

BUSINESS START-UPS AND THEIR PROSPECTS OF SUCCESS IN SOUTH AFRICAN TOWNSHIPS

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ABSTRACT

There is consensus within South African society that black entrepreneurship needs to become a more widespread phenomenon. To achieve this aim, it may be helpful to know more about existing black entrepreneurial ventures. Mainly based on a survey of 90 entrepreneurs in a South African township, this article investigates the questions: What characterises black township entrepreneurs? Into what businesses do they venture? And, most importantly, are their businesses successful? The profile of the entrepreneurs yields an over-representation of men, a dominance of middle-age groups, and an above-average level of schooling. The vast majority of the start-ups are informal, necessity-driven businesses in the trade, service and catering sectors. Generally, a successful township start-up can be described as being initiated by a middle-aged man with a relatively high level of schooling and industry-specific experience in the relevant branch; the venture is formally registered; a certain amount of money is invested during the start-up period; and the business operates in the handicrafts or construction sectors. Restricted financial and human capital resources are major barriers for the expansion of black entrepreneurship. The results also suggest that the main problem is not creating interest in entrepreneurship, but putting the black population in a position where they will be empowered to take the step into entrepreneurship with better prospects of success.

Keywords: black entrepreneurship, business start-ups, entrepreneurial success, South Africa, South African townships

INTRODUCTION

Entrepreneurship, self-employment and business start-ups are connected with many hopes and expectations. New business ventures create new jobs, contribute to economic competition, stimulate innovation and open up opportunities for upward social mobility (Audretsch et al. 2006; Birch 1987; Brüderl et al. 2007; Kirchhoff 1994; Parker 2009; Storey 1994). These hopes and expectations are particularly prominent in less-developed countries which are attempting to find their way onto a path of economic growth and, finally, to catch-up with 'First-World' countries.

South Africa can still be classified as a less-developed country, although since the abolition of apartheid in 1994 it has undergone rapid socio-economic and political change. These changes have been especially dramatic for the black population of South Africa, which constitutes about 80 per cent of the total population. From a legal perspective, black South Africans are now free to decide where they want to live and how to earn a living. An option that highlights this 'new freedom' is starting one's own business, becoming an entrepreneur and switching to the status of self-employment. Therefore, it is important to identify: What characterises black South Africans engaging in entrepreneurial activities? What businesses do they start up? And, most importantly, do their businesses survive and are they successful?

The main focus of this article is the last question, namely the prospects and determinants of success for black entrepreneurs. Since most black South Africans still live in townships, the research focuses on business start-ups in the context of townships. As the topic of success and its determinants presumes drawing on information about the persons involved in entrepreneurial activities as well as their types of business start-ups, the article also presents results with respect to the first two questions.

The article commences with basic statistical data about the participation of blacks in entrepreneurial activities in South Africa. This review suggests that there is a lack of black entrepreneurship. The next section briefly introduces the broad research field on business start-ups and prospects of success, to generate hypotheses for the empirical analyses. This is followed by a description of the empirical data which was mainly compiled from 90 interviews with current and former entrepreneurs of Walmer Township, a suburb of Port Elizabeth. The findings are presented in two sections: The first summarises the personal characteristics of the entrepreneurs and the structural attributes of their ventures. The second and more detailed section is devoted to the success of the businesses under investigation. The final section concludes the article.

BLACK ENTREPRENEURSHIP IN SOUTH AFRICA

Before the results of the empirical study are examined, it is useful to consider the general situation of entrepreneurship and, in particular, black entrepreneurship in South Africa. Since the end of apartheid in 1994, South Africa has made substantial economic progress. Nurtured by remarkable GDP growth rates, an increasing number of new businesses have been founded in recent years. Based on official statistics of new

business registrations, an upswing from around 100 000 in 2000 to around 250 000 in 2010 can be observed (CIPRO 2010). However, these figures underestimate the level of entrepreneurial activities because they do not include informal businesses. It is well known in South Africa (and in other developing countries) that informal businesses not included in commercial registers constitute a considerable part of entrepreneurial activities (Babo 2005; Malagas 2002; Morris et al. 1996; Pali 2002).

A good source of further information about entrepreneurship in South Africa is the Global Entrepreneurship Monitor (GEM). The GEM project is an international study that has been conducted every year since 1999 in the form of representative surveys, currently in over 50 countries (see www.gemconsortium.org). South Africa joined the GEM project in 2001. The most important variable measured by the GEM surveys is the 'Total Early-Stage Entrepreneurial Activity Index' (TEA). 'The TEA rate estimates the total percentage of people aged between 18–64 years who are actively involved in starting or managing a business which they wholly or partly own and which is less than three-and-a-half years old. It is a measure of the national rate of new business formation' (Maas & Herrington 2006: 21). According to the GEM report for 2006, the TEA rate of South Africa is low (Maas & Herrington 2006). Only 5.3 per cent of the population was actively involved in early-stage business activities in 2006, whereas the average TEA rate of all countries participating in the GEM project was 9.4 per cent.

