recommendation from others
□ (6) Because major customers are European
□ (7) Other reason (specify) ______________________________

31. If you **DO NOT** have European employees, are there any special reasons for **NOT** employing them rather than non-European? (Rank the three most important reasons, with 1 being the most important)
□ (1) Bad communication with European employees
□ (2) Because they DO NOT work hard
□ (3) They are NOT trustworthy
□ (4) They demand high wages
□ (5) Lack of personal relationship or recommendation from others
□ (6) Because major customers are non-European
□ (7) Other reason (specify)

Section E: Membership

32. Are you a member of a social/service organisation? Please list below (e.g. Rotary, Lions)

____

____

33. Are you a member of a professional/trade organisation? (e.g. Chamber of Business)

____

____

34. Do you currently attend any voluntary association(s) (e.g. church, social meeting, alumni meeting)? ☐ Yes ☐ No

If yes, please specify

Type & purpose of association	*Frequency of attendance*	*Position at the association*

If yes, do you get any benefits from the association?

☐Yes ☐ No

If yes, what kinds of benefits do you get? ____

____

If no, why do you think you don't get any benefits? _________________________________

____

If no, what is the reason that you don't participate in any association? __________________

____

Section F: Characteristics of the institutional context

35. Do you regularly have to cope with changes in rules, laws or policies that materially affect your business? ☐ YES ☐ NO (Please proceed to question 37.)

Changes in laws and policies are:

☐ 1 completely predictable ☐ 4 fairly unpredictable
☐ 2 highly predictable ☐ 5 highly unpredictable
☐ 3 fairly predictable ☐ 6 completely unpredictable

36. In case of important changes in laws or policies affecting your business operation the government takes into account concerns voiced either by you or by your business association. This is true.

☐ 1 always ☐ 3 frequently ☐ 5 seldom
☐ 2 mostly ☐ 4 sometimes ☐ 6 never

37. Do you regularly have to cope with changes in suppliers that affect your business?

☐ YES ☐ NO

Changes in suppliers are:

☐ 1 completely predictable ☐ 4 fairly unpredictable
☐ 2 highly predictable ☐ 5 highly unpredictable
☐ 3 fairly predictable ☐ 6 completely unpredictable

38. Do you regularly have to cope with changes in customers that affect your business?

☐ YES ☐ NO

Changes in customers are:

☐ 1 completely predictable ☐ 4 fairly unpredictable
☐ 2 highly predictable ☐ 5 highly unpredictable
☐ 3 fairly predictable ☐ 6 completely unpredictable

39. *Overall government-business interface*

"Please judge on a four point scale how problematic these different policy areas are for doing business.

Obstacles	*No problem*		*Moderate*		*Very Problematic*	
a. regulations for starting business/new operations	1	2	3	4	5	6
b. price controls	1	2	3	4	5	6
c. regulations on foreign trade (exports, imports) 1	2	3	4	5	6	
d. financing	1	2	3	4	5	6
e. labour regulations	1	2	3	4	5	6
f. foreign currency regulations	1	2	3	4	5	6
g. tax regulations and/or high taxes	1	2	3	4	5	6
h. inadequate infrastructure	1	2	3	4	5	6
i. policy instability	1	2	3	4	5	6
j. safety/environmental regulations	1	2	3	4	5	6
k. inflation	1	2	3	4	5	6
l. general uncertainty on costs of regulations	1	2	3	4	5	6

m.	crime and theft	1	2	3	4	5	6
n.	corruption	1	2	3	4	5	6
o.	terrorism	1	2	3	4	5	6
p.	other ________________________________	1	2	3	4	5	6

40. How would you generally rate the efficiency of government in delivering services?

☐ 1 very efficient	☐ 4 mostly inefficient
☐ 2 efficient	☐ 5 inefficient
☐ 3 mostly efficient	☐ 6 very inefficient

41. Have you heard of the following types of programmes and services for SMES?

Non-financial (i.e. training, access to markets, information)

Financial (i.e. loans, guarantees)

a. government non-financial	☐ YES	☐ NO
b. private non -financial	☐ YES	☐ NO
c. government financial	☐ YES	☐ NO
d. private financial	☐ YES	☐ NO

42. I have availed of the following: (check all that apply)

☐ 1 government non-financial programmes and services
☐ 2 government financial programmes and services
☐ 3 private non-financial programmes and services
☐ 4 private financial programmes and services

43. If you have not availed of the above mentioned programmes and services **why not?**

☐ 1 did not know about them
☐ 2 do not need the assistance programmes
☐ 3 someone I know had a bad experience
☐ 4 others ________________________________

44. "I think these programmes and services are important, and have been helpful to my business becoming successful."

