
Do South African townships lack entrepreneurial spirit?

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Abstract: It is often assumed that the black population of South Africa lack entrepreneurial spirit and an entrepreneurial culture. A survey conducted in the Walmer Township in Port Elizabeth explored the entrepreneurial spirit and culture in terms of entrepreneurial activities, perceived start-up barriers, entrepreneurship climate, and general cultural factors relating to entrepreneurship. The sample comprised of 309 black adults living in Walmer Township. The results revealed surprisingly high entrepreneurial activity in the form of informal business ventures. Furthermore, the level of entrepreneurial aspirations turned out to be higher than expected. Many of the township inhabitants regard the township as having a favourable entrepreneurial climate, and support basic pro-entrepreneurial values. On the other hand, the respondents identify considerable start-up barriers for entrepreneurs. They seem to prefer being employed than self-employed. Moreover, they have low trust in people. Additional findings confirm that the township can be qualified as a 'low trust culture'.

Keywords: entrepreneurship; entrepreneurship aspirations; informal business ventures; entrepreneurial spirit; entrepreneurship climate; entrepreneurship culture; start-up barriers; black entrepreneurship; South Africa; South African townships.

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1 Introduction

Since entrepreneurship is important for economic growth and development (Audretsch et al., 2006; Parker, 2009), the governments of many countries attempt to stimulate entrepreneurial attitudes and activities of their working population. This also applies to South Africa, which can be qualified as a 'transition country', characterised by an expanding economy on the one hand and a high level of underemployment on the other (for basic economic and labour market data about South Africa, see Statistics South Africa, 2013).

South Africa ranks 121st out of 186 countries according to the UN Country Human Development Indicator Profile (UN Human Development Report, 2012). This gives South Africa the status of having achieved medium level of human development. However, the official unemployment rate of black South Africans, who constitute more than 80% of the total population of 53 million South Africans, is currently at about 25%. In response to address unemployment and other unfortunate circumstances such as poverty and crime of the black majority, the South African Government is making a concerted effort to improve the situation. An essential part of these endeavours focus on 'black entrepreneurship'. In the context of the political, public and scientific debate about black entrepreneurship in South Africa, it is often assumed that the black population, who reside predominantly in townships, lack an entrepreneurial spirit, do not have adequate entrepreneurial impetus, and no entrepreneurship culture (Babo, 2005; Bradford, 2007;

Co, 2003; Klemz et al., 2006; Maas and Herrington, 2006; Malagas, 2002; Mitchell and Co, 2007; Morris et al., 1996; Pali, 2002; Preisendorfer et al., 2012; Urban, 2006).

This article will present findings of a quantitative empirical study which focused on the ‘lack hypothesis’. The study has the character of a case study because it was based on a standardised survey in a single township. The township under investigation was Walmer Township, situated at the periphery of Port Elizabeth which is the biggest city in the Province of the Eastern Cape of South Africa.

The structure of the article will be as follows: Firstly, the problem statement and objectives of the study are described. Second, a short literature review together with the stated hypotheses derived from the literature will be elaborated upon. Third, the methodology will be outlined. Fourth, the empirical results are presented. And finally, a summary, conclusions and practical implications of the study are provided.

2 Problem statement

Entrepreneurial spirit and culture is more than scrutinising self-employment rates and registered tax-paying businesses. It also relates to aspirations, attitudes, values, and to a certain socially embedded mind-set. Furthermore, informal, unregistered businesses should be included to correctly investigate entrepreneurial spirit (for the general role, different types and problems of definitions and demarcations of informal ventures, see Bureau and Fendt, 2011; Gurtoo and Williams, 2011; Williams, 2008; Woodward et al., 2011). Although informal businesses are normally small, operate in a volatile environment, and do not generate much economic activity, they require personal initiative, self-discipline, and some entrepreneurial impetus. They can serve as an ‘experience field’ and ‘training ground’ for future formal business endeavours. When informal business ventures and subjective representations and prerequisites of entrepreneurship prevalent in the community context are included, the question is whether the notion of a lack of entrepreneurial spirit and culture of the black population in South Africa still applies.

A further caveat in diagnosing a lack of black entrepreneurship spirit in South Africa concerns the validity of the empirical data. The scope of knowledge of the South African township environment is limited. Even basic statistical data about living conditions in South African townships is rare, and often unavailable. Most empirical studies in these contexts serve as useful illustrations but are not based on representative, unbiased samples. It must be mentioned that it is difficult to conduct reliable quantitative research in townships, and this may contribute to a perpetuation of prejudices and empirically inappropriate opinions.

Based on this sceptical position concerning the assumption of a lack of black entrepreneurial spirit, the following questions were investigated: What are the entrepreneurial aspirations and attitudes of black township inhabitants in South Africa? Do black South Africans, who reside in townships, really lack entrepreneurial spirit?

