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# EXECUTIVE SUMMARY

The GEM 2007 report concludes that youth in South Africa are positively orientated towards entrepreneurship. This is supported by the youth's positive attitude towards various issues such as opportunity-oriented activities, their flair in trying out new ideas and willingness to work with others towards achieving their objectives.

Despite this positive orientation, there seems to be resistance or fear towards starting one's own business. Various factors can be cited for this phenomenon such as a lack of self-confidence, the complexity of starting a new business and the level of knowledge/education, which might hamper entrepreneurial activities. Although other factors were also identified, such as a general lack in understanding of small business management, the important factors seems to be more of an educational and self-confidence nature.

This GEM report provides 69 tables of information, which help shed light on how youth entrepreneurship can be supported. Although various recommendations are made in Chapter 5 it is accepted that entrepreneurship, as a multi-disciplinary and complex concept, might have a number

of possible solutions. Therefore, the recommendations provided in this GEM report, and which focus more on the role that tertiary institutions can play, are only examples of possible solutions. More should be done to find an integrated model that will help to support youth entrepreneurship in South Africa. In this report it was also highlighted that South Africa can ill-afford the youth to become disillusioned about entrepreneurial development in this country. Other countries have shown that the result is normally of a negative nature, such as unrest.

Finally, although the GEM study is about individual perceptions, it is important to note the importance of these perceptions. If self-employment is perceived as a viable career option, this is likely to have a positive effect on entrepreneurial activities within a country. A positive entrepreneurial environment is also dependent on a system which effectively balances government and private sector needs and interventions. Only within such a stable and positively geared environment will entrepreneurship come into its own. Internationally and nationally, it is the time for entrepreneurship.

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A special thank you goes to the extended South African team who provided valuable input on various issues.

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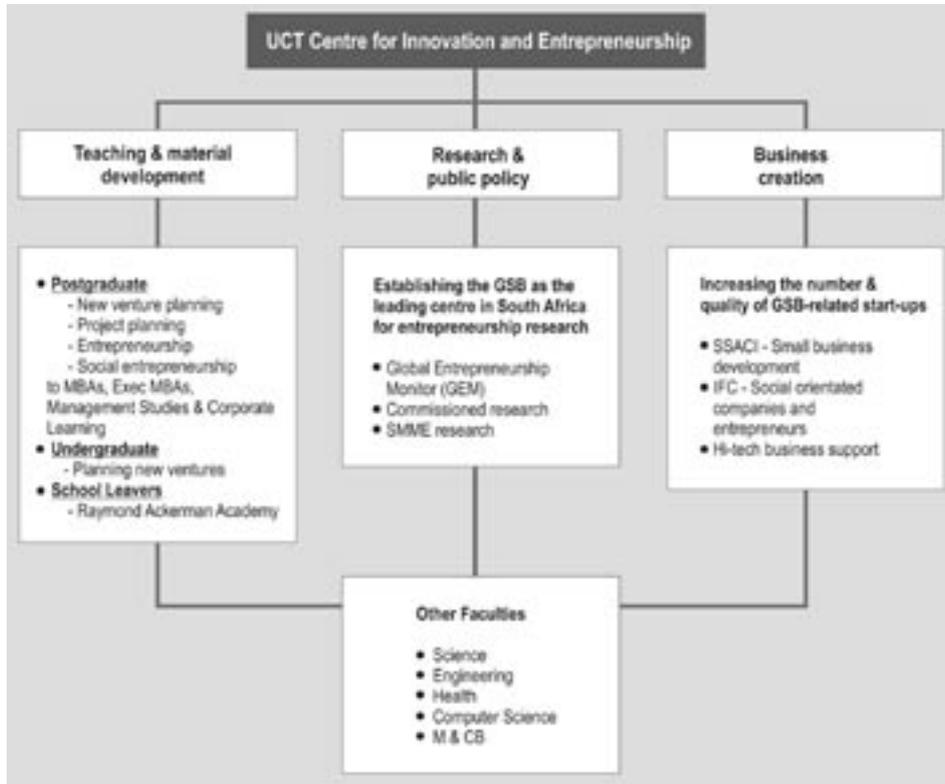


Figure 1: CIE services. Reference: Herrington, 2007:1

Entrepreneurship in South Africa and was instrumental in developing the first lectured Masters and PhD degrees offered by the department. In 1992, he started a company specialising in entrepreneurship, education, training and consultation.

**Mrs Beulah Maas**

Mrs Maas has been a director of Global Entrepreneurial Business Consultants since its inception in 1999. She holds an M.Comm (Industrial Psychology) degree from the University of Stellenbosch and is a registered industrial psychologist. She focuses mainly on the ‘softer’ issues of entrepreneurship and family businesses, which include the analysing and interpretation of profiles, the development of entrepreneurial training plans for individuals and human resource aspects which are applicable to businesses.

