



Black entrepreneurship: a case study on entrepreneurial activities and ambitions in a South African township

Peter Preisendoerfer and Ansgar Bitz

Institute of Sociology, University of Mainz, Mainz, Germany, and

Frans J. Bezuidenhout

Department of Sociology and Anthropology, Nelson Mandela Metropolitan University, Port Elizabeth, South Africa

Abstract

Purpose – The purpose of this article is to investigate the current self-employment rate as well as entrepreneurial intentions of the township's population on the basis of an empirical case study of a single township. It is often assumed that the black population of South Africa (mostly living in townships) has a low participation rate in entrepreneurial activities and a low level of entrepreneurial ambitions. Besides the level of entrepreneurship, personal and socio-economic factors affecting participation in entrepreneurship are explored.

Design/methodology/approach – The article uses a face-to-face survey of about 350 adult residents of the township under investigation.

Findings – Contrary to the common assumption, entrepreneurial activity, which also includes all kinds of informal business ventures, cannot be qualified as low in the township under investigation. The same holds true for entrepreneurial ambitions, that is, people's intentions to start their own business in the near future. The factors influencing the probability of self-employment are similar to what we know from many other studies in the field of entrepreneurship. Socio-demographic attributes (gender, age), human capital factors (schooling, health) and social network resources (membership of organizations, self-employed friends) are significant predictors of entrepreneurial activity. It proves to be difficult, however, to explain who, in fact, articulates entrepreneurial ambitions.

Practical implications – The findings show that the basic prerequisites for expanding black entrepreneurship in South Africa are in place. Politically, it seems appropriate to initiate more public support programs for black entrepreneurship, as such programs can help to translate entrepreneurial ambitions into action. However, to stay realistic, the contribution of entrepreneurship to overcome the structural problems of deprivation and poverty of the black population of South Africa should not be overestimated.

Originality/value – The article is based on a careful survey in a township using a random sample. Given the rare access to a disadvantaged township community, the result that there is no evidence of "lack of entrepreneurial impetus" deserves scientific and political attention.

Keywords Entrepreneurship, South Africa, Black entrepreneurship, Entrepreneurial ambitions, South African townships

Paper type Research paper



Introduction

Based on the optimistic hope that entrepreneurial activities stimulate economic growth and development (Birch, 1987; Storey, 1994; Audretsch *et al.*, 2006; Parker, 2009), governments all over the world encourage new business ventures and actively support potential entrepreneurs. Such politically initiated support programs are assumed to be helpful in highly developed countries, but even more so in less developed countries. As the desire and need for better economic conditions is stronger in poor countries, economic development triggered by entrepreneurship seems to be of particular importance.

Independent of the question of whether entrepreneurship can really fulfill the hopes and expectations connected with it, effective programs to encourage entrepreneurship require reliable information about general and local prerequisites, as well as conditions concerning business start-ups. For instance, is the level of entrepreneurial activity in a local area (country, province or community) or in a social subgroup (females, blacks or unemployed) relatively low or high, and why is this so? Who are the current entrepreneurs and self-employed persons, what characterizes and motivates them? What types of businesses get started, and do these businesses contribute to economic development? Is there a more or less ample reservoir of future entrepreneurs interested in self-employment and in starting their own business?

With a focus on the black population of South African, mostly living in townships, these will be the main questions addressed in this article. In an initial step, we will introduce some basic statistical data about the participation of blacks in entrepreneurial activities in South Africa. These data suggest that there is an overall lack of black entrepreneurship. More empirical research is needed to understand and explain this lack.

Of course, such research has to take into account theoretical concepts and empirical findings of previous studies on determinants of entrepreneurship. Therefore, in a second step, we will briefly review the results related to determinants of entrepreneurial activities and ambitions.

Following this, we will describe our empirical data and the dependent and independent variables. The data were derived from a survey of 354 black people living in Walmer Township which is a part of the metropolitan area of Port Elizabeth, the largest urban agglomeration in the Eastern Cape Province of South Africa.

Empirical findings will be presented in two sections: the first shows and discusses the results concerning determinants of self-employment and entrepreneurship activity, while the second section deals with determinants of entrepreneurial ambitions in the township under investigation.

Some final remarks, relating to more general topics within entrepreneurship research and politics will conclude the article.

Black entrepreneurship in South Africa

Before we examine the results of our own empirical study on entrepreneurial activities and ambitions in Walmer Township, it is useful to consider the general situation of entrepreneurship and black entrepreneurship in South Africa in particular. Since the end of apartheid in 1994, South Africa has undergone rapid socio-economic and political change. Concerning its economic development, the country can be qualified as a “transition country”, characterized by an expanding economy, on the one hand, and a

high level of underemployment on the other (for basic economic data about South Africa, see www.statssa.gov.za).

Nurtured by remarkable gross domestic product (GDP) growth rates, an increasing number of new businesses have been founded in recent years. If we follow official statistics of new business registrations, we observe an upswing from around 100,000 in 2000 to around 250,000 in 2010 (CIPRO, 2010). These numbers underestimate the level of entrepreneurial activities because they do not include informal and mundane businesses. It is well-known for South Africa (and other developing countries) that informal economic activities and informal businesses usually not included in commercial registers constitute a considerable part of what may be called entrepreneurship (Morris *et al.*, 1996; Malagas, 2002; Pali, 2002; Babo, 2005).

A good source to learn more about conventionally defined entrepreneurship in South Africa is the Global Entrepreneurship Monitor (GEM). The GEM project is an international trend study that has been carried out every year since 1999 in the form of representative surveys, currently in >50 countries (for more details about GEM, see www.gemconsortium.org). South Africa joined the GEM project in 2001. The most important variable measured by the GEM surveys in different countries 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 and Herrington, 2006, p. 21).