The primary objective of the study was to explore entrepreneurial aspirations of the township population and the factors which influence these aspirations. The secondary, more specific objectives can be summarised as follows:

- conduct a literature study on entrepreneurial activities, aspirations, barriers, climate and general cultural beliefs with regard to entrepreneurship

- empirically determine whether self-employment activities and aspirations differ amongst gender, age and educational level
- empirically assess the perceptions regarding entrepreneurial barriers, climate and general cultural beliefs
- provide guidelines on how entrepreneurial self-employment aspirations in the township could be encouraged.

3 Literature review and hypotheses

3.1 Entrepreneurial activities and aspirations

The conventional way of examining the state of entrepreneurship in a country, region or community is to consider the number of business registrations or the percentage of the self-employed (Birch, 1987; Parker, 2005, 2009; Storey, 1994; Wagner and Sternberg, 2004). Besides actual engagement in entrepreneurship, the interest of the working population in self-employment, and plans or aspirations to start one's own business in the future, can also be qualified as an important component of an entrepreneurial spirit (Douglas and Shepherd, 2002; Henley, 2007; Hessel et al., 2008; Reynolds, 1991).

Based on descriptive data on the entrepreneurial engagement level, theoretical and empirical studies are also interested in the social profile of potential and actual entrepreneurs. The most prominent individual profile factors are gender, age and education. With respect to gender, the typical finding is that men are more often self-employed than women, and men more often declare self-employment aspirations. The reasons suggested for the lower self-employment rate and the lower self-employment aspirations of women range from gender role stereotypes and shortages of financial and human capital, to discrimination by potential customers. Depending on the context, however, the difference between men and women may vary. There are certain hints in the literature that in a context of widespread poverty, women show more entrepreneurial activity, particularly in the form of necessity-driven, informal business ventures (Babo, 2005; Gurtoo and Williams, 2009; Morris et al., 1996; Williams, 2008).

With regard to age, most studies find an inversely U-shaped pattern of entrepreneurship activity (Brüderl et al., 2007; Parker, 2005; Wagner and Sternberg, 2004). This means that the probability of participation in entrepreneurship first increases and then decreases with age. The inversely U-shaped relation between age and the propensity to become an entrepreneur is derived from the assumption that the young lack the experience and financial resources to start a business, while the older do not switch to self-employment because the period of amortisation of the start-up costs is too short [Wagner and Sternberg, (2004), p.228]. Contrary to actual participation in entrepreneurship, it is anticipated that the intention to start a new business in the future should continuously decline with age, because older employees tend to have settled in a career and may increasingly become risk-averse.

The 'classical proposition' with respect to the level of education is that a higher level of schooling is linked positively to entrepreneurial activities and ambitions (Bates, 1990; Brüderl et al., 1992; Davidsson and Honig, 2003; Schultz, 1982). Based on human capital theory, it is argued that educated individuals are better prepared to detect promising business opportunities, to plan a new business venture, and to organise and manage an

ongoing business efficiently. However, it should be kept in mind that individuals with a higher level of schooling – as compared to those with lower schooling – also have better job opportunities and a higher income potential in the labour market as employee and dependent worker (Gimeno et al., 1997). This means that the expected reimbursement of self-employment has to be higher for educated persons to make self-employment an attractive career choice. The constellation of good job opportunities in employee positions could be true for highly qualified black men and women in South Africa. Since the abolishment of apartheid, the government has enacted affirmative action programmes which make provision for highly qualified jobs to be filled preferably with black candidates (Adam, 1997; Republic of South Africa, 2003).

3.2 Additional components of entrepreneurship spirit

Entrepreneurial activities and aspirations can be seen as final manifestations of the broader concept of entrepreneurship. In a broader definition, entrepreneurship also refers to general conditions in a context (such as a community) that are supportive of self-employment and the creation of new business ventures (Hébert and Link, 1989; Hechavarria and Reynolds, 2009; Kirchhoff, 1994; Shane, 2003). Based on this understanding, the researchers included three additional components of entrepreneurship in the study.