☐ 1 strongly agree	☐ 4 disagree
☐ 2 agree	☐ 5 strongly disagree
☐ 3 neutral	☐ 6 not applicable

45. Which of the following support agencies have you made use of:

☐ 1 Ntsika
☐ 2 Ithala
☐ 3 Kwazulu Finance Corporation
☐ 4 Get Ahead Foundation
☐ 5 Durban Chamber of Commerce
☐ 6 Foundation for Entrepreneurial Development
☐ 7 Other ____

46. (Please answer this section **ONLY** if you have availed of any kind of programme or service.)

Please rate your overall perception of:	*Very Good*			*Very Poor*
a. ease of information access	1	2	3	4
b. understandability of information	1	2	3	4
c. ease of application	1	2	3	4
d. speed to application	1	2	3	4
e. reasonability of terms and conditions	1	2	3	4

47. Overall, South Africa is conducive to entrepreneurship.

☐ 1 strongly agree
☐ 2 agree
☐ 3 neutral
☐ 4 disagree
☐ 5 strongly disagree
☐ 6 not applicable

48. Specifically for my **ethnic group**, South Africa is conducive to entrepreneurship.

☐ 1 strongly agree
☐ 2 agree
☐ 3 neutral
☐ 4 disagree
☐ 5 strongly disagree
☐ 6 not applicable

Section H: Major problems and constraints

49. What are the major constraints facing your business?

☐ 1 financing
☐ 2 government policy
☐ 3 inputs
☐ 4 labour
☐ 5 market
☐ 6 space or location
☐ 7 tools and equipment
☐ 8 transport
☐ 9 others ________________________________

50. What are the most important financial constraints facing you?

☐ 1 lack of credit
☐ 2 lack of investment funds
☐ 3 lack of operational funds
☐ 4 all funding and credit problems
☐ 5 others ________________________________

51. What are the major market constraints facing your business?

- □ 1 bad debt from credit
- □ 2 don't know what customers want
- □ 3 competition
- □ 4 illegal competition
- □ 5 number of competitors increasing
- □ 6 lack of product publicity
- □ 7 not enough customers
- □ 7 shoplifting
- □ 8 all market problems
- □ 9 others ________________________________

52. What are the most important overall constraints facing your business?

"Please respond using the four point scale, with 1 (no, not much or no, not at all) to 4 (yes, definitely or yes, frequently)

Business environment	gangsters	1	2	3	4
	theft	1	2	3	4
	violence	1	2	3	4
Finance	access to loans	1	2	3	4
Market	competition	1	2	3	4
	cost of equipment	1	2	3	4
	cost of materials	1	2	3	4
	cost of supplies	1	2	3	4
Regulation	company tax	1	2	3	4
	VAT administration	1	2	3	4
Skills and labour	accounting	1	2	3	4
	calculating costs	1	2	3	4
	cost of labour	1	2	3	4
	reliable labour	1	2	3	4
	skilled labour	1	2	3	4
	technical skills	1	2	3	4

Section I: Social capital

53. Please respond using the four point scale, with 1 (no, not much or no, not at all) to 4 (yes, definitely or yes, frequently)