The advantage of this measure is that – at least conceptually – it takes informal business activities into account. Furthermore, not only does it provide information about start-ups, but it also reports on recently established businesses within a time frame of three and a half years.

According to the GEM Executive Report for South Africa 2006 (Maas and Herrington, 2006), the TEA rate of South Africa is very low. Only 5.3 per cent of the South African population was actively involved in early-stage business activities in 2006. However, 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 here. If we follow the language still used in South Africa (often criticized as remnant of apartheid) and differentiate between black, colored (mix of black and non-black), white and Indian/Asian South Africans, whose share in the total population is about 79, 9, 9 and 3 per cent, respectively, there is a vast difference in their TEA rates. While the TEA rates of black and colored South Africans are 4.3 and 2.9 per cent, respectively, those of white and Indian/Asian South Africans are 13.2 and 16.1, respectively. Whites and Indians/Asians are three to five times more active in the self-employment sector than their black and colored counterparts. Because blacks are the largest population group, they are mainly responsible for the weak overall TEA performance of South Africa.

In addition to blacks and coloreds being less often engaged in entrepreneurial ventures, a further finding that comes from official statistics and empirical studies is that – when they are involved in entrepreneurial activities – it is in much smaller businesses (Malagas, 2002; Babo, 2005). In fact, most businesses owned by blacks and coloreds are informal “survivalists”, i.e. very small-scale and volatile ventures that

mainly serve to secure the survival of a single person or family. GEM studies for different years (final year 2010) categorize approximately one-third of all business start-ups in South Africa as necessity-driven, as opposed to opportunity-driven entrepreneurs. If confined to businesses of blacks and coloreds, this proportion is definitely higher (Klemz *et al.*, 2006). A more general problem in this context is that what “entrepreneurship experts” define as entrepreneurial activities, is often not seen and defined in this way by the people involved.

When reflecting on the low rate and the low scale of black entrepreneurship, it should be evident that the future of the South African economy affords an expansion of black entrepreneurship. The lack of black entrepreneurship, as reflected in official statistics as well as in the GEM surveys, was the main motivation behind our project in Walmer Township. We wanted to know whether the diagnosis is correct, who the entrepreneurs are in the difficult and turbulent context of South African townships and what the pool of potential entrepreneurs willing or intending to start their own business look like.

Determinants of entrepreneurial activities and ambitions

Of course, our research question concerning characteristics of actual and potential entrepreneurs is far from new. There is a broad stream of international research on this topic (for overviews, see Kirchoff, 1994; Storey, 1994; Wagner and Sternberg, 2004; Parker, 2005, 2009). Most of this research, however, pertains to the “first world”, i.e. highly industrialized countries such as the USA, Great Britain 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 studies with special reference to black entrepreneurship in South Africa (Morris *et al.*, 1996; Co, 2003; Babo, 2005; Klemz *et al.*, 2006; Urban, 2006; Bradford, 2007; Mitchell and Co, 2007; Woodward *et al.*, 2011) point toward many “well-known facts about entrepreneurship”, but there are also South African peculiarities.

With respect to “entrepreneurial activities”, most previous studies investigate the level and determinants of self-employment. Their main question is: What are the differences between those who are self-employed and those who work as employees or are out of work? With respect to “entrepreneurial ambitions”, the focus is confined to those currently not self-employed. The typical question aims at their interest in self-employment and more or less serious plans or intentions to start a business in the future. And again, the question is: What distinguishes potential entrepreneurs from people who do not consider the option of self-employment and entrepreneurship?

The set of factors proposed to influence actual participation in entrepreneurship, on the one hand, and potential participation on the other, is normally very similar in previous theoretical and empirical research. Therefore, we do not differentiate our discussion according to these two dependent variables. At least five groups of presumed influence variables can be found in the majority of studies.

Socio-demographic attributes

Two indispensable factors in this group of variables are gender and age. The “classical” hypotheses are that females are under-represented in the field of self-employment and that middle-aged groups have a stronger tendency toward entrepreneurship than younger and older age groups. The suggested reasons for the lower self-employment rate of women range from gender role stereotypes, to shortages of financial and other

resources and discrimination from potential customers. The inversely U-shaped relation between age and the propensity to become an entrepreneur is derived from the assumption that young people lack the experience and the financial resources to start a business and that older people do not switch to self-employment because the period of amortization of the start-up costs is too short (Wagner and Sternberg, 2004, p. 228).

Personality traits

Because most start-ups are small businesses managed by a single person, the owner, it is reasonable to assume that personal characteristics of the founder play a significant role in the establishment process and in the chances of success of these businesses. Entrepreneurship research encompasses numerous empirical studies investigating the effect of people's personality traits on their propensity to become an entrepreneur (for a meta-analysis, see Rauch and Frese, 2007). However, the empirical evidence for this "traits approach" is inconsistent and controversial. Some researchers judge this type of research as a "dead-end route", while others are convinced that personality characteristics are important, at least in certain contexts and/or under certain additional conditions. Although the tableau of possibly relevant personality traits is extensive in the existing literature, two particularly prominent traits emerge from previous research, namely, proactivity and risk propensity. The expectation is that people with a high level of proactivity and of risk propensity have a stronger affinity to entrepreneurship. Proactive persons show a pronounced desire to actively "change the world" and are personally convinced that they will be successful in doing so. Such a "world view" is seen as inviting to entrepreneurship. It follows the classical idea of Schumpeter (1961) that the essentials of entrepreneurship are innovation, exploitation of opportunities and creative destruction. Similarly, the concept of risk propensity or, the opposite, risk aversion is almost by definition connected with entrepreneurship. The outcomes of new business ventures are uncertain and volatile, high returns are at odds with high losses, and this attracts individual actors who do not define risks and uncertainties as a threat, but as a challenge.