- *Perceived start-up barriers for entrepreneurs:* The motivation to start one's own business may not be as high if potential entrepreneurs see many barriers to entrepreneurship. It is also important for those political, economic and societal actors who want to promote entrepreneurship, to be aware of the specific obstacles and barriers that potential entrepreneurs perceive as impacting their intention to start their own business ventures. Previous studies on entrepreneurship in general and on black entrepreneurship in South Africa in particular show that financial restrictions (lack of own money, no access to bank loans), complex administrative procedures, and the shortage of human capital (low level of basic education and entrepreneur-specific qualities) are most often mentioned as barriers to entrepreneurship [Babo, (2005), pp.243–252; Preisendorfer et al., 2012; Robertson et al., 2003].
- *Entrepreneurship climate:* While the concepts of entrepreneurial climate and culture are often discussed in entrepreneurship literature (Baughn and Neuperk, 2003; Davidsson, 1995; Hechavarria and Reynolds, 2009; Morris and Schindehutte, 2005; Hofstede et al., 2004; Stephan, 2008), there is no consensus on how to empirically measure these concepts. Nevertheless, there are some prominent topics which regularly occur in debates about a pro-entrepreneurial climate in the context of communities. In the study, the interviewees were requested to respond to some of these topics through a series of agree/disagree statements. These statements pertained to topics such as the perception of many business opportunities in the community, the perceived social status and social standing of business founders, story-telling about successful new businesses, and trust in successful businessmen/women.
- *General cultural factors:* There are cultural factors assumed to be associated with entrepreneurship which emphasise basic value orientations in relation to economic life. The concept of entrepreneurship is usually associated with (ideological) ideas such as hard work, personal responsibility, appreciation of competition, and belief in

economic efficiency (Hébert and Link, 1989; Schumpeter, 1961; Shane, 2003). Furthermore, as evident in the international debate on ‘social capital’ (Coleman, 1990; Putnam, 2000), trust seems to be essential for business efficiency and economic prosperity. Comparative population surveys indicate a level of trust in other people to be about 60–70% in Scandinavian countries (Sweden, Norway, Finland), about 30–40% for USA, Germany and France, and about 20–30% for Poland and Italy (Delhey and Newton, 2005; Newton, 1999, 2001). Literature has also revealed multiple positive economic consequences of a ‘trusting culture’ (Guiso et al., 2006). Trust also seems to be important for new businesses and all forms of entrepreneurial activity (Scanner, 1997; Troilo, 2010; Welter, 2012; Kwon et al., 2013). With reference to communities in the USA, Alesina and La Ferrara (2002) have found that factors associated with low trust are, *inter alia*, a recent history of traumatic experiences, belonging to a group that historically felt discriminated against, and being economically unsuccessful in terms of income and education. While this profile of a ‘low trust community’ seems to fit the situation of most South African townships, there is a shortage of empirical data to substantiate this assumption.

3.3 Hypotheses

Based on the background described above, the study started with the general assumption that the often asserted lack of entrepreneurial spirit in South African townships requires a detailed investigation. Even if the focus is restricted to entrepreneurial activities, it is assumed that the account of informal, mundane and volatile businesses may challenge the lack of entrepreneurial spirit hypothesis.

If one considers the other components of entrepreneurial spirit, it should have become evident from the preceding literature review that the investigation of the research problem must take into consideration the complexity of the South African township environment. Therefore, the following specific hypotheses were formulated pertaining to differences regarding entrepreneurial aspects (*i.e.*, entrepreneurial activity, entrepreneurial aspirations, perceived entrepreneurial barriers, entrepreneurship climate, and general cultural factors) according to demographic data (*i.e.*, gender, age and education):

- H_{1a}: Men are more often active as entrepreneurs and have more entrepreneurial aspirations than women.
- H_{1b}: There is an inversely U-shaped relationship between age and self-employment, and a negative relationship between age and entrepreneurial aspirations (*i.e.*, intentions to start a new business in the near future).
- H_{1c}: Individuals with a higher level of education/schooling will be more often self-employed and declare more often entrepreneurial aspirations.
- H_{2a} to H_{2c}: Men, young people and persons with a higher level of education perceive fewer barriers to entrepreneurship than women, older people and persons with less education.
- H_{2d}: Self-employed persons and those with entrepreneurial aspirations perceive fewer barriers to entrepreneurship than those without entrepreneurial aspirations.

- H_{3a} to H_{3d}: Men, young people, persons with a higher level of education, self-employed persons and persons with entrepreneurial aspirations perceive a more favourable entrepreneurship climate in the community than women, older people, persons with less education and individuals without entrepreneurial aspirations.
- H_{4a} to H_{4d}: Men, young people, persons with a higher level of education, self-employed persons and persons with entrepreneurial aspirations have more pronounced general cultural values supportive to entrepreneurship than women, older people, persons with less schooling and individuals without entrepreneurial aspirations.

In the following section the methodology applied in the study is discussed.

4 Methodology

The data used to investigate the entrepreneurial spirit in the context of South African townships was obtained from a population survey conducted in Walmer Township, also referred to as Gqebera Township. Walmer is located in the Nelson Mandela Bay Metropolitan area, near the Port Elizabeth Airport. According to estimates by local authorities, there are currently approximately 40,000 people living in Walmer Township. As in many other South African townships, Walmer Township is characterised by severe poverty, unemployment, crime and HIV/AIDS.