The situation of the different ethnic groups in South Africa is of particular interest. If the researchers follow the terminology currently used in South Africa (often criticised as a remnant of apartheid) and differentiate between black, coloured, white and Indian/Asian South Africans, whose share in the total population is about 79, nine, nine and three per cent respectively, there is a vast difference in their TEA rates. While in 2006, the TEA rates of black and coloured South Africans were 4.3 and 2.9 per cent respectively, the rates of white and Indian/Asian South Africans were 13.2 and 16.1 per cent respectively (computations based on Maas and Herrington [2006: 28]). Whites and Indians/Asians were thus three to five times more active in the self-employment sector than their black and coloured counterparts.

In addition to the fact that blacks and coloureds are less often engaged in formal business ventures, a further finding is that – when they are indeed involved in entrepreneurial activities – it is in much smaller businesses (Babo 2005; Malagas 2002). In fact, most businesses owned by blacks and coloureds are informal 'survivalists', that is, very small-scale and volatile ventures that serve to secure the survival of a single person or family. GEM studies for different years (Herrington et al. 2011) categorise approximately one-third of all business start-ups in South Africa as necessity-driven, as opposed to opportunity-driven enterprises. When confined to the businesses of blacks, this proportion is considerably higher (Klemz et al. 2006).

Based on the low rate and small scale of black entrepreneurship, it should be evident that the future of the South African economy requires an expansion of black entrepreneurship. The lack of black entrepreneurship, as reflected in official business registrations (the picture becomes less clear when informal businesses are included, see

Preisendörfer et al. [2011]), was the main motivation behind the researchers' project in Walmer Township. Therefore, the researchers were interested in establishing who the entrepreneurs are in the context of South African townships, what kind of businesses they run, and what types of start-ups are successful.

PREVIOUS RESEARCH ON BUSINESS START-UPS AND THEIR PROSPECTS OF SUCCESS

The research question concerning the characteristics of business start-ups and their chances of success is far from new, and there is a broad stream of research on these topics (Audretsch et al. 2006; Brüderl et al. 2007; Parker 2005, 2009; Schutjens & Wever 2000; Storey 1994; Wagner & Sternberg 2004). Most of this research, however, pertains to highly industrialised countries such as the United States or Germany. It is of particular interest to examine whether the findings of this research can be transferred to the evidently very different context of South African townships. Theoretical and empirical research with special reference to black entrepreneurship in South Africa (Babo 2005; Bradford 2007; Co 2003; Klemz et al. 2006; Mitchell & Co 2007; Morris et al. 1996; Urban 2006; Woodward et al. 2011) points towards many, but not all, 'well-known facts about entrepreneurship' which also apply to black business ventures in South Africa.

With respect to the social profile of business founders, the expectation based on previous research is that men are over-represented compared to women; persons who are middle-aged (30–45 years) dominate; and founders have an above-average level of schooling. Concerning characteristics of the start-ups themselves, it is well known that the overwhelming majority start very small. Many start-ups are part-time projects, undertaken by people engaged in regular employee jobs who have no intention of hiring employees or striving for growth. Especially in developing countries, the majority of business start-ups are informal ventures that are not officially registered.

The GEM project differentiates between necessity- and opportunity-driven ventures. Necessity-driven means that people do not have alternative ways of earning a living and start their business 'to survive' or to improve their poor standard of living. Start-ups that qualify as opportunity-driven are based on a new idea, try to exploit a market niche, and are initiated by the motivation of autonomy. Nevertheless, independent of the founding motivation, most new businesses are not what would be defined as 'innovative businesses'. This means that the concept of the Schumpeterian entrepreneur (Schumpeter 1961), who pushes radical innovation and creatively destroys established market constellations, has little in common with the reality of the world of small business start-ups. The vast majority are located in the trade and service sector, because barriers of entry are normally low in this domain of economic activity. Additional characteristics are used in the literature describing business start-ups (for example: Is it a venture with or without business partners?), but the attributes mentioned are sufficient for the purpose of the following analyses. The general question is whether the founders

and the enterprises prevalent in the context of South African townships correspond to the 'stylised facts' of international research.

When it comes to success, the first question is how it can be defined and measured. From the perspective of an individual founder, the most appropriate definition seems to be whether the goals set at the beginning could be achieved. This, however, would imply that there are no generally acceptable and objective indicators of success. 'Bad businesses' may meet the low aspirations of some founders, and 'good businesses' may not meet the high aspirations of others. Furthermore, it is well known that people's goals and ambitions change over time. Highly ambitious start-ups may come back to reality and, conversely, what started with modest aspirations may turn into a fast-growing venture. Therefore, a definition of success which also takes into account established economic criteria is a better choice. The literature favours two success indicators, namely death versus survival, and employment growth (Brüderl et al. 2007: 91–93). Although the 'death' of a firm does not necessarily have negative consequences for the founders involved and even less so for the economy, the end of operations may be qualified as a 'final manifestation of unsuccessful organizational performance' (Carroll 1987: 44). Survival is a minimal criterion of success. Similar precautions pertain to the growth of employment, that is, for some business start-ups this indicator may be misleading, but on average, it is a valid approximation to success, as a business which is not doing well will not hire employees. In addition to these two basic success indicators, empirical studies use a relatively open set of supplementary indicators which also include 'soft' measures such as the founder's subjective assessment of success or his/her satisfaction with self-employment.