Human capital factors

It is well-known in the general literature on entrepreneurship that people with a higher level of schooling have a higher propensity to be self-employed (Storey, 1994; Parker, 2005). This observation supports a human capital approach to entrepreneurship that has found much attention in the research field, especially in economic studies (Schultz, 1982; Bates, 1990; Davidsson and Honig, 2003). Besides schooling and work experience, human capital theory also includes individual health as an important component of human capital. In a setting such as in South Africa, where AIDS is a widespread phenomenon, health definitely deserves consideration. We will examine the hypotheses that a high level of schooling and a good health status increase the tendency toward entrepreneurship. Schooling can help to detect opportunities for promising new business ventures, and it may help to transform plans and intentions for entrepreneurship more efficiently into action. A good state of health can be qualified as a necessary, albeit not a sufficient prerequisite for entrepreneurial endeavors.

Social network resources

Although economists accentuate the role of human capital, sociologists favor "social capital" and network resources. People are embedded in social relations that can be

qualified as valuable resources giving access to information and other types of support. The “network approach to entrepreneurship” (Aldrich and Zimmer, 1986; Brüderl and Preisdörfer, 1998; Co, 2003; Kim and Aldrich, 2005) focuses on network characteristics and network support of individual actors and predicts that network characteristics (such as an extended and diverse network) and a high level of network support increase the propensity to start a business. Although a comprehensive measurement of “network resources” is a complex task, membership of organizations and supportive friends and acquaintances may be acceptable indicators. We will test the hypotheses that people who are members of numerous organizations and who have self-employed friends or acquaintances have a higher probability of becoming entrepreneurs.

Perceived community conditions

Many researchers, especially within industrial economics (Storey, 1994; Audretsch *et al.*, 2006), believe that there is normally no shortage of people interested in entrepreneurship (no lack of supply of entrepreneurs), but there are often unfavorable conditions for entrepreneurship (lack of demand for entrepreneurs). This position reminds us that we are referring to individual actors who have certain perceptions of their environment and act upon these perceptions. Often when people think about entrepreneurship, they think about opportunities to earn money and about their social status. Based on this, we hypothesize that entrepreneurship becomes more attractive when people evaluate the local economic conditions as good and when they perceive a positive entrepreneurship climate. Good local economic conditions are connected with demand for products and services, and this improves opportunities to earn money through new business ventures. By a positive entrepreneurship climate, we mean that entrepreneurs are accepted and respected members of the community, and that self-employment is seen as a legitimate, viable and possibly successful career choice. People who believe that the role of an entrepreneur is connected with a “bad image” within the community will not be interested in this potential way of earning their living.

Data and variables

The data we use to investigate entrepreneurial activities and ambitions in the context of South African townships are obtained from a survey in Walmer Township, a suburb of Port Elizabeth. Walmer Township is located at the edge of the city, near the airport. Rough estimates of local authorities say that about 40,000 people are currently living in Walmer.

As in many other South African townships, the situation in Walmer is characterized by severe poverty, unemployment, crime and AIDS. Most dwellings in Walmer are simple “matchbox houses” surrounded by backyard shacks. The infrastructure has typical problems of slum areas like shortage of clean water, unprotected electrical wires and much uncollected garbage. Walmer is not a quiet place to live, but densely overcrowded with a high turnover of population. Although there are numerous small shops and handcraft businesses in the main street, the township is basically a residential area for the underprivileged black population.

Embedded in a broader research project (see the acknowledgements at the beginning), we initiated a structured population survey to find out what people in Walmer Township think about entrepreneurship, whether they are actually involved in informal or formal businesses, and, if not, whether they have entrepreneurial ambitions

for the future. The survey, which we announced under the title “Local economy and entrepreneurship”, was carried out by means of face-to-face interviews between July and December 2010. Managed by the second author of this article who lived six months in Walmer Township and who needed support for the field work, local interviewers were recruited, trained and supervised to conduct the interviews. There was an interview schedule in English and in Xhosa, which is the most widespread and dominant language in the township. The duration of the interviews ranged from 15 to 60 minutes, with a mean of about 30 minutes. Based on a very good response rate of 83 per cent, a total of 354 interviews were successfully completed.

The total of 354 interviews is composed of two separate sub-samples:

- (1) a random sample of 309 adult inhabitants of Walmer Township; and
- (2) an additional sample of 45 entrepreneurs in Walmer.

Although general circumstances in Walmer Township are difficult (illegal settlements, fear of crime), a random sample based on a very detailed map of Walmer Township was successfully accomplished. 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, which are mainly informal settlements. In a first step, we selected 230 of almost 4,000 approved plots randomly and tried to conduct one interview with a randomly selected adult in each plot. In a second step, we conducted 100 more interviews using a random route procedure in the remaining area to also include the informal inhabitants of the township.

Because our main interest was in entrepreneurship, we additionally surveyed 45 currently active entrepreneurs. This supplementary sample was not random. We simply contacted visible shop- and business-owners in the township and expanded this sample in a snowball procedure.

The standardized questionnaire was the same for both groups (random and supplementary sample). It covered the following substantial modules:

- local and personal economic situation;
- past, present and prospective entrepreneurship activity;
- attitudes toward entrepreneurship in the community;
- perceived barriers for entrepreneurs;
- cultural factors pertaining to entrepreneurship;
- personality traits; and
- socio-demographics.