By utilising survey data, based on a random sample of township inhabitants, it is possible to ask respondents directly about their self-employment activities and business ownership aspirations. This method has the advantage of including informal and ‘minimalist’ business ventures. In addition to direct participation in entrepreneurship (entrepreneurial activity and aspirations), the study was interested in attitudes and opinions concerning entrepreneurship, perceived barriers to entrepreneurship, and the general entrepreneurial climate in the township community.

Embedded in a broader research project (see the Acknowledgements of this article), a standardised population survey was conducted to determine the opinions of Walmer’s residents on entrepreneurship, whether they are actually involved in informal or formal businesses, and, if not, whether they have entrepreneurial aspirations for the future. The survey was carried out by means of face-to-face interviews.

The survey manager resided for more than half a year in Walmer Township, recruited, trained and supervised 28 local fieldworkers to conduct the face-to-face interviews. The interview schedule was available both in English and Xhosa, as most Walmer Township inhabitants speak Xhosa. The duration of the interviews was between 15 to 60 minutes. Although circumstances in Walmer are difficult with regard to challenges of illegal settlements, a high turnover of population and fear of crime, an excellent response rate of more than 80% was obtained. A total of 309 interviews were completed successfully.

The random sample for the survey was drawn by using a detailed map of Walmer Township showing small-scale residential plots (most often with only one household per plot). About two thirds of the township was documented precisely on this map. The other third consisted of unapproved plots and informal settlements. In the first phase, 230 of almost 4,000 approved plots were selected randomly, and one interview was (where possible) conducted with an adult who was selected randomly in each plot. In the second

phase, another 100 interviews were conducted amongst the inhabitants who lived on unapproved plots in the township, referring to a random-route procedure.

The questionnaire, consisting of four sections, enabled exploration of the following:

- Section 1: Current self-employment activities and self-employment aspirations.
- Section 2: Perceived entrepreneurial barriers to starting a new business.
- Section 3: Perceived entrepreneurship climate within the township community.
- Section 4: Selected general cultural factors which may impact entrepreneurial aspirations and self-employment activities.

The data was collected using questions most often in the form to solicit ‘yes/no’ or ‘agree/disagree’ responses. The statistical analyses were done with SPSS, using simple frequency counts, cross tables, and OLS-regression models.

5 Empirical results

5.1 Results of biographical data

Firstly, some elementary biographical data of the survey respondents which is important for testing the hypotheses will be reported on. Table 1 shows the frequency distributions of gender (male, female), age (three age groups: 18–30 years, 31–44 years, and 45 or more years), and education (three groups according to the highest level of schooling: primary, grade 8–10, and grade 11 or higher).

Table 1 Biographical data of respondents

		%	n
Gender	Male	39.4	121
	Female	60.6	186
Age in years	18–30	35.6	109
	31–44	32.7	100
	45 or older	31.7	97
Highest educational level	Primary	23.8	72
	Grade 8 to grade 10	33.0	100
	Grade 11 or higher	43.2	131

More females than males (61 versus 39%) were interviewed in the survey. This was presumably due to the fact that men are more difficult to reach during the day because of employment outside the township, while some only return home during weekends, or even after longer intervals. The sample was relatively evenly spread in terms of age groups, with the 18 to 30 years old group being slightly higher. With reference to the education level, 24% of the respondents had only acquired primary schooling, while 33% grade 8 to 10, and 43% obtained a senior secondary level of schooling. This frequency distribution on educational levels indicates a certain bias of survey participation in favour of those who had a post matric qualification (although exact data on educational levels of

black South Africans living in townships could not be obtained to draw adequate comparisons).

5.2 Results of entrepreneurial activities and aspirations

Following survey questions routinely used in the international Global Entrepreneurship Monitor project (for more details about this project, see GEM, 2013), the respondents were asked: 'Are you currently self-employed, the owner of a company, or selling any goods or services: yes or no?' As shown in Table 2 below, 13% answered 'yes'. This is a surprisingly high percentage, and a first notable empirical result. Almost all the self-employed respondents were informal traders, who engaged in small trade, for example, sold cigarettes, fresh fruit, or refuse bags. Nevertheless, as suggested by Woodward et al. (2011), such activities indicate some entrepreneurial spirit, which could result in promising businesses in the future.

Table 2 Entrepreneurial activity and aspirations

	%	n
Currently self-employed	13.3	41
Self-employment aspirations: in process of starting a new business	10.7	33
Self-employment aspirations: expecting to start a business within next three years	30.7	95
Thoughts about starting own business, seriously	7.4	23
Thoughts about starting own business, but not seriously	4.9	15
Currently not self-employed, no self-employment aspirations, no self-employment thoughts	33.0	102

With reference to the respondents who were currently not self-employed, the following GEM-question was asked: 'Are you currently trying to start a new business which may involve you being self-employed or selling goods or services: yes or no?' If the answer was 'no', the next question was: 'Are you expecting to start a new business which may involve you being self-employed within the next three years: yes or no?' Based on the full sample of the respondents (i.e., the currently self-employed included in the denominator), 11% of the respondents mentioned that they were in the process of starting a new business, while a further 31% stated that they expected to start a business within the next three years. It can be deducted that 41% of the respondents interviewed can be categorised as 'self-employment aspirants'.