		NO			YES
a.	Do you feel valued by society?	1	2	3	4
b.	If you were to die tomorrow, would you be satisfied with what your life has meant?	1	2	3	4
c.	Do you believe that by helping others you help yourself?	1	2	3	4
d.	Do you help out a local group as a volunteer?	1	2	3	4
e.	Do you feel safe walking down your street after dark?	1	2	3	4
f.	Do you agree that most people can be trusted?	1	2	3	4
g.	Does your area have a reputation for being a safe place?	1	2	3	4
h.	Have you attended a local community event in the past 6 months (e.g., church fete, school concert)?	1	2	3	4
i.	Are you an active member of a <u>local</u> organisation or club (e.g., sport, craft, social club)?	1	2	3	4
j.	Does your local community feel like home?	1	2	3	4
k.	Do you go outside your community to visit your family?	1	2	3	4
l.	When you go shopping in your local area are you likely to run into friends and acquaintances?	1	2	3	4
m.	If you need information to make a life decision, do you know where to find that information?	1	2	3	4
n.	Are you on a management committee or organising committee for any local group of or organisation?	1	2	3	4
o.	In the past 3 years, have you ever joined a local community action to deal with an emergency?	1	2	3	4
p.	Have you taken part in a community project?	1	2	3	4
q.	Have you helped organise new service in your area?	1	2	3	4
r.	If you disagree with what everyone else agreed on, would you feel free to speak out?	1	2	3	4
s.	Do you think that multiculturalism makes life better?	1	2	3	4
t.	Do you enjoy living among people of different life styles?	1	2	3	4

Section J: Characteristics of the entrepreneur

54. Ethnic group
- ☐ 1 African
- ☐ 2 European
- ☐ 3 Indian

55. Date of birth: ___________________________

56. Gender: ☐ Female ☐ Male

57. Marital status:
- ☐ 1 never married
- ☐ 2 married
- ☐ 3 divorced
- ☐ 4 widowed

58. Education
- ☐ 1 primary school or less
- ☐ 2 high school or less
- ☐ 3 matric/12th grade
- ☐ 4 degree/diploma
- ☐ 5 postgraduate degree (specify) ________________________

59. What was the occupation of your father and mother when you were growing up?

Father _____________________________Mother _________________________________

60. Are any of your close family also entrepreneurs? (e.g. father, mother, brother, uncle, etc)

____

____

____

Thank you for your kind assistance.

□mmr s rS□□□□

QUESTIONNAIRE FOR AGENCIES

The purpose of this survey is to analyse both the formal and informal institutional factors affecting entrepreneurs in South Africa. Please answer (mark with a check) the following questions as honestly as possible. Your responses will be strictly confidential.

Name of Respondent: ____________________

Name of Organisation: ____________________

Position/Department: ____________________

Address: ____________________

Telephone & Fax No: ____________________

Email: ____________________

Part 1. Political and Economic Factors Affecting Small and Medium Enterprises (SMEs)

Predictability of laws and policies

1. Do entrepreneurs regularly have to cope with unexpected changes in rules, laws or policies that materially affect their business? ☐ YES ☐ NO

Changes in laws and policies are:

☐ 1 completely predictable ☐ 4 fairly unpredictable

☐ 2 highly predictable ☐ 5 highly unpredictable

☐ 3 fairly predictable ☐ 6 completely unpredictable

2. Do entrepreneurs expect the government to stick to announced major policies?

☐ 1 always ☐ 3 frequently ☐ 5 seldom

☐ 2 mostly ☐ 4 sometimes ☐ 6 never

3. "The process of developing new rules or policies is usually such that affected businesses are informed."

   This is true. ☐ 1 always ☐ 3 frequently ☐ 5 seldom

   ☐ 2 mostly ☐ 4 sometimes ☐ 6 never

4. In case of important changes in laws or policies affecting business operations, the government takes into account concerns voiced either by the entrepreneur or by his business association.

   This is true. ☐ 1 always ☐ 3 frequently ☐ 5 seldom

   ☐ 2 mostly ☐ 4 sometimes ☐ 6 never

5. Do entrepreneurs fear retroactive changes of regulations that are important for their business operations?

   ☐ 1 always ☐ 3 frequently ☐ 5 seldom

   ☐ 2 mostly ☐ 4 sometimes ☐ 6 never

6. In the last 10 years predictability of laws and policies has

   ☐ 1 increased ☐ 3 decreased

   ☐ 2 remained about the same

Political instability and security of property

7. "*Constitutional changes of government* (as a result of elections) are usually accompanied by large changes in rules and regulations that have an impact on business."

   To what degree do you agree with this statement?