Three groups of factors that affect the chances of success can be extracted from previous research, namely (1) the characteristics of the founder; (2) the attributes of the new business itself, and (3) the conditions characterising the environment (Brüderl et al. 1992, 2007; Schutjens & Wever 2000).

Many observers postulate that the founder of a new business is the key to its success. This has resulted in a vast literature exploring the effects of the socio-demographic attributes of founders on the success of their businesses. Two attributes which have already been introduced, namely gender and age, are the most prominent demographics. The standard expectations are that women and both younger and older people (compared to those who are middle-aged) will be less successful in their businesses. This may be true if empirical testing is confined to bivariate analyses, but predictions become less clear if multivariate analyses are performed (that is, analyses under statistical control of other important influences). Besides (or in conjunction with) socio-demographic attributes, previous research focuses on the human and social capital of the founding person as predictors of success. With respect to human capital, the literature distinguishes between general and specific human capital (Bates 1990; Brüderl et al. 2007: 45–51). While general human capital relates to the general level of schooling, specific human capital in the context of entrepreneurship includes industry-specific experience (that is, prior experience in the industry of the new business) and self-employment experience

(that is, prior self-employment episodes). In analogy with human capital, entrepreneurship research accentuates the role of ‘social capital’ and network resources in enabling success. The ‘network approach to entrepreneurship’ (Aldrich & Zimmer 1986; Brüderl & Preisendörfer 1998; Co 2003) refers to the network characteristics and social support of founders, and predicts that network characteristics (such as an extended and diverse network) and a high level of network support increase the probability of success. Finally, entrepreneurship research regularly postulates diverse founders’ personality traits as important prerequisites for success (for a meta-analysis, see Rauch & Frese [2007]). Although the tableau of possibly relevant personality traits is extensive in the existing literature, two particularly prominent traits emerge from previous research (Rauch & Frese 2007), namely proactivity and risk propensity. The expectation is that people with a high level of proactivity and of risk propensity initiate and manage more successful enterprises.

With respect to characteristics of a business itself which are presumably relevant for success, the so-called imprinting hypothesis (Stinchcombe 1965) is widely accepted. This hypothesis assumes that firm characteristics at the time of founding will have persistent effects on the future of a business. The most often cited imprinting factor is the start-up size of a venture. According to the ‘liability of smallness’ (Aldrich & Auster 1986), smaller start-ups are confronted with a higher risk of failure. They have fewer resources to cope with unforeseen events, they may have disadvantages in raising capital, and they may be in an unfavourable position to recruit qualified labour. Although size can be measured in different ways, most often it is operationalised by financial start-up capital and/or by the number of people working in the business. Another business feature connected with size is the legal status, with a distinction being made between informal and formal businesses. Informal (not officially registered) businesses are normally smaller than registered ones, and thus less favourable prospects of success can be expected of them.

As regards conditions characterising the environment of the new businesses, all start-ups in this research reside in the same township, and their local environment does not vary. To capture the economic conditions relevant for the different types of businesses, most research takes into account their branch of industry. A branch of industry can be qualified as a summary measure of the economic environment within which a firm is embedded. It determines the barriers of entry, intensity of competition, and other structural attributes which may affect the prospects of success of newcomer businesses (concerning such influences, see the literature on ‘industrial organisation’, for example, Pepall et al. [2008]). A consistent finding with respect to branch of industry is that trade businesses and businesses in the service sector are more prone to failure than start-ups in manufacturing, handicrafts and construction.

EMPIRICAL DATA

The data used to investigate business start-ups and their prospects of success in the context of South African townships were obtained from two sources, namely a

standardised population survey and in-depth qualitative interviews with former or current entrepreneurs in Walmer Township, a suburb in Port Elizabeth. The township, located at the edge of the city near the airport, has a population of approximately 40 000 residents. As in other South African townships, the situation in Walmer is characterised by severe poverty and high levels of unemployment, crime and HIV/Aids.

Embedded in a broader research project dealing with entrepreneurship in disadvantaged black communities in South Africa, the researchers initiated a structured population survey to establish what Walmer residents think about entrepreneurship, whether they are involved in informal or formal businesses, and, if not, whether they have entrepreneurial ambitions for the future. The survey, which was announced under the title 'Local economy and entrepreneurship', encapsulated face-to-face interviews between July and December 2010. The second author of this article, who spent more than ten months in Walmer Township, recruited local interviewers whom he trained and supervised to conduct the interviews. There was an interview schedule in English and in Xhosa, the most widespread language in the township. The duration of the interviews ranged between 15 and 60 minutes, with a median of 30 minutes.

As the research team had invested much effort to build up a relationship of trust with core members of the community, there was a high survey response rate of over 80 per cent. In total 310 interviews were successfully completed. Although circumstances in Walmer are difficult (high turnover of population, illegal squatting), the study was successful in taking a random sample based on a very detailed map of Walmer Township. This map showed small-scale residential plots (most often with only one household per plot). About two-thirds of the area of Walmer Township was documented precisely on the map, the other third consisted of unapproved plots, mainly informal settlements. For the data collection, the researchers first selected 230 of the almost 4 000 approved plots by random sampling and attempted to conduct one interview with a randomly selected adult on each plot. Second, 100 interviews were conducted using a random route procedure in the remaining area, which included informal settlements. The final composition of the survey revealed that 49 of the 310 respondents were former or current entrepreneurs. Twelve of them had given up their businesses, while 37 had ongoing businesses. To find out more about these businesses, in-depth interviews were conducted with the 49 persons involved in entrepreneurial activities.