**THE UCT CENTRE FOR INNOVATION AND ENTREPRENEURSHIP**

The UCT Centre for Innovation and Entrepreneurship (CIE) has acted as the champion of the GEM South African reports since 2001. The CIE was established after considering different models and research reports on innovation and entrepreneurship from national and international sources. According to Herrington (2007:1) “the core focus of CIE is on the delivery of

quality entrepreneurship education at academic and all other levels of society. The philosophy is that for entrepreneurship education to be effective, it must be practical. Students, therefore, have meaningful interactions with entrepreneurs, are involved in actual entrepreneurial projects, work in multi-disciplinary project teams and are evaluated by entrepreneurs and investors as well as by academic staff.

The entrepreneurship courses delivered by the Centre are closely integrated with new venture activity in the local business and investment communities. The intention is not to compete with incubators or other business promotion projects, but to seek partnerships with the most successful of these for mutual benefit”.

The Financial Mail Report 2006 cited entrepreneurship as one of the three subjects in which the UCT Business School was rated first in comparison with other tertiary institutions. This has cemented the CIE’s proud reputation as the most effective institution involved in entrepreneurship in South Africa, and as one of the main authorities on SMME development in the country (Herrington, 2007:1).

The CIE offers a comprehensive portfolio of services (see Figure 1). More information on the CIE can be obtained from: [www.gsb.uct.ac.za/cie/](http://www.gsb.uct.ac.za/cie/)

# CHAPTER 1

## 1.1 THE GEM 2007 REPORT

In an environment, nationally and internationally, where bad news sells better than good news, entrepreneurship sometimes struggles to come into its own. Studies worldwide have clearly shown the positive impact that entrepreneurship can have on regional economies. However, entrepreneurship is a multi-disciplinary concept which can make the application and implementation of this concept difficult.

Entrepreneurship in South Africa is not an entirely new concept. There have been a number of highlights in entrepreneurship development in South Africa over the years.

These highlights include: activities of various small business units attached to universities; various research projects that have been conducted on macro- and micro-levels; training and educational institutions which have embarked on programmes and curricula addressing entrepreneurship on unprecedented scales; the promulgation of the Small Business Bill in 1995; and the formation of organisations focusing on entrepreneurship such as Umsobomvu Youth Fund, the Small Enterprise Development Agency (SEDA) and small business financing units at banks.

The GEM study can also be identified as a highlight in the development of entrepreneurship in South Africa. Three major advantages have stemmed from South Africa's involvement in this project:

- Firstly, the GEM study has succeeded in shifting the spotlight onto entrepreneurship and the role that small businesses play in the socio-economic development of this country. Prior to 1995, the focus in South Africa was primarily on the role of big businesses.
- Secondly, the study has fostered active positive debate on entrepreneurship. Constructive debate involving all current and potential stakeholders is essential if entrepreneurship is to attain its full potential.
- Thirdly, the GEM study has helped to unlock a huge amount of data that was not previously available. This is vital in informing cutting-edge entrepreneurial practices and policies.

A major benefit of participating in the GEM study is that it allows access to a reservoir of international data on entrepreneurship in both developed and developing countries. However, the value of this study lies not only in international comparisons, but also in the opportunity to understand one's own country better.

South Africa participated in the GEM study from 2001 to

2006, but decided to take a sabbatical (i.e. not participate actively in the adult population or key informant surveys which are the core activities of the GEM study) in 2007. Realising that South Africa could ill afford a complete break in entrepreneurship development, the GEM team decided to use this year to reflect on all dimensions of the GEM research, to spend its resources on conducting research into the youth of South Africa, to liaise with other stakeholders and to determine how the GEM study could be utilised to add more value to entrepreneurship development in South Africa.

GEM 2007's primary goal was to investigate all previous years' data to determine whether new insights could be gained. New insights in a rapidly changing local and international landscape are crucial in building a competitive edge in entrepreneurship. Entrepreneurship is by definition a futuristic, creative and positive activity and therefore necessitates reflection from different angles before cutting-edge programmes and policies can be formulated.

[The GEM 2007 South Africa report endeavours to be a partner in helping South Africa to create such a positive entrepreneurial culture.](#)

## 1.2 DEMYSTIFYING ENTREPRENEURSHIP

The definition of entrepreneurship is debated in many text books and research reports. Questions raised include whether it is an inborn characteristic; whether one can be trained to be entrepreneurial; and whether there is a difference between entrepreneurship in small and corporate businesses. It is not the aim of this report to debate the definitions of entrepreneurship. However, in order to enable the reader to understand this concept better and to utilise the data provided in this report, it is necessary to highlight a few important entrepreneurial concepts.