The group of respondents who were both currently not self-employed and without aspirations of being self-employed, the following question was asked: 'Up until now, have you ever thought about starting your own business: yes, seriously; yes, but not seriously; no?' 7% of all respondents answered 'yes, seriously', and 5% 'yes, but not seriously'. At the end of this sequence of questions, 33% were neither currently self-employed, nor did they articulate self-employment aspirations, nor did they have thoughts of self-employment.

Taken together, the results as indicated in Table 2 suggest that researchers should be cautious when postulating a lack of black entrepreneurship in South Africa. When studies include all forms of informal and 'minimalist' businesses, they might be expected to find

self-employment figures of more than 10% in South African townships. Such a figure cannot be qualified as ‘remarkably low’. Furthermore, entrepreneurial aspirations are a widespread phenomenon. It has to be conceded that the fluid nature of entrepreneurial aspirations makes it difficult to predict whether or not such aspirations will actually yield a growing number of black-owned business ventures in the future. While this is an important question, it is not the focus of this article.

With regard to hypotheses H_{1a} to H_{1c}, Table 3 shows the outcome of bivariate cross tables between gender, age and level of education on the one hand, and entrepreneurial activity and aspirations on the other hand.

Table 3 Entrepreneurial activity and aspirations according to gender, age and education (column percentages)

	Gender			Age			Highest educational level		
	All	Male	Female	18–30	31–44	45 or older	Primary	Grade 8 to 10	Grade 11 or higher
Currently self-employed	13.3	15.7	11.8	10.1	15.0	15.5	9.7	13.0	14.5
Self-employment aspirations	41.4	39.7	43.0	52.3	40.0	30.9	40.3	39.0	44.3
No self-employment aspirations	45.3	44.6	45.2	37.6	45.0	53.6	50.0	48.0	41.2

Notes: *Gender*: chi-squared = 1.025, p = 0.599, df = 2

Age: chi-squared = 10.027, p = 0.040, df = 4

Education: chi-squared = 2.229, p = 0.694, df = 4

There are no remarkable differences of entrepreneurial activity and aspirations between men and women. A chi-squared test of the cross table yields a chi-squared value of 1.02 with p = 0.60. Age is connected with differences in the form that the older respondents are more often currently self-employed and – more clearly pronounced – that the younger respondents declare higher aspirations of self-employment (52 versus 31%). The age effect is significant at the 5% level (chi-squared = 10.03, p = 0.04). Although there is a weak tendency that better educated blacks are more often self-employed and show a stronger interest in self-employment, the influence of the educational level is insignificant (chi-squared = 2.23, p = 0.69).

The results of Table 3 reveal that our Hypotheses H_{1a} and H_{1c} have to be rejected. Hypothesis H_{1b} finds a partial confirmation with respect to the expectation that entrepreneurial aspirations decline with age. As already suggested in the literature discussion above, the observation that there is no difference of entrepreneurship activity between men and women may result from the context of widespread poverty in the township which pushes women to embark on entrepreneurial ventures based on economic necessity. The missing effect of education may relate to the fact that better educated blacks have relatively good job opportunities in the labour market.

5.3 Results of perceived start-up barriers

Eight statements were used to explore perceived start-up barriers for entrepreneurs in the community. The question wording was: ‘There are possibly general or personal barriers

starting a business. In what follows, we have some statements. Do you agree or disagree? People in my community don't start a business, because they...' Table 4 presents the responses in terms of agreement, ranked in descending order according to the highest agreement.

Table 4 Perceived entrepreneurial barriers

	% agree
Lack of personal financial resources	97.1
Difficulties of accessing bank finance	93.5
Complex administrative procedures	88.0
Afraid of losing money/property	82.1
No appropriate skills and education	80.5
Rather get a job than start a new business	79.9
Do not want to be known as a failure	75.3
Too much competition from suburbs	62.6

The percentages in Table 4 reveal that the respondents perceived many start-up barriers. It is interesting to note that with the exception of the last statement (too much competition from suburbs), all the respondents' extent of agreement exceeded 75%. It should be borne in mind that the respondents might have been biased by acquiescence, i.e., a general tendency to agree to survey questions. However, this is too convenient an explanation for the high rate of agreeing with the barrier-statements.