Since the main interest was in entrepreneurship, the researchers contacted an additional 38 currently active and three inactive entrepreneurs. This supplementary sample was not random. Visible business owners in the township were contacted, and this group was expanded using a snowball procedure. This type of sampling distorted the total sample of entrepreneurs in favour of ongoing, bigger and formally registered businesses. Subjects of the supplementary sample were requested to respond to the standardised questionnaire (as were all subjects of the random sample). Subsequently, in-depth interviews were also conducted with them.

This means that the researchers accumulated both quantitative and qualitative data from the survey and in-depth interviews for a total of 90 entrepreneurs (75 currently and

15 formerly active). For the purpose of this article, important information from the in-depth interviews was coded into quantitative variables and merged with the data of the standardised interviews to enable statistical analyses of the data. The data pertaining to the 261 non-entrepreneurs in the population sample were not considered as relevant in the interest of this article. The non-entrepreneurs are used only for comparative purposes when the article reports on the social profile of black entrepreneurs in the township.

RESULTS CONCERNING CHARACTERISTICS OF THE FOUNDERS AND THEIR BUSINESSES

This section provides information about the individual characteristics of the entrepreneurs in Walmer Township and the attributes of their businesses. The individual characteristics taken into account are shown in Table 1. They can be grouped into five categories, namely socio-demographic variables (gender, age); start-up motivation; human capital (level of schooling, industry-specific experience, self-employment experience); personality traits (proactivity, risk propensity) and social capital (membership of organisations, self-employed friend/acquaintance, support from personal network).

Of the 90 current and former entrepreneurs, 51 per cent were female and 49 per cent male. Contrary to the expectation of an under-representation of women, this indicates an equal gender distribution. However, considering the gender distribution in the sample of non-entrepreneurs (that is, people never involved in entrepreneurial ventures), it can be seen in Table 1 that more women (61%) than men (39%) participated in the survey. This means it is reasonable to assume that women are – at least slightly – under-represented in entrepreneurial activities. Concerning age, 40 per cent of the entrepreneurs were between 18 and 30 years when they started their ventures and 46 per cent were between 31 and 44 years. Compared to the population of non-entrepreneurs, founders of new businesses were younger; and especially in the age group 45+, entrepreneurial impetus seems to be much lower. The average age of entrepreneurs (at the time of the start-up) was 33.7 as compared to 38.1 for non-entrepreneurs.

Using the dichotomy of necessity-driven vs. opportunity-driven businesses to summarise start-up motivation, 54 per cent qualify as necessity and 46 per cent as opportunity entrepreneurs. It can be assumed that the latter figure of 46 per cent is an optimistic estimation, as many respondents mentioned opportunity motives in conjunction with necessity motives. Furthermore, the response pattern of social desirability presumably leads participants to downgrade necessity motives.

The indicator of general human capital, level of schooling, was measured using a scale ranging from '1 = no schooling' up to '19 = Master's degree'. The mean level of schooling on this scale was 11.2 for entrepreneurs and 10.1 for non-entrepreneurs. Table 1 shows that the percentages of 'low schooling' and 'high schooling' differ by about ten percentage points between entrepreneurs and non-entrepreneurs. In line with what is known about entrepreneurship, township entrepreneurs thus have an above-average level of general education. About one-third of the 90 entrepreneurs had specific human

capital: 34 per cent stated that they had prior work experience in the relevant industry, and 33 per cent that they had prior self-employment episodes. The finding that nearly two-thirds started a business in an economic field in which they had no prior work experience, is certainly a critical factor.

Table 1: Individual characteristics of the entrepreneurs

		Percentage of entrepreneurs (n=90)	Percentage of non-entrepreneurs (n=261)
Gender	female	51.1	60.7
	male	48.9	39.3
Age	18–30 years	40.0	36.4
	31–44 years	45.9	31.8
	45+ years	14.1	31.8
Start-up motivation	necessity-driven	54.1	
	opportunity-driven	45.9	
Level of schooling	low	23.0	33.2
	medium	42.5	41.3
	high	34.5	25.5
Industry-specific experience	no	65.6	
	yes	34.4	
Self-employment experience	no	66.7	
	yes	33.3	
Proactivity	low	52.2	57.6
	high	47.8	42.4
Risk propensity	low	76.7	68.7
	high	23.3	31.3
Membership of organisations	0–1 affiliations	50.0	70.9
	2–5 affiliations	50.0	29.1
Self-employed friend/ acquaintance	no	52.2	66.4
	yes	47.8	33.6
Support from personal network	no	63.3	
	yes	36.7	

The standardised survey included the measurement of two personality traits, namely proactivity and risk propensity. Proactivity was measured by seven statements which could be answered on a four-digit scale. The proactivity measure is an additive index of these statements, ranging from 1 to 4 (the sum was divided by 7; a higher value indicates higher proactivity). Its mean value for the entrepreneurs was 3.2 and for the non-entrepreneurs 3.1. Hence, there is no significant difference. Using the same four-digit scale, risk propensity was constructed as an index from three statements. With

a mean of 2.0 for the entrepreneurs and 2.1 for the non-entrepreneurs, the means of the risk propensity index (range 1–4) do not differ between the two groups (detailed measurement devices for proactivity and risk propensity may be requested from the authors).