   ☐ 1 fully agree ☐ 2 agree in most cases

   ☐ 3 tend to agree ☐ 4 tend to disagree

   ☐ 5 disagree in most cases ☐ 6 strongly disagree

   ☐ 0 does not apply

8. "Entrepreneurs constantly fear *unconstitutional government changes* (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on his business."

To what degree do you agree with this statement?

☐ 1 fully agree ☐ 4 tend to disagree

☐ 2 agree in most cases ☐ 5 disagree in most cases

☐ 3 tend to agree ☐ 6 strongly disagree

☐ 0 does not apply

9. "Theft and crime are serious problems that can substantially increase the cost of doing business."

To what degree do you agree with this statement?

☐ 1 fully agree ☐ 4 tend to disagree

☐ 2 agree in most cases ☐ 5 disagree in most cases

☐ 3 tend to agree ☐ 6 strongly disagree

☐ 0 does not apply

10. "Entrepreneurs are not confident that the state authorities protect their person and property from criminal actions."

To what degree do you agree with this statement?

☐ 1 fully agree ☐ 4 tend to disagree

☐ 2 agree in most cases ☐ 5 disagree in most cases

☐ 3 tend to agree ☐ 6 strongly disagree

☐ 0 does not apply

11. "Unpredictability of the judiciary presents a major problem for a firm's business operations."

To what degree do you agree with this statement?

☐ 1 fully agree ☐ 4 tend to disagree

☐ 2 agree in most cases ☐ 5 disagree in most cases

☐ 3 tend to agree ☐ 6 strongly disagree

☐ 0 does not apply

VIII. Overall government-business interface

12. "Please judge on a six point scale how problematic these different policy areas are for doing business (please do not select more than 5 obstacles as the very strong (6)).

Obstacles	*No*		*Moderate*		*Very Strong*	
q. regulations for starting business/ new operations	1	2	3	4	5	6
r. price controls	1	2	3	4	5	6
s. regulations on foreign trade (exports, imports)	1	2	3	4	5	6
t. financing	1	2	3	4	5	6
u. labour regulations	1	2	3	4	5	6
v. foreign currency regulations	1	2	3	4	5	6
w. tax regulations and/or high taxes	1	2	3	4	5	6
x. inadequate supply of infrastructure	1	2	3	4	5	6
y. policy instability	1	2	3	4	5	6
z. safety or environmental regulations	1	2	3	4	5	6
aa. inflation	1	2	3	4	5	6
bb. general uncertainty on costs of regulations	1	2	3	4	5	6
cc. crime and theft	1	2	3	4	5	6
dd. corruption	1	2	3	4	5	6
ee. terrorism	1	2	3	4	5	6
ff. other ________________________	1	2	3	4	5	6

13. Please rate your overall perception of the relation between government and/or bureaucracy and private firms on the following scale (please encircle).

"All in all, for doing business I perceive the state as:"

	Helping hand		Neutral agent		Opponent	
Now	1	2	3	4	5	6
Since 1994 elections	1	2	3	4	5	6

IX. Bureaucratic red-tape

14. "It is common for firms to have to pay some irregular 'additional payments' to get things done."

This is true.

- ☐ 1 always
- ☐ 2 mostly
- ☐ 3 frequently
- ☐ 4 sometimes
- ☐ 5 seldom
- ☐ 6 never

15. "Firms usually know in advance how much this 'additional payment' is."

This is true. ☐ 1 always ☐ 3 frequently ☐ 5 seldom

☐ 2 mostly ☐ 4 sometimes ☐ 6 never

16. "Even if a firm has to make an 'additional payment' it always has to fear that it will be asked for more, e.g. by another official."

This is true. ☐ 1 always ☐ 3 frequently ☐ 5 seldom

☐ 2 mostly ☐ 4 sometimes ☐ 6 never

17. "If a firm pays the required 'additional payment' the service is usually also delivered as agreed."

This is true. ☐ 1 always ☐ 3 frequently ☐ 5 seldom

☐ 2 mostly ☐ 4 sometimes ☐ 6 never

18. "If a government agent acts against the rules, the entrepreneur can usually go to another official or to his superior and get the correct treatment."