The essential topics of this article, and thus the dependent variables for the analyses, are “current entrepreneurial activities” and “entrepreneurial ambitions”. Current entrepreneurship activity was measured by a question also used in the GEM surveys: “Are you currently self-employed, the owner of a company or selling any goods or services: yes or no?” Confined to the random sample of 309 people, 13 per cent answered yes. This is a surprisingly high percentage and an initial notable empirical result. It leads us to believe that we should be careful in hastily diagnosing that there is a lack of black entrepreneurship. Certainly, most self-employment activities of our respondents

were small-scale, informal, volatile and sometimes economically negligible (trading rubbish bags, selling single cigarettes). Nevertheless, such activities require personal initiative, self-discipline and some entrepreneurial impetus. They can be seen as a way of gaining experience and/or a “training ground” for hopefully more ambitious self-determined business endeavors in the future.

With respect to entrepreneurial ambitions, we restrict our analyses to the 268 respondents in the random sample who are not currently self-employed. We use two questions of the survey to measure entrepreneurial ambitions. Those not currently self-employed were first 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?” Twelve per cent (of those not currently self-employed) declared that they were “currently trying to start”, and 36 per cent that they were “expecting to start”. Combining these two groups, results in 48 per cent with entrepreneurial ambitions. Our “ambition indicator” demonstrates, contrary to conventional wisdom pointing to a lack of black entrepreneurship in South Africa, that there is a high interest in self-employment and entrepreneurship among the township population. Whether or not this interest will be translated into a growing number of viable black business ventures remains to be seen in the future.

Based on the literature concerning determinants of entrepreneurial activities and ambitions, we will examine the effects of five groups of independent variables. These five groups include the following variables and measurements:

- (1) *Socio-demographic attributes*: The variables in this group are gender and age. These are easy to measure. Overall, 58 per cent of our 354 respondents (in the random and supplementary samples) are female and 42 per cent male. Their age ranges from 18 to 86 years, with a mean of 38 years.
- (2) *Personality traits*: We will take into account two personality characteristics, proactivity and risk propensity. Proactivity was measured by seven statements ([Appendix](#)). These statements could be answered on a 4-digit scale with codes from 1 to 4. Our proactivity measure is an additive index of the seven statements, ranging from 1 to 4 (the sum was divided by 7; a higher value indicates higher proactivity). Its mean value in the overall sample is 3.1. Using the same 4-digit scale, risk propensity is constructed as an additive index from three statements ([Appendix](#)). With a value of 2.0, the mean of the risk propensity index (range 1-4) is relatively low.
- (3) *Human capital factors*: Human capital endowment is captured by level of schooling and subjective health status. The level of schooling was measured by a scale ranging from 1 = no schooling at all up to 19 = master’s degree. Numbers in between pertain to different grades. The mean level of schooling on this scale of 1-19 was 10.4. To gain an impression of the respondent’s state of health, the questionnaire asked: “How would you describe your current state of health, would you say it is very bad, bad, fair, good, very good?” Seventy per cent of the respondents qualified their health as good/very good.
- (4) *Social network resources*: Membership of organizations and self-employed friend or acquaintance are used as indicators of network resources presumably

favorable to entrepreneurship. The following respondents were asked whether they belong to:

- a religious organization;
- a political organization;
- a trade and business organization;
- a rotating credit association; and
- a community organization.

The sum of the declared memberships, ranging from 0 to 5, serves as membership variable, and shows a mean of 1.3 in our sample. A self-employed friend or 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?" Thirty-seven per cent stated that they had a self-employed friend or acquaintance.

- (5) *Perceived community conditions*: As described in the theory section, we will test the hypotheses that entrepreneurship becomes more attractive when people evaluate the local economic conditions as good and when they perceive a positive entrepreneurship climate.

To measure the "perceived local economic conditions", we use two items listed in the [Appendix](#). Our measure of perceived local economic conditions is an additive index of these two items, ranging from 2 to 10. A high value of the index indicates a higher level of favorable local economic conditions. Its mean value for the overall sample was 5.2. The measurement of "perceived entrepreneurship climate" refers to four items ([Appendix](#)). Our climate measure is an additive index of these four 0/1-items, ranging from 0 to 4. A high value of the index indicates a higher level of a positive entrepreneurship climate. The mean of the climate index was 2.6.

Results concerning entrepreneurial activities

In this section, we will investigate the question of what factors influence the probability that a person becomes self-employed in the context of a South African township. As mentioned above, 13 per cent of the respondents of our random sample declared themselves to be "currently self-employed", that means owning a business or selling goods or services on their own responsibility. As the additional sample included 45 entrepreneurs, this results in 24 per cent self-employed people in the overall sample of 354 interviewees.

We will begin with bivariate cross-tabulations of the self-employment variable (0 = not self-employed, 1 = self-employed) with our set of independent variables, and then come to a binary logistic regression model for multivariate analysis. [Table I](#) shows how the self-employment rate differs depending on the five groups of presumed influence factors. The influence factors measured on a metric scale (age, proactivity, etc.) were grouped into broader categories to allow cross-tabulations. For each variable, a chi-square test shows whether the difference between subgroups is significant or not. Based on the relatively small number of cases, we decided that a 10 per cent level of significance is appropriate.