In accordance with literature, financial problems (lack of personal financial funding, difficulties with accessing funding from banks) dominate the high response rates (97 and 94% in agreement respectively). In addition to financial matters, complex administrative procedures were found problematic (88%). The recommendation of less bureaucracy seems to be straightforward, but it cannot be excluded that the respondents simply perceive administrative procedures as complex, without having any experience thereof. As expected, the lack of skills and a low educational level also rank high as a start-up barrier (81%). Interestingly, 80% of the respondents were convinced that the township residents prefer to be employed rather than start a new business. This is not a barrier in the usual sense, but more of a cultural mind-set indicating that there is a perception among respondents that township inhabitants do not have entrepreneurial intentions.

To investigate the question of whether the perceptions of barriers to entrepreneurship vary with gender, age, education and self-employment activity/aspirations of the respondents, the eight (0/1 coded) barrier-statements were added to an index with a possible range from 0 to 8. Thereafter, an OLS-regression model was run by utilising the 'barrier index' as dependent and gender, age, education and self-employment activity/aspirations as independent variables. The results of this analysis can be found in Table 5. Evidently, gender, age and the level of education do not significantly influence the perception of entrepreneurial barriers in the community. However, self-employment activity and aspirations show significant effects in the expected direction. The respondents with self-employment aspirations and those currently self-employed perceive fewer barriers to entrepreneurship than those without self-employment aspirations. Interestingly, the effect is stronger for those aspiring self-employment than those already self-employed. The self-employment aspirants seem to perceive the situation too

optimistically, whereas the optimism of those who have real experience with self-employment is moderate.

Table 5 Gender, age, education and self-employment as determinants of perceived entrepreneurial barriers (OLS regression)

	<i>Unstandardised regression coefficients</i>	<i>T-values</i>
Gender (reference: male)		
Female	0.253	1.479
Age in years (reference: 18–30)		
31–44	0.124	0.605
45 or older	0.180	0.764
Highest educational level (reference: primary)		
Grade 8 to grade 10	0.019	0.081
Grade 11 or higher	-0.198	0.814
Self-employment (reference: no self-employment aspirations)		
Self-employment aspirations	-0.556	3.077***
Currently self-employed	-0.431	1.641*
R-squared, number of cases	5.7%	301

Notes: *Significant at 10%-level, **significant at 5%-level, ***significant at 1%-level.

Looking back at the hypotheses, the findings in Table 5 mean that Hypotheses H_{2a} to H_{2c} are not supported. Hypothesis H_{2d} that self-employed persons and those with entrepreneurial aspirations perceive fewer start-up barriers than those without entrepreneurial aspirations is supported.

5.4 Results of entrepreneurship climate

On the basis of the literature dealing with the question of whether entrepreneurship is an integral feature of everyday life in the community (see Section 3), six yes/no statements were selected for the survey to capture essential elements of a pro-entrepreneurial climate. Table 6 presents the results of the perception of the respondents on entrepreneurship climate in the township. The first four statements were phrased positively, while the last two negatively.

Table 6 Perceptions of entrepreneurial climate in the community

	<i>% agree</i>
There are many opportunities to start a new business	66.7
People who have successfully started a new business have a higher status and are more respected	65.6
You will often hear stories about successful new businesses	64.6
Most people regard starting a new business a desirable career choice	54.2
People don't trust successful business people	41.4
It is shameful if somebody starts a business and fails	64.9

The table shows that about two thirds of the respondents agreed that there are many opportunities in the community to start a new business, that successful business founders have a higher status in the community, and that people often tell stories about successful new businesses. This indicates a positive entrepreneurship climate. However, fewer agree that the residents of the community consider starting a new business as a desirable career choice (54% agreement). This indirectly supports the finding shown in Table 4 that the respondents seem to prefer being employed in the labour market. Furthermore, there is considerable distrust of successful businessmen/women (41%) and social disapproval of those who started a business and had failed (65%). Overall, this points to an entrepreneurial climate which is ambivalent and ambiguous – positive on the surface, with several critical negative elements.

For a summary measure of the perceived entrepreneurial climate in the community, the six statements of Table 6 were combined to an additive index (ranging from 0 to 6). Thereby, an ‘agree’-answer to the first four statements and a ‘disagree’-answer to the remaining statements were categorised as indicating a pro-entrepreneurial climate. Based on this index, the authors tested through a regression model whether gender, age, education and entrepreneurial activity/aspirations yield an influence on the perceived entrepreneurial climate. The results appear on Table 7.

Table 7 Gender, age, education and self-employment as determinants of the perceived entrepreneurial climate in the community (OLS regression)

	<i>Unstandardised regression coefficients</i>	<i>T-values</i>
Gender (reference: male)		
Female	−0.087	0.520
Age in years (reference: 18–30)		
31–44	0.401	1.978**
45 or older	0.223	0.972
Highest educational level (reference: primary)		
Grade 8 to grade 10	−0.020	0.086
Grade 11 or higher	0.105	0.440
Self-employment (reference: no self-employment aspirations)		
Self-employment aspirations	0.312	1.758*
Currently self-employed	0.137	0.536
R-squared, number of cases	2.4%	294

Notes: *Significant at 10%-level, **significant at 5%-level, ***significant at 1%-level.