Generally accepted entrepreneurial principles include:

- Entrepreneurship can facilitate employment creation and economic growth;
- Entrepreneurs are involved in exploiting new opportunities, which necessitates a high degree of personal creativity and innovation; and
- Entrepreneurship is different from a normal business i.e. a normal business focuses mainly on maintaining a fixed quality of life whereas entrepreneurship is a risky enterprise and therefore calls for the ability to work with ambiguity.

It is clear from the above that the way entrepreneurship is promoted should be different from promoting a normal business because of the different focus (e.g. more

innovative) and motivation (e.g. need for achievement) of the people involved. The development and support of entrepreneurs is complicated by the fact that the global environment is characterised by rapid and unpredictable changes. Extrapolation of ideas from the past will not necessarily provide optimal results within a rapidly changing environment. Untested ideas have a higher degree of risk than traditional ideas. However, staying with traditional ideas might create a false impression of safety because a different environment might necessitate different business practices and approaches.

*In promoting entrepreneurship, one needs an open mindset, which will allow fresh, creative and contextualised solutions to be implemented.*

Policy makers in both government and private sectors should take the above into consideration when interventions are developed for entrepreneurship development. If one accepts that there are differences between entrepreneurship and normal businesses, that alone will call for different methods of development. Even within entrepreneurship, where there are subtle differences between social entrepreneurship, technological entrepreneurship and intrapreneurs, different methods of support should be considered. A "one system fits all" approach to entrepreneurship development might not be the optimal choice in this changing environment.

It must be accepted that the creation of an entrepreneurial culture takes time. Even in a relatively developed country such as Ireland it took twenty years to get it right. In South Africa, the promotion of smaller entrepreneurs started

in earnest with the promulgation of the Small Business Bill of 1995. This GEM report highlights the fact that South Africa is progressing regarding entrepreneurship development but that there is room for improvement, as the data in the following chapters will show.

### 1.3 FOCUS OF THE GEM SOUTH AFRICA 2007 REPORT

The focus of this year's report is to:

- Re-visit data from previous years in order to determine different ways of promoting entrepreneurship in South Africa, and to
- Focus specifically on the youth of South Africa and their role in entrepreneurship development.

The youth is playing an important role in socio-economic development – either as contributors or beneficiaries of economic growth. Because the youth constitutes the majority percentage of the population, their importance in the current and future environment cannot be underestimated.

The above focus areas are addressed by using GEM data and additional data that was researched in Gauteng, Western Cape and KwaZulu-Natal. This additional data is discussed in Chapter 4.

In terms of the GEM entrepreneurial process, the following important points must be highlighted:

- The GEM research project studies the behaviour of individuals

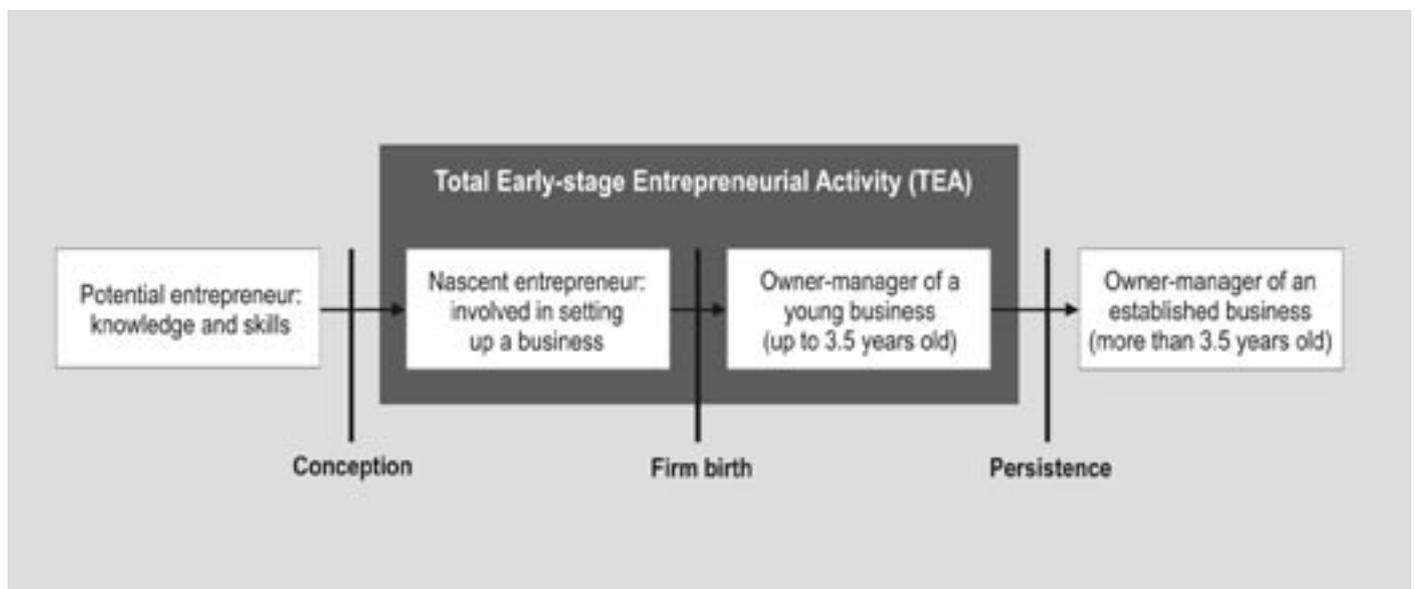


Figure 2: GEM entrepreneurial process. Bosma et al. (2007:9)

who are either starting a new business or who have recently started one. The period under investigation is between 0 months and 42 months (see Figure 2).

- The GEM research is not about counting numbers of businesses.
- The focus of the GEM research is not so much on the entrepreneurial process or phases but rather on the behaviour of the individuals involved.

Bosma et al. (2007:8) summarise the GEM's three main objectives as follows:

- To measure differences in the level of entrepreneurial activity between countries;
- To uncover factors determining national levels of entrepreneurial activity; and
- To identify policies that may enhance national levels of entrepreneurial activity.

The above process is supported by a rigorous statistical system and was discussed in detail in the GEM 2006 report (see Maas and Herrington, 2006:8). As can be expected of a study of this magnitude, problems may occur which should be managed constructively in order to improve the results of the study. In this regard the international GEM project team has recently appointed a specialist statistician to improve the validity and reliability of data obtained from all countries. They are also in the process of revisiting all previous data sets to identify and correct inconsistencies. This report is based on the improved set of data which resulted in some changes to figures published in the past.

## 1.4 SUMMARY

Previous GEM reports highlighted the point that the GEM study is not an attempt to provide an exact picture of the state of small businesses in South Africa. The GEM study is about opinions regarding entrepreneurship. The more positive these opinions are, the more likely it is that a strong and positive culture of entrepreneurship exists in a country. By influencing these opinions through entrepreneurial interventions, one can strengthen the basis for entrepreneurship development. However, it was also noted that entrepreneurship is a complex philosophy which is influenced by various factors such as the rapidly changing environment.

Stimulating entrepreneurship in such an environment can therefore be quite challenging. Given, in addition, the creative and innovative nature of entrepreneurship, one needs to accept that there are different ways of promoting entrepreneurship and that these interventions should continuously be evaluated and adapted to stay in balance with environmental changes.

This report endeavours to strengthen entrepreneurship in South Africa in the way data is presented and recommendations formulated. Although it can be concluded that the data shows that South Africa is building a positive entrepreneurial environment, more improvements are needed. These recommendations will be discussed in the last chapter.

# CHAPTER 2

## 2.1 INTRODUCTION

The GEM report has provided a basis for many debates over the years. Some of the debates have focused on whether the Total Early Stage Entrepreneurial Activity (TEA) rates are correctly calculated, and why South Africa is seemingly worse off than other countries despite having a stronger economy than those countries. This chapter will discuss general data in more detail in order to add insights on how this study is conducted, how it should be interpreted and what conclusions can be derived from the surveys.

The primary measure of entrepreneurship used by GEM is the Total Early-Stage Entrepreneurial Activity (TEA) index. The TEA index measures the percentage of individuals between the ages of 18 and 64 years that are involved in starting a new business. The TEA index consists of two different phases namely:

- the start-up phase (businesses between 0 and 3 months); and
- new firm businesses (businesses between a period of 3–42 months).

The GEM study does not focus on established businesses (businesses older than 42 months).

## 2.2 INTERNATIONAL COMPARISONS

Since the GEM study commenced, 56 countries have participated. Some of them have participated for a single year while others took sabbaticals in certain years. This lack of continuity in participation makes a detailed comparison between the countries difficult. In addition, the fact that these countries can be divided into different categories of socio-economic development with cultural, political and regional differences means that any comparison between these countries should be approached with care.

In order to illustrate the above, specific data on the countries which participated in the 2006 study is combined with the TEA rates of these countries for 2006 (see Table 1). A comparison between the macro variables reveals interesting findings, given that the TEA rate of a country is supposed to indicate the entrepreneurial propensity of the country, which has been proven by many researchers to correlate with economic activity.