It can be seen from [Table I](#) that men are significantly more often engaged in self-employment activities than women. The age effect reveals a tendency toward a

Variables	Percentage "self-employed"
All respondents	23.9
<i>Gender</i>	
Female	19.7**
Male	30.1**
<i>Age</i>	
18-30 years	19.3
31-44 years	25.9
>45 years	26.8
<i>Proactivity</i>	
Low	14.5**
Medium	23.3**
High	34.6**
<i>Risk propensity</i>	
Low	32.4**
Medium	23.6**
High	17.8**
<i>Level of schooling</i>	
Low	17.0*
Medium	23.2*
High	30.5*
<i>Subjective health</i>	
Not good	14.2**
Good	28.3**
<i>Membership of organizations</i>	
0-1 affiliations	18.3**
2-5 affiliations	34.7**
<i>Self-employed friend/acquaintance</i>	
No	17.4**
Yes	35.4**
<i>Perceived local economic conditions</i>	
Not good	20.4*
Good	28.1*
<i>Perceived entrepreneurship climate</i>	
Not positive	21.8
Positive	26.3

Table I.
Entrepreneurial activity in different groups

Notes: *Significant difference between groups at the 10 per cent level; **5 per cent level

concave pattern (increasing with a diminishing slope), but it is not significant. Concerning the personality traits, proactivity significantly encourages self-employment. Risk propensity is also significant, but not in the expected direction. The human capital factors show clear bivariate associations with the probability of self-employment, i.e. a higher level of schooling and a good state of health go hand-in-hand with more participation in entrepreneurial activities. The same holds true for "social capital", namely, social network resources. Respondents who are members of more organizations and/or who have a self-employed friend or acquaintance are more often engaged in business ventures. Furthermore, if respondents perceive the local economic conditions as good, they are more prone to entrepreneurship. The perceived

entrepreneurship climate within the local community, however, is not significantly connected with own self-employment activities.

Because the independent variables in Table I are partly correlated with each other, a multivariate analysis is necessary to see what factors remain influential even after statistical control of the other covariates. This multivariate analysis can be carried out by a binary logistic regression model because the dependent variable is a 0/1-variable. Table II gives the results of such a regression model. It should be mentioned that age, proactivity, risk propensity, schooling, subjective health, membership of one or more organizations, perceived local economic conditions and perceived entrepreneurship climate are included in the model as metric variables. To account for a possibly non-linear effect, age is modeled as both a simple and squared term.

From the set of ten proposed influence factors, six show significant effects in Table II: gender, age, schooling, subjective health, membership of organizations and self-employed friend or acquaintance. This means that the three groups “socio-demographic attributes”, “human capital factors” and “social network resources” prove to encompass important predictors of entrepreneurial activity in the context of South African townships. Unlike with bivariate analysis, the personality traits and the perceived community conditions do not deliver significant effects in the multivariate analysis. The picture of significant findings in Table II is completely in line with “what we know about entrepreneurship” (Parker, 2005), and with results of empirical studies conducted in different countries. The fit of the regression model is pseudo *R*-squared = 16.0 per cent. This can be qualified as reasonably good and affirms the interpretation that the pattern of participation in entrepreneurship in the township context is surprisingly similar to the pattern in other contexts.

Results concerning entrepreneurial ambitions

Of the 268 persons in the random sample not currently self-employed, 48 per cent declared entrepreneurial ambitions. This declaration was not in a vague and unspecific form (such as “have thought about entrepreneurship”), but relatively specific in that respondents said they are currently trying to start a new business or expecting to start

Independent variables	Regression coefficient	T-value
Gender (1 = male)	0.65	2.23**
Age in years (divided by 10)	1.10	1.79*
Age in years squared	-0.08	1.04
Proactivity (1-4)	0.19	0.38
Risk propensity (1-4)	-0.63	1.58
Schooling (0-19)	0.12	2.00**
Subjective health (1-5)	0.52	2.89**
Membership of organizations (0-5)	0.29	1.79*
Self-employed friend/acquaintance (1 = yes)	0.95	3.27**
Perceived local economic conditions (2-10)	0.07	1.02
Perceived entrepreneurship climate (0-4)	0.08	0.57
Constant	-8.48	3.51**
Pseudo <i>R</i> -squared/number of cases	16.0 per cent	330

Table II.
Determinants of
entrepreneurial activity
(binary logistic regression
model)

Notes: *significant at 10 per cent level; **5 per cent level

one within the next three years. We can analyze this “declaration of ambition” in the same way as the entrepreneurship activity in the preceding section. Table III describes the results of bivariate cross-tabulations.

Although men and women do not differ in their entrepreneurial ambitions, the age effect is significantly negative. The personality trait “proactivity” is not associated with a higher level of entrepreneurial impetus, and risk propensity again does not support the assumption that “risk takers” are more prone to entrepreneurship. The schooling variable suggests an inverted U-shape pattern – with respondents of the middle schooling group most often declaring entrepreneurial ambitions. Subjective health

Variables	Percentage “trying/expecting to be self-employed”
All respondents	47.9
<i>Gender</i>	
Female	49.1
Male	47.1
<i>Age</i>	
18-30 years	59.4**
31-44 years	46.5**
> 45 years	36.6**
<i>Proactivity</i>	
Low	45.8
Medium	49.0
High	47.1
<i>Risk propensity</i>	
Low	50.0**
Medium	54.9**
High	34.9**
<i>Level of schooling</i>	
Low	39.8*
Medium	55.0*
High	47.0*
<i>Subjective health</i>	
Not good	44.0
Good	50.3
<i>Membership of organizations</i>	
0-1 affiliations	47.9
2-5 affiliations	48.1
<i>Self-employed friend/acquaintance</i>	
No	44.2*
Yes	56.0*
<i>Perceived local economic conditions</i>	
Not good	50.0
Good	45.2
<i>Perceived entrepreneurship climate</i>	
Not positive	44.3
Positive	51.4

Notes: *significant difference between groups at 10 per cent level; **5 per cent level

Table III.
Entrepreneurial ambitions
in different groups

seems to be irrelevant. In addition, this is also true for membership of organizations. However, if someone has a close friend or acquaintance who is self-employed, he or she more often has the intention of starting his or her own business venture. Finally, the perceived community conditions are not systematically correlated with entrepreneurial ambitions.