The foremost conclusion that can be drawn from the table is that gender, age and level of education do not make much difference. The explained variance of the regression model is very low (not more than 2%). Gender and education are irrelevant, and with regard to age, the middle age group perceives a more pronounced entrepreneurial climate in the community. This contradicts our hypothesis H_{3b} which expected the youth to perceive a more favourable entrepreneurship climate in the community. Nevertheless, the respondents who declare self-employment aspirations tend to perceive a better entrepreneurial climate in the community. A certain disillusion, however, is that the

currently self-employed respondents do not perceive the entrepreneurial climate being more favourable. An inspection of the single items constituting the climate index reveals that the currently self-employed agree less often than the other two groups with the statement that people who have successfully started a new business have a higher social status and are respected more in the community (51% agreement of the currently self-employed, 70% of the self-employment aspirants, and 65% of those without self-employment aspirations). This item is responsible for the insignificant influence of self-employment activity on the index of the entrepreneurship climate.

The hypotheses can be summarised as follows: Hypotheses H_{3a} to H_{3c} are not confirmed, but hypothesis H_{3d} finds a partial confirmation in the form that the self-employment aspirants perceive a community climate that is more in favour of entrepreneurship.

5.5 Results of cultural factors

Six statements were used in the survey to explore general socio-cultural orientations that may be important for the current state and the future of entrepreneurship in South African township communities. The results are summarised in Table 8.

Table 8 General cultural perceptions and values

	% agree
In the long run, hard work usually leads to a better life	91.2
I believe that people who are successful were lucky rather than worked hard	17.3
Competition is good as it stimulates people to work hard and develop new ideas	71.7
It is fair that a more productive secretary earns more than a less productive one	44.3
Most people can be trusted	5.5
Most of the time people try to be helpful	18.8

The table illustrates that 91% of the respondents were convinced that 'hard work' pays off, i.e., normally contributes to a better life. Conversely, only 17% believed that people who are successful were lucky rather than hard-working. These percentages signal a high legitimacy of the achievement principle and are basically in line with the spirit of an entrepreneurial economy. The same applies to the social approval of competition. 72% of the respondents regarded competition as 'good' because it initiates hard work and induces innovative ideas. To further explore whether the respondents support the achievement principle, they were presented with the following scenario: 'Imagine two secretaries, of the same age, doing practically the same job. One finds out that the other earns considerably more than she does. The better paid secretary, however, is quicker, more efficient and more reliable at her job. In your opinion, is it fair or not that one secretary is paid more than the other?' Only 44% of the respondents regarded it as fair that the more efficient and reliable secretary gets paid more. This answer is in line with what one would regard as having an entrepreneurial mind-set that affords financial compensation based on productivity.

Undoubtedly the most critical finding in Table 8 concerns the level of interpersonal trust. Referring to a question often used in international surveys (Delhey and Newton, 2005; Newton, 2001), the respondents were asked: ‘Generally speaking, would you say that most people can be trusted, or that you need to be very careful in dealing with people?’ Only 6% of the respondents answered that most people can be trusted, while 94% believe that one has to be very careful. This indicates a very low level of personal trust. If previous literature is right in postulating that ‘trust is significant for all forms of entrepreneurial activity’ [Troilo, (2010), p.129; Kwon et al., 2013; Scanner, 1997], then the general economic outlook and the entrepreneurial future of the township communities is not positive, and it seems that a substantial change of the people’s ‘world view’ is necessary. To extend upon the trust factor, the respondents were required to indicate whether they think that most of the time the people try to be helpful, or that they look for their own benefits. Again, the view of the ‘fellow citizens’ was not very positive. Only 19% of the respondents believed that other people are trying to be helpful, while 81% suspected that they are looking primarily after their own benefits. It is a challenge to explain the very low level of trust and perceived helpfulness observed in the survey. Since the results in such a pronounced pattern were unexpected, it is important not to draw ad-hoc speculations about possible reasons and consequences. Nevertheless, the low trust finding for the context of South African townships strongly supports the Alesina and La Ferrara (2002) hypotheses described above (see Section 3).

Once more again, in the following step the authors were interested in whether gender, age, educational level and self-employment activity/ambitions showed significant influence on the pattern of pro-entrepreneurial cultural perceptions and values. To enable this analysis, an additive index of pro-entrepreneurship values referring to the six items of Table 8 was constructed. This index attributed pro-entrepreneurial values to a person when he/she agreed with items 1, 3, 4, 5 and 6 and disagreed with item 2. The results of a regression model with this index as dependent variable are documented in Table 9.