The following discussion illustrates the difficulties that can be encountered when interpreting TEA rates. Belgium ranks the lowest on TEA and the correlation of other variables seems to be aligned with this finding as growth in GDP is low, the economy is not that free and,

for a First World European Union country, unemployment is fairly high. The indicators for Germany are more or less the same, and out of sixty countries Belgium and Germany are ranked 27th and 26th respectively in terms of world competitiveness. Although Japan's TEA rate is also very low, its competitiveness is ranked 17th out of sixty countries and the unemployment rate is only 4.4%. The same applies to Sweden. The reason for such a low TEA rate may be because established corporations serve as the backbone of these economies, also contributing to their competitiveness. One may deduce from this discussion that the lower the unemployment rate in a country the lower will be the TEA rate. This would, however, not necessarily be valid as South Africa with a TEA rate of 5.0%, has 26.5% unemployment.

Columbia, with a TEA rate of 22.48%, is ranked low on competitiveness with the level of unemployment at 11.7%. The economy is not free and the GDP growth is comparable with China, which has a high but lower TEA rate than Columbia. One fails again to build a positive relationship between the TEA rates and the other macro indicators.

In the case of Indonesia, the 19.28% TEA rate could create the expectation that the economy is free, the country is competitive and unemployment is low. This is not the case although the number of hours worked by the Indonesians is high.

Several important deductions can be made from the above. The applying of a cross-sectional approach (snapshot) to the data in a specific year can be very misleading. The TEA rate is not a forecast of the economic strength of a country nor does it provide an indication of the successful development and support of entrepreneurship within a country. It does provide an overview of perceptions which is important because perceptions determine whether entrepreneurship is valued and therefore supported in a country. However, additional data must be put in place in order to determine whether the development and support of entrepreneurship is effective.

The above is supported by Bosma, Jones, Autio and Levie (2007:13), who concluded that:

- A low level of per capita income can lead to many small businesses being formed because people need to make a living;
- The growth in the per capita income can lead to more established and larger businesses in order to satisfy demand;
- Growth in larger companies can lead to a decline in the smaller business start-ups; and
- A growth in larger companies can lead to lower TEA rates

Table 1: Macro comparisons for 2006

Country	Real GDP growth for 2006 (%)	World Competitiveness Book ranking 2006	Index of economic freedom 2006 (0 = most free)	Average number of hours worked 2005	Unemployment 2005 (% of population)	TEA rates for 2006 (%)
Argentina*	7.3	55	3.30	2044	10.1	10.18
Australia	2.9	6	1.84	1757	5.1	11.96
Belgium	2.1	27	2.11	1722	8.4	2.73
Brazil*	3.5	52	3.08	1931	9.9	11.65
Canada	3.1	7	1.85	1869	6.8	7.12
Chile*	5.5	24	1.88	2205	8.1	9.19
China	9.5	19	3.34	1958	4.2	16.19
Colombia*	4.8	40	3.16	1987	11.7	22.48
Croatia	4.1	59	2.78	n/a	13.1	8.58
Czech Rep.	6.0	31	2.10	1946	7.9	7.85
Denmark	2.7	5	1.78	1658	4.8	5.32
Finland	3.5	10	1.85	1714	8.3	4.99
France	2.0	35	2.51	1561	9.5	4.39
Germany	1.3	26	1.96	1674	9.5	4.21
Greece	3.3	42	2.80	1744	9.9	7.90
Hungary	4.4	41	2.44	2012	7.2	6.04
Iceland	5.5	4	1.74	1762	2.7	11.26
India*	7.3	29	3.49	2347	9.5	10.42
Indonesia	5.2	60	3.71	2175	9.9	19.28
Ireland	5.0	11	1.58	1779	4.3	7.35
Italy	1.2	56	2.50	1764	7.7	3.47
Jamaica	3.7	n/a	2.76	n/a	n/a	20.32
Japan	2.8	17	2.26	1864	4.4	2.90
Latvia	9.0	n/a	2.43	n/a	n/a	6.57
Malaysia	5.5	23	2.98	2152	3.5	11.09
Mexico*	3.5	53	2.83	2281	3.6	5.26
Netherlands	2.5	15	1.90	1741	4.7	5.42
Norway	2.2	12	2.29	1703	4.6	9.14
Peru*	5.0	n/a	2.86	n/a	n/a	40.15
Philippines*	5.0	49	3.23	2301	8.1	20.44
Russia	6.0	54	3.50	1775	8.1	4.86
Singapore	5.5	3	1.56	2056	3.2	4.85
Slovenia	4.0	45	2.41	1830	6.1	4.63
South Africa*	4.3	44	2.74	1910	26.5	5.00
Spain	3.3	36	2.33	1763	9.2	7.27
Sweden	3.5	14	1.96	1775	5.8	3.45
Thailand*	5.0	32	2.99	2184	1.7	15.20
Turkey	5.0	51	3.11	2154	10.3	5.96
UK	2.5	21	1.74	1787	4.7	5.77
United Arab Emirates	11.5	n/a	2.93	n/a	n/a	3.74
United States	n/a	1	1.84	1895	5.1	8.82
Uruguay*	4.6	n/a	2.69	n/a	n/a	12.56

Source: GEM 2006 international data basis . \* = Countries labelled as developing countries in the GEM 2006 report

which can be a positive sign given that economic stability exists.