This is true. ☐ 1 always ☐ 3 frequently ☐ 5 seldom

☐ 2 mostly ☐ 4 sometimes ☐ 6 never

19. In the last 10 years, difficulties in dealing with officials have:

☐ 1 increased ☐ 3 decreased

☐ 2 remained about the same

X. Efficiency of government in providing services

20. Please rate your overall perception of:

	Very Good					Very Poor
a. The efficiency of customs	1	2	3	4	5	6
b. The general condition of the roads you use	1	2	3	4	5	6
c. The efficiency of mail delivery	1	2	3	4	5	6
d. The quality of public health care provision	1	2	3	4	5	6

21. How would you generally rate the efficiency of government in delivering services?

☐ 1 very efficient ☐ 4 mostly inefficient

☐ 2 efficient ☐ 5 inefficient

☐ 3 mostly efficient ☐ 6 very inefficient

Part 2. Programmes and Support Services for Small and Medium Enterprises (SMEs)

22. What types of assistance does your organisation provide to SMEs?

☐ 1 financial

☐ 2 non-financial

☐ 3 both

23. What type of financial programmes? (check all that apply)

☐ 1 loans/credit

☐ 2 guarantee

☐ 3 others, ____

24. What type of non-financial programmes? (check all that apply)

☐ 1 technical	☐ 4 consultancy
☐ 2 marketing	☐ 5 information
☐ 3 training/seminars	☐ 6 others, ____________________

25. Who can avail of the assistance?

☐ 1 entrepreneurs with track record:

☐ 2 start-up entrepreneur

☐ 3 both

☐ 4 other ____

26. How is the programme financed? (check all that apply)

☐ 1 government funds (national budget)

☐ 2 international aid from ____________________________ (agency)

☐ 3 local banks

☐ 4 internal funds/from operations

☐ 5 others ______________________________________

27. Does the amount of financial assistance given to your institution affect the type of programmes and services you can offer? ☐ YES ☐ NO

If Yes, how?____

28. Who determines the types of programmes/services that your organisation will provide?

☐ 1 mandated by law, charter

☐ 2 dictated by the funding agency

☐ 3 demands/needs of the market (i.e. entrepreneurs)

☐ 4 others, ______________________________

29. How do you inform the entrepreneurs about the programmes and services that you offer? (check all that apply)

☐ 1 brochures	☐ 4 print ads	☐ 6 billboards
☐ 2 internet	☐ 5 radio ads	☐ 7 tv ads
☐ 3 invitation letters	☐ 8 others ____________________	

30. Do you evaluate the effectiveness of the dissemination of information methods?

☐ YES ☐ NO

If Yes, how? ______________________________

31. Do you evaluate the effectiveness of the programme?

☐ YES ☐ NO

If Yes, how? ______________________________

32. Is the evaluation of the effectiveness of the programme available for the public? ☐ YES ☐ NO

33. Is feedback obtained from the entrepreneurs who avail of the programmes and services?

☐ YES ☐ NO

If Yes, how? ______________________________

34. Are there programmes and services targeted for specific industries? ☐ YES ☐ NO

If Yes which of the following industries?

☐ 1 wholesale and retail

☐ 2 manufacturing

☐ 3 community, social and personal services

☐ 4 finance, real estate and business services

☐ 5 transportation, communication and storage

☐ 6 agriculture, fishery and forestry

☐ 7 construction

35. How long does it take to process an application? __________________ days (average number of days)

36. The programmes and services provided by your organisation encourage people to become entrepreneurs?

☐ 1 strongly agree ☐ 4 disagree

☐ 2 agree ☐ 5 strongly disagree

☐ 3 neutral ☐ 6 not applicable

37. The programmes and services provided by your organisation helps the entrepreneur in becoming successful.

☐ 1 strongly agree ☐ 4 disagree

☐ 2 agree ☐ 5 strongly disagree

☐ 3 neutral ☐ 6 not applicable

38. The programmes that your organisation provides are responsive to the needs of the entrepreneur.

☐ 1 strongly agree ☐ 4 disagree

☐ 2 agree ☐ 5 strongly disagree

☐ 3 neutral ☐ 6 not applicable

XI. Part 3. Evaluation of Programmes and Services

The evaluation criteria below is based on the criteria used by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in evaluating development assistance. Please write the number of your answer in the block provided at the end of the statement.