According to this regression model, men and women do not differ with respect to their general cultural values. With increasing age, pro-entrepreneurial values are significantly more widespread. This contradicts Hypothesis H_{4b} which assumed a relationship being the opposite. In line with the authors’ prediction, the respondents with a higher level of schooling articulated more support for pro-entrepreneurial values. Finally, and again not in accordance with the hypothesis, self-employment activity and self-employment aspirations do not yield the expected positive effects. A detailed look at the single items of the entrepreneurial value index revealed that those currently self-employed and those with self-employment aspirations are less often in favour of competition (‘Competition is good. It stimulates people to work hard and develop new ideas’) than those without self-employment aspirations (66% agreement of the currently self-employed, 64% of the self-employment aspirants, and 81% of those without self-employment aspirations). At first glance it seems plausible that those directly involved in entrepreneurial activities do not like competition because they are the ones who bear the burden of competition. Competition is, however, an essential element of an entrepreneurial economy. Therefore, it can be inferred that many township entrepreneurs have evidently not fully internalised the broader ‘message’ of entrepreneurship.

Table 9 Gender, age, education and self-employment as determinants of general cultural perceptions and values supportive to entrepreneurship (OLS regression)

	<i>Unstandardised regression coefficients</i>	<i>T-values</i>
Gender (reference: male)		
Female	-0.144	1.157
Age in years (reference: 18–30)		
31–44	0.201	1.346
45 or older	0.427	2.491**
Highest educational level (reference: primary)		
Grade 8 to grade 10	0.342	2.010**
Grade 11 or higher	0.807	4.540***
Self-employment (reference: no self-employment aspirations)		
Self-employment aspirations	-0.104	0.791
Currently self-employed	-0.166	0.872
R-squared, number of cases	7.9%	299

Notes: *Significant at 10%-level, **significant at 5%-level, ***significant at 1%-level.

Besides the important descriptive empirical findings shown in Table 8, the test of the hypotheses yielded the following result: Hypotheses H4_a, H4_b and H4_d have to be rejected, whereas hypothesis H4_c is confirmed by the survey data.

6 Conclusions

Based on the results of this study, there seems to be no clear answer to the question of whether there is a lack of entrepreneurial spirit in South African townships. Of importance is that participation in entrepreneurial activities is higher than expected. However, almost all of the entrepreneurship activities in the township are informal, operating on a very small scale, and primarily driven by economic necessity and the need for survival. Contrary to beliefs, the aspirations to start a business in the future are also surprisingly high. Further indications of a pro-entrepreneurial spirit are provided by the favourable responses regarding opportunities to start a business, the high social status associated with business founders, and the exchange of stories about successful new businesses in everyday conversation. Moreover, black South Africans believe in ‘hard work’ and in the economic value of competition.

Township respondents perceive severe barriers preventing them from starting a business. The most important factors seen and declared as barriers are restricted financial resources, complex administrative procedures, and a lack of business skills and education. A significant result in this study is that most township inhabitants seem to prefer employment in the labour market above starting their own business. Those who initiate a new business also risk social disapproval if they fail, and some distrust if they are (too) successful. It seems that many township inhabitants do not accept the general principle that financial rewards in the workplace should be based on productivity. A further and probably the most noteworthy finding is that there is a ‘culture of distrust’ in

the township. The respondents are convinced that they cannot trust others and need to be very careful in everyday interactions. Fellow citizens are seen as uncooperative and primarily focused on their own benefit. Based on the latter mind-set, successful entrepreneurial activity and a prosperous economic life in general are difficult to achieve. The finding of a 'low trust culture' is surprising in view of the so-called ubuntu culture which is or at least has been a traditional feature of interpersonal behaviour of the black population of South Africa.

To conclude, black South Africans seem to have an ambivalent attitude toward entrepreneurship. There are both favourable and unfavourable elements in the moral evaluation of and the subjective affinity to entrepreneurship. This peculiar combination of partly inconsistent elements would be worthy of further research and detailed elaboration. Since the survey was confined to a single township, it would be unwise to generalise the results. Nevertheless, there are no obvious reasons why Walmer Township should have specific characteristics that may be unique compared to other South African townships.

The results of this study may be helpful to guide a public policy to promote entrepreneurship in South African townships. Some findings point to a positive entrepreneurial climate and, therefore, do not need further intervention. On the other hand, the findings indicate some aspects that display anti-entrepreneurial tendencies that may need intervention. Most of the necessary changes will take time and cannot be expected to be implemented in the short term. Although black South Africans have become familiar with rapid socio-economic changes in the past two decades, cultural perceptions such as their 'world view' of distrust and uncooperative behaviour of fellow citizens are socially embedded and not easy to influence.

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