To capture the respondents' social capital, which is presumably favourable to entrepreneurship, the researchers refer to three indicators: 'Membership of organisations' records whether – according to the survey – the respondents were a member of 1) a religious organisation; 2) a political organisation; 3) a business organisation; 4) a rotating credit association; 5) a community organisation. The sum of declared memberships, ranging from 0 to 5, serves as the membership variable. It showed a mean of 1.6 for entrepreneurs and 1.2 for non-entrepreneurs, which is a significant difference in the expected direction. 'Self-employed friend/acquaintance' is ascertained on the basis of the question: 'Is one of your close relatives, friends or acquaintances operating their own business: yes or no?', which 48 per cent of the entrepreneurs and 34 per cent of the non-entrepreneurs answered in the affirmative. Finally, confined to the group of entrepreneurs, the survey asked whether they had received support from their family or from friends/acquaintances during the start-up period of their business. Here, 37 per cent reported that they had received support from these sources.

Table 2 summarises the structural attributes of the business start-ups. It is evident that, as intended by the sampling procedure, most of the businesses were new, that is, founded in the last ten years. The 18 per cent (n=16) which were founded before 2000 either no longer existed or had undergone major transformations (for example, change of legal status), giving them the character of a new business.

Table 2: Attributes of the businesses

		Percent
Year of founding	1985–1999	18.4
	2000–2005	23.0
	2006–2010	58.6
Legal status	informal	66.7
	formal	33.3
Start-up capital	less than R2 000	51.2
	R2 000 and more	48.8
Employees at time of founding	no	74.4
	yes	25.6
Branch of industry	trade	41.9
	service/catering	47.7
	handcrafts/construction	10.4

Exactly two-thirds of the businesses may be labelled 'informal' because they did not have an official registration. As is common in entrepreneurship research, start-up size

was measured using two indicators, namely start-up capital and number of employees at time of founding. Most entrepreneurs did not invest much money in their businesses, with the mean of start-up capital being R11 800 (South African rand), and 51 per cent investing less than R2 000. The variable 'employees at time of founding' captures the number of people engaged in the firm, excluding the founder. It simply counts each employee or business partner, if there are any, independent of their working time. In fact, 74 per cent were one-person ventures with the founder working alone; 14 per cent had one employee; and only 12 per cent had two or more employees. These figures highlight that business start-ups in South African townships are very small and low-scale economic projects.

In identifying the types of business initiated, a classification of trade, service, catering and handcrafts/construction was used. The data indicate that 42 per cent were trade businesses, 28 per cent service, 20 per cent catering and ten per cent handcrafts/construction. The six most commonly found businesses in the sample of 90 ventures were taverns/*shebeens* (n=15), *spaza* shops (6), sweet vendors (5), taxis (4), butchers (4) and hair-dressers (4).

RESULTS CONCERNING BUSINESS SUCCESS AND ITS DETERMINANTS

On the basis of the information about the social profile of the entrepreneurs and the basic attributes of their ventures, the researchers now focus on the main question of this article, namely the enterprises' prospects of success and the factors determining these prospects. It has to be taken into account that the sample is not a representative selection of all start-ups in Walmer Township during a certain period of time. Although the study included 15 dead businesses, that is, businesses that have ceased to operate, it was distorted by a survivor bias, mainly because the supplementary sample focused on ongoing, formally registered and bigger businesses. Given this bias, it is not possible to present valid evidence about general, descriptive chances of success (How many start-ups are successful?), however, the researchers can analyse determinants of success.

For measuring success, three dichotomous indicators were used: survival vs. death, increase in employees and 'subjective success'. As already mentioned, 15 of the 90 businesses could be categorised as being dead (17 per cent) and 75 as alive (83 per cent), that is, still active at the time of the interview. Confined to the group of 75 surviving businesses, 24 per cent were able to increase their number of employees as compared to the situation at the start of their businesses. The remaining 76 per cent did not indicate any change in the number of employees or had to reduce their staff. The figure of 24 per cent 'increase in employees' allows the interpretation that business start-ups in township settings should not be assessed as economically insignificant. They contribute to job creation, although this contribution is, admittedly, little more than 'a drop in the ocean' of unemployment and poverty. The third indicator, 'subjective success', refers to the respondents' own perception of success. From the data gathered during the in-depth

interviews, a surprisingly high proportion of 68 per cent evaluated their venture as a 'successful project'.

How do these success measures correlate, and do they indicate a common latent variable? Based on all 90 start-ups, survival and employment growth yielded a moderate correlation ($r=0.22$), while neither survival and subjective success ($r=-0.05$), nor employment growth and subjective success ($r=0.05$) showed an association worth mentioning. None of the 15 dead businesses had an increase in the number of employees during the time of operation, but 11 of their founders subjectively assessed their past venture as 'successful'. This pattern of moderate and missing correlations may be surprising for outsiders not familiar with the state of the art of entrepreneurship research, but it is in line with previous studies (Brüderl et al. 2007: 102–105; Kalleberg & Leicht 1991). The conclusion that the researchers draw is that it does not make sense to use a summary measure of success (for example, in the form of an index of the three success criteria). Success is evidently not a one-dimensional phenomenon, but is composed of different, relatively independent facets affording separate analyses of their determinants.