Before we continue to interpret these findings, we should consider the results of the multivariate analysis. These results are summarized in [Table IV](#). Because the bivariate age effect did not point to a non-linear influence, the regression model omits the squared age variable (used in [Table II](#)). Besides this difference, the set of covariates is the same as in [Table II](#).

The most remarkable overall result shown in [Table IV](#) is that it is evidently difficult to explain whether a respondent has or does not have entrepreneurial ambitions. The fit of the regression model is very moderate (pseudo *R*-squared = 4.9 per cent), and only two covariates yield significant effects. Primarily, younger respondents articulate the intention of starting a new business in the future. This does not necessarily contradict the finding ([Table II](#)) that older people are more often self-employed. However, it seems to be a privilege of young people to think about entrepreneurship. Older people, on the other hand, more often actually have the opportunity and/or capacity to act as entrepreneurs. The second significant predictor of entrepreneurial ambitions is a close friend or acquaintance who is self-employed. Such a friend or acquaintance may serve as a “role model” stimulating a person’s own entrepreneurial intentions. No other covariates in [Table IV](#) (gender, proactivity, risk propensity, schooling, etc.) influence the dependant variable. This allows the interpretation that entrepreneurial ambitions in the township population are more or less “free-floating ideas”, not restricted by barriers of human capital, financial viability and economic circumstances. Unfortunately, we will have to assume that these barriers will become evident and manifest when potential entrepreneurs actually try to transform their ideas into reality.

To illustrate this reasoning, let us take the example of women. According to [Tables I and II](#), women are significantly under-represented in entrepreneurship activities compared to men. According to [Tables III and IV](#), however, women and men do not differ in their entrepreneurial ambitions. This means that women make their ambitions a reality less

Independent variables	Regression coefficient	T-value
Gender (1 = male)	-0.04	0.14
Age in years (divided by 10)	-0.26	2.19**
Proactivity (1-4)	-0.47	0.99
Risk propensity (1-4)	-0.50	1.35
Schooling (0-19)	0.02	0.33
Subjective health (1-5)	0.01	0.02
Membership in organizations (0-5)	0.10	0.62
Self-employed friend/acquaintance (1 = yes)	0.50	1.76*
Perceived local economic conditions (2-10)	-0.10	1.38
Perceived entrepreneurship climate (0-4)	0.10	0.90
Constant	3.21	1.64*
Pseudo <i>R</i> -squared/number of cases	4.9 per cent	252

Table IV.
Determinants of
entrepreneurial ambitions
(binary logistic regression
model)

Notes: *significant at 10 per cent level; **5 per cent level

often. Thus, there must be barriers preventing women from taking the step from ambition to action. What these barriers are is an important question requiring more detailed studies focusing on the resources and socio-economic conditions of women living in township communities.

Conclusions and implications

Supported by our survey results, there are at least three findings that merit attention. First, contrary to previous research and to beliefs of many local experts (Preisendörfer *et al.*, 2011), the assumption that there is a lack of black entrepreneurship in South Africa needs to be reconsidered. Black South Africans are under-represented in the sector of formal, officially registered businesses and in the sector of successful larger companies, but not in the sector of informal and volatile business ventures.

Second, the factors influencing entrepreneurship activity in the context of South African townships are strikingly similar to what we generally know about determinants of entrepreneurship. Socio-demographic attributes (gender, age), human capital factors (schooling, health) and network resources (organizational membership, self-employed friends) proved to be significant predictors of the probability of being self-employed. Personality traits (proactivity, risk propensity) and perceived community conditions (good local economic circumstances, positive entrepreneurship climate) did not make much difference.

Third, like episodes of entrepreneurship activity, entrepreneurial ambitions are widespread in South African townships. It is difficult, however, to predict which types of people declare entrepreneurial intentions. Besides age and having self-employed friends, we could not find clear determinants of entrepreneurial ambitions. A clear finding was that a relatively large number of respondents articulated ambitions, but could not make them a reality.

With respect to the surprisingly high level of entrepreneurial activity, two important and more general questions are how we can delimit entrepreneurial activities and whether all such activities contribute to economic development and economic well-being. Entrepreneurship research generally assumes that entrepreneurial activities can easily be delimited and that such activities are economically and socially positive. However, there are also serious objections to this view, as the definition and delineation of “entrepreneurial activity” is not straightforward but depends on the economic, political and social contexts (Fadahunsi and Rosa, 2002; Rehn and Taalas, 2004). This applies in particular to informal self-directed business activities in South African townships. Simply for reasons of survival, informal business ventures are indispensable for many inhabitants of the townships, yet people do not think about these activities within the conceptual framework of entrepreneurship.

Informal and mundane entrepreneurship may keep poor and socially disadvantaged groups outside the regular economy and support their economic and social exclusion. Politically, the ideology of entrepreneurship proclaims individual opportunities, subjective choice and personal responsibility, and this often serves as an excuse for hesitant endeavors to improve the situation of underprivileged population groups. Informal business ventures may be beneficial in the short term on the individual level.

This, however, does not necessarily mean that they are beneficial in the long term on the level of an economy and society.