In South Africa's situation, one might speculate that the higher economic growth rate might be due to the contribution of larger and established firms and not due to

the formation of new smaller businesses. However, data in this regard was not analysed. Despite the difficulties in comparing countries, South Africa has certainly benefited from participating in this study. It has helped South Africa to focus on the importance of entrepreneurship, unlocked data not previously available, and enabled

South Africa to learn from what other countries have done to promote entrepreneurship. Analysing other countries in the GEM study and how they have changed over time because of specific interventions has helped to provide more alternative solutions for the South African environment.

### 2.3 NATIONAL COMPARISONS 2001-2007

Data from previous GEM studies indicated that TEA rates for most countries do not change significantly over time. The TEA rates for South African have also not changed significantly over the years (see Table 2). For the TEA rates to be significantly different from one year to another, massive changes in the macro environment must occur which is clearly not the case in South Africa.

**Table 2: South African TEA rates**

	2001	2002	2003	2004	2005	2006
TEA	4.3	6.2	4.1	5.1	5.0	5.0

There are also two important sub-elements of the TEA rate namely opportunity and necessity components. In terms of the opportunity component, people get involved in entrepreneurship because of an inherent desire to do so and because of the perceived opportunities which have been identified. The necessity component will get involved in entrepreneurship because they are forced to do so i.e. they have no other choice (see Table 3).

**Table 3: Opportunity and necessity TEA rates**

	2001	2002	2003	2004	2005	2006
Opportunity	2.8	3.1	2.7	2.6	2.9	3.4
Necessity	0.8	2.1	1.3	2.4	1.9	1.4

In the GEM 2006 report, it was highlighted that opportunity entrepreneurs earn more income than necessity entrepreneurs. Therefore, one can accept that more opportunity entrepreneurs are needed for a growing socio-economic environment. Table 3 indicates that the opportunity entrepreneurship category consistently contributes more to the TEA rate than the necessity category, which can be considered a very positive trend. The gap between the two categories even increased during 2006. It is interesting to note that during this phase the South African economy improved and created more jobs, leading to a small decline in unemployment from 26.5% during 2005 to 25.6% in 2006 (Maas and Herrington, GEM 2006 report). Bosma et al. (2007:19) report that high income countries such as Spain, Japan, UK, USA, Austria and Switzerland have a high propensity for opportunity

entrepreneurs because opportunities are in abundance. During 2007 the only non-high income countries with a relatively high opportunity entrepreneurial orientation were Chile and Uruguay.

If the above is true, then certainly there should be more positive indicators. One such indicator can be found in the sub-stages of the early entrepreneurial attempts. In paragraph 2.1, the two stages were identified and a breakdown of these stages per year can be found in Table 4.

**Table 4: Stages of activity within the TEA index**

	2001	2002	2003	2004	2005	2006
Start-up phase	75.6%	72.0%	64.5%	71.4%	70.6%	66.7%
New firms	24.4%	28.0%	35.5%	28.6%	29.4%	33.3%

In an ideal situation, one would expect that the percentage of new firms would grow as a sign that more businesses are maturing after the initial stage of starting up a business. From Table 4, it can be concluded that the general trend of new firm formation is very positive.

### 2.4 SUMMARY

Many researchers have questioned whether South Africa should be concerned about its TEA rates. From discussions in this chapter, the following deductions can be made:

- South Africa has a dual-logic economy which might have an influence on the TEA rating. On the one side there is a highly developed economic sector and on the other side one struggling for survival.
- Although the TEA rates are lower when compared with the averages of different categories of countries, it can again be influenced by the dual-logic nature of the economy. Bosma et al. (2007) indicated that a lower TEA rate is not necessarily a sign that nothing is happening in a country. It can also be a good indication.
- In a study by Herrington, Maas and Bisset (2007), it was found that in South Africa innovation is not the prime reason why the TEA rates are relatively low. This implies that some other factor or factors must be holding back South Africa's entrepreneurial performance. Maas and Herrington (2006) indicated that factors such as the entrepreneurial mindsets of the population and the level of education might be contributing factors. Some of these factors will be explored in the following chapter.
- In general, it seems that the entrepreneurial situation in South Africa is starting to gain momentum.