To begin with such analyses, it is reasonable to look at elementary cross-tabulations of the three success indicators with the set of covariates introduced in the preceding section. The results are presented in Table 3 for the individual characteristics of the entrepreneurs and in Table 4 for the structural attributes of the enterprises. It should be emphasised that the percentages pertaining to survival and subjective success are based on all 90 start-ups, whereas those pertaining to employment growth refer to the 75 enterprises still in operation.

It can be seen from Table 3 that female-owned businesses are generally less successful than those of males. The biggest difference between female- and male-owned ventures concerns their tendency to hire employees. Evidently, women seem to be more cautious about advancing from 'working at their own risk' to becoming a 'real entrepreneur' who directs other people's work. The findings with respect to age underscore that it is necessary to analyse different success indicators separately. Whereas older founders (45 years and older) are more successful in keeping their businesses alive, they create jobs less often in their ventures and less often view their businesses as successful projects. There are no indications in Table 3 that the age of the founder and the success of his/her business follow an inverted U-shaped pattern.

The start-up motivation differentiating between necessity and opportunity entrepreneurs does not show a correlation with the survival criterion, but tends to influence employment growth and subjective success in the expected direction. It may be speculated that a lack of economic alternatives induces necessity entrepreneurs to stay in business even if their ventures are 'unsuccessful' in the sense that they do not really pay off.

Table 3: Success in dependence of individual characteristics of the entrepreneurs

		Percentage 'alive'	Percentage 'increase in employees'	Percentage 'subjective success'
Gender	female	78.3	13.9*	65.2
	male	88.6	33.3*	70.5
Age	18–30 years	82.4	28.6	73.5
	31–44 years	84.6	24.2	69.2
	45+ years	100.0	8.3	41.7
Start-up motivation	necessity-driven	82.6	15.8	63.0
	opportunity-driven	84.6	30.3	71.8
Level of schooling	low	70.0*	21.4	65.0
	medium	81.1*	16.7	64.9
	high	93.3*	35.7	76.7
Industry-specific experience	no	78.0*	17.4*	66.1
	yes	93.5*	34.5*	71.0
Self-employment experience	no	81.7	30.6*	73.3
	yes	86.7	11.5*	56.7
Proactivity	low	87.2	22.0	68.1
	high	79.1	26.5	67.4
Risk propensity	low	87.0*	21.7	63.8
	high	71.4*	33.3	81.0
Membership of organisations	0–1 affiliations	84.4	21.1	64.4
	2–5 affiliations	82.2	27.0	71.1
Self-employed friend/ acquaintance	no	74.5*	28.6	61.7
	yes	93.0*	20.0	74.4
Support from personal network	no	87.7	28.0	70.2
	yes	75.8	16.0	63.6

Note: * significant differences between subgroups at ten per cent level.

The general and specific human capital resources of the founder clearly affect the prospects of success, albeit partly in an unexpected way. Entrepreneurs with a higher level of schooling and with industry-specific experience in their field of business are more successful. The effects of self-employment experience, however, do not support the expectation that successful entrepreneurial ventures are a kind of 'trial-and-error process'. Prior self-employment experience does not lead to better survival chances, and it correlates negatively with employment growth and subjective success. It may be speculated that some of those who started businesses in the past but discontinued them, lack the basic prerequisites for successful entrepreneurial endeavours.

The two personality traits, proactivity and risk propensity, yield results which do not correspond with the usual propositions. Proactivity shows insignificant effects,

whereas risk propensity does not seem to have a positive effect – on the contrary, it has a negative effect on survival chances.

The influence of the three measures of ‘social capital’ is similarly weak and inconsistent. Membership affiliations to organisations do not increase prospects of success, and the same applies to support from personal networks. If there is an association between support from personal networks and success, it is not positive, but negative. The reason may be that those entrepreneurs who receive support from family members and friends need such support and depend on it, because they lack other basic resources (human and/or financial capital) to run a business successfully (Bates 1994; Brüderl & Preisendörfer 1998). Nevertheless, Table 3 reveals that there is one significant effect of the network variables, namely those entrepreneurs who have self-employed relatives, friends or acquaintances initiate businesses with better prospects of survival.

The firm attributes and their influences on success are presented in Table 4. The year of foundation is not associated with the three success measures. This is of relevance with respect to the composition of the sample, because a strict random sample of all start-ups in the period 1985–2010 would have implied an increasing proportion of survivors over time (the period at risk is shorter for younger businesses) and a decreasing proportion of enterprises with employment growth (the period of potential growth is longer for older businesses). The finding that both expectations cannot be confirmed in the data, justifies the decision to ignore the year of foundation in the subsequent analyses.