Evidently, the “message of entrepreneurship” has spread to the townships of South Africa, as documented by the high percentage of people declaring entrepreneurial ambitions and showing an interest in starting their own business. During the time of apartheid, black South Africans did not have access to self-employment and business ownership in most fields of the economy, but these legal restrictions no longer exist. Encouraged by this, there seems to be a certain “hype around entrepreneurship” at present in several African countries (Babo, 2005; Herrington *et al.*, 2011, Chapter 4). This hype focuses on the promotion of an “entrepreneurial culture” as opposed to a “culture of dependency” (Co, 2003, p. 40) initiated and nurtured by the history of colonialism. Our impression gained in the process of interviewing was that, for many black South Africans, entrepreneurship has so far been more talk and fantasy than action. Township residents like to hear and tell stories about successful entrepreneurs, but are structurally and personally not yet fully prepared to imagine themselves in this role.

Because our survey is a case study of a single township, we must be careful about drawing conclusions and suggesting implications. Research in other South African townships is necessary to re-examine our findings and gain additional insights (for example, with respect to the question of how important tribal affiliations are). Despite such limitations, we nevertheless believe that the results allow us to conclude that basic prerequisites for an expansion of entrepreneurship are in place in South African townships. Many people have ambitions toward entrepreneurship, entrepreneurial activity is accepted as a viable option and the entrepreneurship climate is more positive than negative. Evident major barriers are shortcomings of human and social capital. Human capital resources can be acquired through entrepreneurship training programs in preparation for self-employment. “Management” of social capital seems to be more of a complex issue, but successful role models within communities may be a stimulating factor. In terms of policy implications, our results suggest that the main problem is not to create interest in entrepreneurship, but to put the black population in a position where they will more often be able to bridge the gap between ideas and reality.

References

- Aldrich, H.E. and Zimmer, C. (1986), “Entrepreneurship through social networks”, in Aldrich, H.E. (Ed), *Population Perspectives on Organizations*, Acta Universitatis Upsaliensis, Uppsala, pp. 13-28.
- Audretsch, D.B., Keilbach, M.C. and Lehmann, E.E. (2006), *Entrepreneurship and Economic Growth*, Oxford University Press, Oxford.
- Babo, M. (2005), “Das Klein- und Mittelunternehmertum in Südafrika nach dem Ende der Apartheid”, *Entstehung und Entwicklungspotentiale des nichtweißen Unternehmertums*, Logos, Berlin.
- Bates, T. (1990), “Entrepreneur human capital inputs and small business longevity”, *Review of Economics and Statistics*, Vol. 72 No. 4, pp. 551-559.
- Birch, D.L. (1987), *Job Creation in America*, Free Press, New York, NY.

-
- Bradford, W.D. (2007), "Distinguishing economically from legally formal firms: targeting business support to entrepreneurs in South Africa's townships", *Journal of Small Business Management*, Vol. 45 No. 1, pp. 94-115.
- Brüderl, J. and Preisendörfer, P. (1998), "Network support and the success of newly founded businesses", *Small Business Economics*, Vol. 10 No. 3, pp. 213-225.
- CIPRO Companies and Intellectual Property Registration Office (2010), "Registration statistics", available at: www.cipro.co.za/about_us/Web_Statistics_Version5.pdf (accessed 5 March 2010).
- Co, M.J. (2003), "A socio-cultural explanation of black entrepreneurship in South Africa", *South African Journal of Business Management*, Vol. 34 No. 4, pp. 35-43.
- Davidsson, P. and Honig, B.L. (2003), "The role of social and human capital among nascent entrepreneurs", *Journal of Business Venturing*, Vol. 18 No. 3, pp. 301-331.
- Fadahunsi, A. and Rosa, P. (2002), "Entrepreneurship and illegality: insights from the Nigerian cross-border trade", *Journal of Business Venturing*, Vol. 17 No. 5, pp. 397-429.
- Herrington, M., Kew, J. and Kew, P. (2011), "Global entrepreneurship monitor", South African Report 2010, Graduate School of Business at the University of Cape Town, Cape Town.
- Kim, P.H. and Aldrich, H.E. (2005), *Social Capital and Entrepreneurship*, Now Publishers, Hanover, MA.
- Kirchhoff, B.A. (1994), *Entrepreneurship and Dynamic Capitalism*, Praeger, Westport, CT.
- Klemz, B.R., Boshoff, C. and Mazibuko, N.-E. (2006), "Emerging markets in black South African townships: small local independently owned versus large national retailers", *European Journal of Marketing*, Vol. 40 Nos 5/6, pp. 590-610.
- Maas, G. and Herrington, M. (2006), "Global entrepreneurship monitor", South African Executive Report 2006, Graduate School of Business at the University of Cape Town, Cape Town.
- Malagas, H. (Ed) (2002), "State of small business development in South Africa", Annual review 2002, Ntsika Enterprise Promotion Agency, Pretoria.
- Mitchell, B. and Co, M.J. (2007), "Ethnic entrepreneurship in South Africa: an embedded approach to the study among various ethnic groups", in Dana, L.-P. (Ed), *Handbook of Research on Ethnic Minority Entrepreneurship*, Edward Elgar Publishing, Cheltenham, pp. 681-706.
- Morris, M.H., Leyland, F.P. and Berthon, P. (1996), "Entrepreneurial activity in the third world informal sector: the view from Khayelitsha", *International Journal of Entrepreneurial Behaviour and Research*, Vol. 2 No. 1, pp. 59-76.
- Pali, L. (Ed) (2002), *The Contribution of Small and Micro Enterprises to the Economy of the Country: A Survey of Non-VAT-Registered Businesses in South Africa, Part 1 - Summary and Tables*, Statistics South Africa, Pretoria.
- Parker, S.C. (2005), "The economics of entrepreneurship: what we know and what we don't", *Foundations and Trends in Entrepreneurship*, Vol. 1 No. 1, pp. 1-54.
- Parker, S.C. (2009), *The Economics of Entrepreneurship*, Cambridge University Press, Cambridge.
- Preisendörfer, P., Bitz, A. and Bezuidenhout, F.J. (2011), "In search of black entrepreneurship: why is there a lack of entrepreneurial activity in South African townships?", Working paper, University of Mainz, Institute of Sociology, Mainz.
- Rauch, A. and Frese, M. (2007), "Let's put the person back into entrepreneurship research: a meta-analysis on the relationship between business owners' personality traits, business creation, and success", *European Journal of Work and Organizational Psychology*, Vol. 16 No. 4, pp. 353-385.