# CHAPTER 3

## 3.1 INTRODUCTION

Over the past years the importance of youth has been debated in numerous research reports both nationally and internationally. The topics of these reports range across HIV, social imperatives, political roles, education, poverty and contribution to the economic sector.

The question can be raised whether such an emphasis on youth is really needed. Various reasons exist to warrant such an emphasis. One such reason can be found in the demographical make-up of South Africa, where youth forms the majority of the population. In addition, the high unemployment figure provides a further stimulus for discussing methods of empowering the youth to make an important contribution to the socio-economic development of South Africa.

A number of factors influence the youth's ability to make significant contributions to this socio-economic development. In a detailed study by Herrington et al. (2007) of the existing literature on the South African youth, a number of important factors which might have an influence on youth entrepreneurship were revealed (see Table 5).

Table 5 does not paint a very positive picture. The low economic participation of the youth is influenced by many factors (e.g. those highlighted in Table 5) which necessitates holistic and integrated approaches to the empowerment of the youth.

Psychological problems such as low self-esteem and confidence, uninvolved and unqualified parents, dysfunctional community structures and the negative influence of globalisation, together with previously mentioned problems, are contributing to the marginalisation of youth.

Although the above problems can be seen as highly negative, it is important to note other countries face similar problems and not just those classified as developing.

According to Greene (2005:4) unemployment of youth between the ages of 18 and 24 years old in the UK was at 10.9% in 2004 – much higher than the 3.4% unemployment for older people (25-49 years old). Even in Japan and the USA youth unemployment was more than double that of older people.

Australian evidence further suggests that jobs obtained by the youth are mostly part-time, which are normally of an inferior quality to full-time jobs. In Canada it takes the youth longer to enter the labour market than in the past.

Some of the above problems have resulted in youth riots and other social evils such as substance abuse. The issue is therefore not whether youth entrepreneurship should be supported but rather how.

The visible results of such support can be increased employment, implementation of innovative business ideas and improved competition. One result which might be less visible but equally (if not the most) important, is the improved well-being and confidence of the youth.

In order to find solutions to youth entrepreneurship development, various countries were analysed. In addition, data from previous GEM reports was analysed in order to shed more light on these questions. This will be discussed in the following paragraphs.

## 3.2 YOUTH AND ENTREPRENEURSHIP IN OTHER REGIONS

### 3.2.1 AFRICA

One disturbing factor of employment in Africa as a whole is the number of people earning less than one or two US dollars a day. It is estimated that between 2006 and 2015 the percentage of people earning less than two dollars a day will decrease from 78.6% to 76.4%.

This positive trend will be offset by an increase in the actual number of people from 260.3 million to 316.7 million.

For the same period, it is estimated that people earning less than one US dollar a day will decrease from 46.2% to 44.1%. Again, this positive trend will be offset by an actual increase in numbers from 152.8 million to 182.9 million (International Labour Organisation, 2007:16). The above figures are the highest in the world.

Furthermore, the International Labour Organisation Report (2007) highlights the issue of child labour affecting children between the ages of 5 and 17 years old (see Table 6).

Children of this age group should still be at school and a disruption at this stage can have a negative impact on their level of education over the long term.

It is clear from international studies that level of education has a significant impact on the potential success of entrepreneurial businesses, especially within a technologically advanced global environment where innovation is key for business success.

**Table 5: South African youth****Youth Enterprise and Development**

- Two-thirds of the population between 18 and 35 years of age are unemployed
- Education and training do not sufficiently support entrepreneurial growth
- Only 6% of all South African adults have a tertiary qualification
- Entrepreneurial heroes and role models are not celebrated
- Entrepreneurship is not seen as a career choice - emphasis is still on corporate employment

**Youth Social Well-being**

- Poverty and unemployment are interrelated
- Unemployment is primarily a problem relating to the youth
- Two-thirds of unemployed youth have never had a job
- 25% of youth employed are in temporarily jobs and 33% are in the formal sector especially in agricultural and services
- It can take up to two years to find employment and then it mostly happens through family and social networks
- Poverty further adds to social problems like substance abuse, crime and violence, health and disability and teenage pregnancies
- HIV infection plays a crucial role where 1 out of 8 women treated in public clinics was diagnosed as positive for HIV, with the majority of them in the age group 25 – 29 years
- There are a growing number of child-headed households resulting from the effects of HIV, increased abuse, neglect and violence on people who should be economically active
- Substance  metropolitan areas
- “Tik” is a serious problem in the Western Cape
- Substance abuse can have a negative influence on health and behavioural patterns such as absenteeism, declining grades, truancy, academic difficulty and school dropouts