Table 4: Success in dependence of attributes of the businesses

		Percentage ‘alive’	Percentage ‘increase in employees’	Percentage ‘subjective success’
Year of foundation	1985–1999	87.5	14.3	68.8
	2000–2005	80.0	37.5	65.0
	2006–2010	88.2	22.2	68.6
Legal status	informal	81.7	12.2*	65.0
	formal	86.7	46.2*	73.3
Start-up capital	less than R2 000	79.1	11.8*	58.1*
	R2 000 and more	87.8	36.1*	78.0*
Employees at time of founding	No	83.6	26.8	64.2
	Yes	82.6	15.8	78.3
Branch of industry	Trade	69.4*	8.0*	61.1
	service/catering	92.7*	28.9*	68.3
	handcrafts/construction	100.0*	33.3*	77.8

Note: * significant differences between subgroups at ten per cent level.

Table 5: Determinants of success (logistic regression models)

	Alive	Increase in employees	Subjective success
Gender (1 = male)	0.15 (0.16)	1.42* (1.67)	-0.10 (0.18)
Age in years	0.09* (1.73)	-0.01 (0.24)	-0.05* (1.73)
Start-up motivation (1 = opportunity-driven)	-0.26 (0.27)	-0.50 (0.61)	0.44 (0.77)
Schooling in years	0.44* (2.26)	0.06 (0.37)	-0.05 (0.52)
Industry-specific experience (1 = yes)	2.03* (1.70)	0.26 (0.26)	0.50 (0.81)
Self-employment experience (1 = yes)	-0.10 (0.09)	-1.70* (1.91)	-0.84 (1.49)
Risk propensity (1–4)	-3.44* (2.09)	0.21 (0.19)	0.63 (0.84)
Self-employed friend/acquaintance (1 = yes)	1.61 (1.61)	-1.00 (1.27)	0.62 (1.09)
Support from personal network (1 = yes)	-1.28 (1.31)	-0.48 (0.56)	-0.06 (0.10)
Legal form (1 = formal)	-0.01 (0.01)	1.66* (1.92)	0.39 (0.63)
Start-up capital	-0.23 (0.83)	0.54* (1.74)	-0.04 (0.29)
Employees at time of founding (1 = yes)	0.14 (0.31)	-0.69* (1.87)	0.20 (0.79)
Branch of industry: service/catering	3.76* (3.05)	0.13 (0.14)	-0.06 (0.10)
Branch of industry: handcrafts/construction	7.86 (0.27)	0.01 (0.01)	0.78 (0.79)
Constant	0.80 (0.20)	-7.71* (1.94)	1.92 (0.80)
Pseudo R-squared	46.0%	34.6%	10.3%
No. of cases	90	75	90

Notes: * significant at ten per cent level; unstandardised regression coefficients; t-values in parentheses; reference groups: female (gender), necessity-driven (start-up motivation), no industry-specific experience, no self-employment experience, no self-employed friend/acquaintance, no support from personal network, informal (legal form), no employees at time of founding, trade (branch of industry).

According to Table 4, informal and formal enterprises hardly differ in terms of their survival prospects, but differ considerably in their potential for employment growth. Again, restricted economic opportunities for people running informal businesses may be responsible for the finding concerning survival. When it comes to job creation, however, formally registered businesses are the ones promising economic progress. Furthermore, the amount of start-up capital is a reliable predictor of success, as it shows a positive effect on all three success criteria, and is particularly strong with respect to employment growth. The influence of ‘employees at time of founding’ differs from that of ‘start-up capital’. Newcomers with employees do not have better survival chances than newcomers without any employees at the time of founding; the former tend to have a lower probability of further employment growth but are more often ‘subjective successes’. This pattern is difficult to reconcile with the well-known ‘liability of smallness’.

Finally, relatively strong effects for the branch of industry can be observed. Handcraft and construction businesses have the longest life expectancy, they have the best prospects of creating jobs, and their founders most often qualify them as successful. Start-ups in the service and catering sectors range second in their overall prospects of success, and trade businesses are the most risky self-employment activities.

Differences observed in Tables 3 and 4 may be misleading because they are based on bivariate cross-tabulations which explore the effect of all factors separately. Business success, however, depends on several factors simultaneously, and more refined analyses afford multivariate statistical models. Such models have the benefit of providing information about the effect of each covariate under statistical control of all other covariates. At this point, the researchers have a problem with the small number of cases in the data set ($n=90$ for the analyses of survival and subjective success, and $n=75$ for employment growth; missing values were substituted by the mean of the corresponding variables to avoid a further drop of the number of cases). The small number of cases increases the standard errors of the regression coefficients or may even make it impossible to estimate a robust regression equation. These caveats should be kept in mind when the researchers present the results of binary logistic regressions with survival, employment growth and subjective success as dependent variables, and the individual founder and structural firm characteristics as independent variables. Table 5 shows the results. From the full set of covariates in Tables 3 and 4, the regressions excluded ‘proactivity’, ‘membership of organisations’ and ‘year of foundation’ because these variables did not yield bivariate effects, and because (given the small number of cases) the regression equations should not be overloaded.

Concerning gender, age and start-up motivation, the regression models mainly confirm the picture of bivariate analyses: Female-owned ventures create jobs less often; older founders initiate enterprises with better survival prospects, but nevertheless less often qualify their start-ups as subjective successes; and the start-up motivation does not make much difference. Human capital in the form of general schooling and industry-specific experience is important, especially in that it improves survival chances. Prior

self-employment experience, however, does not have positive effects, but tends to be connected with negative effects (all three regression coefficients end up with a negative sign). Another finding that is not in line with expectations is that founders with the personality trait of a high risk propensity run businesses with lower survival prospects. None of the effects of the social capital variables is statistically significant, and their regression coefficients are both positive and negative. It can be concluded that the network approach to entrepreneurship does not find support in the data.