- Rehn, A. and Taalas, S. (2004), “‘Znakomstva I Svyazi’ (Acquaintances and connections) – Blat, the Soviet Union, and mundane entrepreneurship”, *Entrepreneurship and Regional Development*, Vol. 16 No. 3, pp. 235-250.
- Schultz, T.W. (1982), “Investment in entrepreneurial ability”, *Scandinavian Journal of Economics*, Vol. 82 No. 4, pp. 437-448.
- Schumpeter, J.A. (1961), *The Theory of Economic Development*, Oxford University Press, New York, NY.
- Storey, D.J. (1994), *Understanding the Small Business Sector*, Routledge, London.
- Urban, B. (2006), “Entrepreneurship in the rainbow nation: effect of cultural values and ESE on intentions”, *Journal of Developmental Entrepreneurship*, Vol. 11 No. 3, pp. 171-186.
- Wagner, J. and Sternberg, R. (2004), “Start-up activities, individual characteristics, and the regional milieu: lessons for entrepreneurship support policies from German micro data”, *Annals of Regional Science*, Vol. 38 No. 2, pp. 219-240.
- Woodward, D., Rolfe, R., Ligthelm, A. and Guimaraes, P. (2011), “The viability of informal microenterprises in South Africa”, *Journal of Developmental Entrepreneurship*, Vol. 16 No. 1, pp. 65-86.

Appendix

Seven items to measure proactivity:

- (1) No matter what the odds, if I believe in something, I will make it happen.
- (2) I am always looking for better ways to do things.
- (3) If I believe in an idea, no obstacle will prevent me from making it happen.
- (4) If someone opposes me, I can find means and ways to get what I want.
- (5) I am confident that I could deal efficiently with unexpected events.
- (6) When I am confronted with a problem, I can usually find several solutions.
- (7) I would rather depend on myself than on others.

Each item could be answered on a 4-digit scale: 1 = strongly disagree, 2 = disagree, 3 = agree, 4 = strongly agree. Agreement with the items is seen as indicating proactivity. An additive index of proactivity was constructed, ranging from 1 to 4 (the sum was then divided by 7). A high value of the index indicates a higher level of proactivity.

Three items to measure risk propensity:

- (1) I usually avoid risky things.
- (2) I look for guarantees in risky situations.
- (3) I only make decisions when I think I can predict the outcomes.

Each could be answered on a 4-digit scale: 1 = strongly disagree, 2 = disagree, 3 = agree, 4 = strongly agree. The scale was recoded so that high values indicated disagreement. Disagreement with the items is seen as indicating risk propensity. An additive index of risk propensity was constructed, ranging from 1 to 4 (the sum was then divided by 3). A high value of the index indicates a higher level of risk propensity.

Two items to measure perceived local economic conditions:

- (1) How do you evaluate the current economic situation of Walmer Township: 1 = very bad, 2 = bad, 3 = fair, 4 = good, 5 = very good?
- (2) What do you expect for the future: How will the economic situation develop in the next ten years: 1 = it will become worse, 2 = it will not change very much, 3 = it will become better?

For the second item, code 2 was changed to 3, and code 3 to 5. Then an additive index of perceived local economic conditions was constructed, ranging from 2 to 10. A high value of the index indicates a higher level of favorable local economic conditions.

Four items to measure perceived entrepreneurship climate:

Which of the following statements apply to your community:

- (1) In my community, most people consider starting a new business to be a desirable career choice: yes or no?
- (2) The people who have successfully started a new business in my community have a higher status and are more respected: yes or no?
- (3) In my community, you will often hear stories about successful new businesses: yes or no?
- (4) In my community, there are many opportunities to start a new business: yes or no?

No-answers were coded with 0, yes-answers with 1. Then an additive index of perceived entrepreneurship climate was constructed, ranging from 0 to 4. A high value of the index indicates a higher level of a positive entrepreneurship climate.

About the authors

Peter Preisendörfer is a Professor of Sociology at the Johannes Gutenberg University of Mainz (Germany). He has been engaged in entrepreneurship research for many years, as documented by his books and numerous articles (written in both English and German) in this field of study. In addition to entrepreneurship, his other research areas are organizational sociology, environmental sociology and quantitative methods of social research. Peter Preisendörfer is the corresponding author and can be contacted at: preisendoerfer@uni-mainz.de

Ansgar Bitz is a PhD student in Professor Preisendörfer's Department. He is currently about to complete his PhD on entrepreneurship in South African townships.

Frans J. Bezuidenhout is a Professor of Sociology at the Department of Sociology and Anthropology at Nelson Mandela Metropolitan University in Port Elizabeth (South Africa). He has been active in entrepreneurship research and entrepreneurship training for about five years. His major research areas and teaching fields are group dynamics, skills development and training and qualitative research methodology.