Scale: 1-Strongly Agree, 2-Agree, 3-Neutral, 4-Disagree, 5-Strongly Disagree

Relevance

39. The objectives of the programme are still relevant. ☐
40. The activities and outputs of the programme are consistent with the overall goal and the attainment of the objectives. ☐
41. The activities & outputs of the programme are consistent with the intended impacts & effects. ☐

Effectiveness

42. The objectives are achieved. ☐

Efficiency

43. The activities are cost-efficient. ☐
44. The objectives are measurable. ☐
45. The results are quantifiable. ☐
46. The objectives are achieved timely. ☐
47. The objectives are achieved at least cost. ☐
48. The programme is implemented in the most efficient way compared to alternative ways. ☐

Sustainability

49. The programme/project continued after donor funding reached an end. ☐
50. What were the major factors that influenced the achievement or non-achievement of sustainability of the programme/project? (Please enumerate.)

____

____

51. Impact

Criteria	Projected	Actual
How many firms participated?		
What sectors were they in?		
What locations were they from?		
What were the sizes of these firms?		
How much money was spent?		

XII. Part 4. Institutional framework

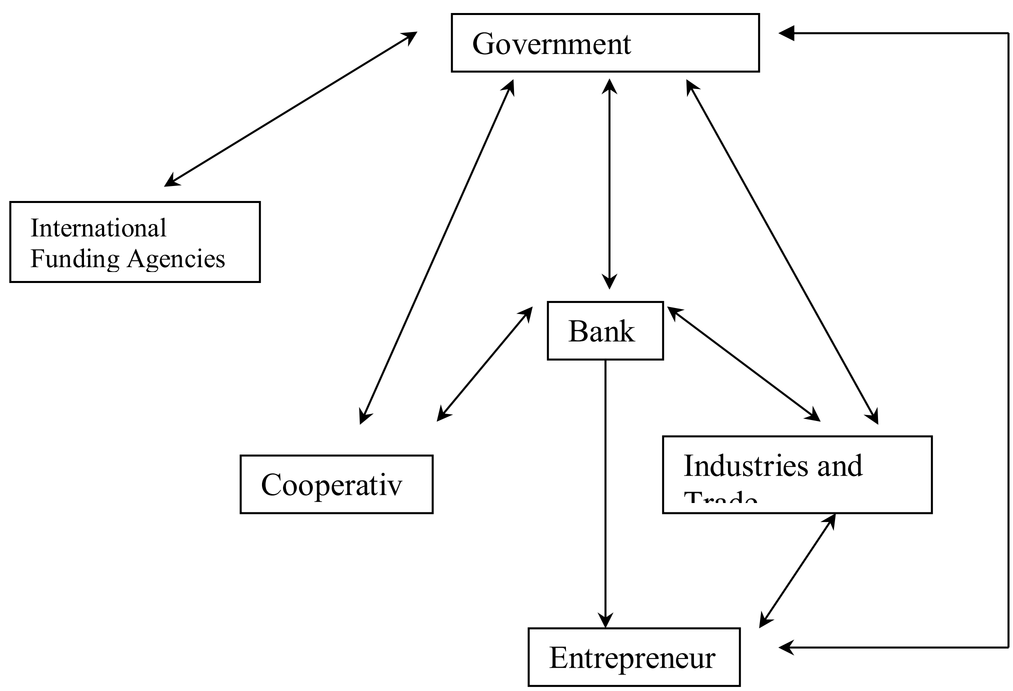
The diagram below aims to show the interrelationships between the different entities involved in providing SME assistance.

52. Is this an accurate description of your organisation's situation?

☐ YES

☐ NO

If No, please modify the diagram (change arrows and their directions, add other entities, etc.) to reflect what is the reality in your organisation.



53. What type of entity are you based on the above diagram? (Please check one.)

☐ Government Agency ☐ International Funding Agency ☐ Bank

☐ Cooperative ☐ Industry or Trade Association ☐ Other

Other comments:

____

____

____

Please check here if you want a summary of the results of this research. ☐

Thank you for your kind assistance