Formally registered businesses and ventures endowed by more start-up capital are those most able to increase their number of employees over time. It is worth mentioning, however, that the legal status (informal vs. formal) and the amount of start-up capital positively affect neither survival chances nor subjective success. Those ventures starting with employees at the time of founding have a lower probability of increasing their number of employees than those starting without any employees. However, researchers should be careful about interpreting this as a substantial finding, because it is at least partially caused by the fact that the analysis was confined to surviving businesses.

Finally, with respect to the branch of industry, the results in Table 5 confirm that this is an important predictor of success, particularly of survival chances. Although, contrary to bivariate results, the branch of industry loses its effect on employment growth and subjective success, it strongly affects survival chances. The effect is highly significant for service/catering, that is, start-ups in this sector have a better chance of survival than start-ups in the trade sector. The effect is even stronger for handcrafts/construction, although this effect is below the level of significance. This is due to the fact that there were only a few such enterprises ($n=9$) in the sample causing a huge standard error of the regression coefficient. Once again, this is evidence that the regression models are based on a limited data set.

DISCUSSION AND CONCLUSION

There seems to be consensus within South Africa that black entrepreneurship should be more widespread and economically significant. Since most black South Africans are still living in townships, this shifts attention to entrepreneurship in South African townships. Not much, however, is known about who the township entrepreneurs are, what types of business they initiate, and which ventures are successful. This research, which is based on a case study of a single township, was aimed at contributing knowledge by answering these questions. Data were gained from 90 entrepreneurs participating in a survey and in qualitative interviews.

The social profile of the entrepreneurs yielded an over-representation of men, a dominance of the middle-age groups (30–45 years), and a level of general schooling which was above average. Two-thirds of the entrepreneurs started their ventures in an industry in which they did not have prior work experience. At the time of start-up, the vast majority were informal, necessity-driven businesses with limited financial resources and with no employees other than the founder. While most ventures were

in the economic sectors of trade and service/catering, only a few were established in handicrafts and construction work. These findings are not surprising, as they largely correspond with what is known about entrepreneurship in other contexts. Nevertheless, it seems worth noting that the township businesses observed cannot be qualified as economically irrelevant. Albeit small and minimalist, they create jobs and income for their founders, and sometimes directly or indirectly for other people. For economic survival, these minimalist ventures are indispensable for many inhabitants of the townships.

Based on the size and composition of the sample, the researchers were not able to ascertain the chances of success of township businesses in the aggregate. They can, however, say something about the concept of success and about factors influencing success. The 'success' of a business start-up is evidently a multi-dimensional concept. Although survival and employment growth (as main indicators of success) are positively correlated, the correlation is weak. Furthermore, success subjectively evaluated by the founder is a completely independent aspect. For those businesses surviving the first three years after start-up, it can be roughly estimated that about a quarter will hire additional employees. About two thirds of the entrepreneurs (which is an unexpectedly high percentage) assessed their venture as a successful endeavour, irrespective of whether the business still existed or not.

Ignoring detailed findings with respect to the different success indicators, the overall picture of a successful township start-up can be described as follows: It has been initiated by a middle-aged man with a relatively high level of schooling and with experience in the branch of founding. The venture is usually formally registered; a certain amount of money was invested during the start-up period; and the business is within the handcraft or construction sectors of the economy. Various factors are often discussed in the literature which, according to our study, are not decisive for success. These include the start-up motivation (necessity-driven vs. opportunity-driven), the prior self-employment experience of the founder, personality traits such as proactivity and risk propensity, as well as social capital variables.

Since the approach was to conduct a case study of a single township, the researchers are careful about drawing conclusions and suggesting implications. Further research is necessary to re-examine the findings. Despite limitations, the researchers nevertheless believe that the results and additional impressions gained in the process of interviewing allow the conclusion to be drawn that the basic prerequisites for an expansion of entrepreneurship are in place in South African townships. Many black South Africans do have ambitions of entrepreneurship, entrepreneurial activity is accepted as a viable option, and the entrepreneurship climate is more positive than negative (Preisendörfer et al. 2011). Evident major barriers are shortcomings of financial and human capital. Monetary incentives for informal entrepreneurs to register and start a formal venture may be a worthwhile consideration and a focal point, as this group has entrepreneurial experience and ambitions. Human capital capacities can be developed through entrepre-

neurship training programmes. Such programmes are necessary not only for those who intend to start a new venture (as they often have unrealistic expectations about monetary returns of self-employment), but also for those who already run formal or informal small businesses. Typical problems of on-going small enterprises are that their founders are trapped in daily routines, ignore alternative ways of doing business, and neglect the promise of new opportunities.

In terms of policy implications, the results suggest that the main problem is not creating interest in entrepreneurship amongst the township population, but improving chances of success for those who finally decide to start their own businesses. Financial support, together with training, mentoring and coaching, will probably increase opportunities for success. However, one other option which deserves attention is taking steps to create opportunities for black people to become entrepreneurs outside the restrictive and unfavourable context of the township in which they live.

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