**Economic Participation**

- Work experience is characterised by low self-employment and insecure employment
- The Accelerated and Shared Growth Initiative for South Africa (AsgiSA) wants to halve unemployment and poverty by 2014. For this to be successful, there should be a focus on youth unemployment as it contributes 70% towards total unemployment
- A growth rate of at least 7%, instead of the current less than 4%, is needed to reduce unemployment
- Distribution of growth is highly skewed towards those with greater skills and access to resources

**Youth Education and Training**

- Individuals need more mathematical and professional skills to compete in international markets
- Due to school boycotts and denied access to education, South Africa is not equipped for the demands of a knowledge-based global market
- Apprenticeships have dropped from 13 000 to 3000 in less than a year
- Between 1991 and 2003, the number of Senior Certificate maths passes increased from 138 659 to 258 323 whilst Higher Grade maths decreased from 53 631 to 23 412. The majority are taking Standard Grade maths which is of a much lower standard.
- The racial breakdown of the decline in Higher Grade maths during the period 1990 to 2005 is as follows:
  - o Indian schools 74% to 30%
  - o White schools 60% to 36%
  - o Black schools 65% to 8%
  - o Coloured schools 38% to 3%

Reference: Herrington et al. (2007)

**Table 6: Estimates of child labour in Africa**

Country	Estimated number of children aged 5-17 years (millions)	Activity rate (%)	Child labourers as % of children 5-17 years	Year of survey
Ethiopia	18.20	52.1	n/a	2001
Ghana	6.36	31.3	20.0	2001
Kenya	10.89	17.4	11.9	1998/99
Malawi	3.77	79.6	37.0	2002
Namibia	0.44	16.3	n/a	1999
South Africa	13.44	35.9	n/a	1999
Tanzania	11.97	39.6	10.0	2000/01
Uganda	7.93	34.2	n/a	2000/01
Zambia	3.79	13.3	n/a	1999
Zimbabwe	4.67	26.3	20.7	1999

Reference: International Labour Organisation, 2007:24 | (n/a; details not available)

Further important points that can be deduced from Table 6 are as follows:

- The activity rates are in general quite high.
- In the cases of Malawi and South Africa non-economic activities are included in the activity rates.
- Economic and non-economic activities are taking time away from what the youth should be doing - i.e. attend schooling.
- Not attending schools can have an impact on the level of entrepreneurship in a country. Therefore, child labour is working against the promotion of entrepreneurship development.

The current international environment is characterised as a knowledge-driven environment where identification and exploitation of world-class opportunities necessitates a higher level of education and training. Therefore, the long term effect of child labour can result in youth not being trained and educated which can impact negatively on the number of world-class opportunities being exploited. Furthermore, it is currently estimated that 20 million Africans live outside their country of birth ( International Labour Organisation, 2007:27 ) This brain drain effect, together with children not educated and trained correctly, is creating a vacuum in the development of entrepreneurs.

### 3.2.2 COUNTRIES WHICH PARTICIPATED IN THE GEM STUDY

During June 2007, a number of countries which participated in the GEM 2006 study were contacted in order to obtain information regarding youth development in their

specific countries. A number of interesting comments were received.

#### Iceland:

According to Rögevaldur J Samemundsson (11 June 2007) very little is being done in their country regarding youth development. The reason provided was that there are only a few initiatives for promoting youth entrepreneurship, which are bottom-up initiatives based on existing methodologies such as junior achievement. The government in Iceland does not have an official entrepreneurship policy and there are no explicit targets or systems to reach targets.

#### Columbia:

José Ernesto Amorós (19 June 2007) provided the following data for Columbia:

- The age category 25 to 34 years is the highest contributor to the TEA rate for both men and women.
- With regard to established businesses, younger people do not have a significant TEA when compared with the older age categories.
- In 2006, the government proposed a programme that focused on contributing to the development of entrepreneurial activities in Columbia. The structure of the programme calls on universities and foundations to help young people to open and run an enterprise.
- In June 2006, a law (Law 1014/2006) was promulgated in Columbia that has as a target the promotion of entrepreneurship in every educational institution in the country. Furthermore, structures have to be created to allow young entrepreneurs to build their enterprises.

#### Canada:

Marie-Hélène Guay (11 June 2007) provided the following insights into youth entrepreneurship in Québec:

- In February 2004, a three-year action plan was launched on youth entrepreneurship development focusing on confidence, motivation, work ethic, responsibility, initiative, perseverance, solidarity, team spirit, resourcefulness and determination. A total of C\$38 million was allocated for the first years of this plan.
- From this plan 3 focus areas were identified, namely:
  - [Inviting schools to participate](#)
  - [Creating a favourable entrepreneurial environment](#)
  - [Disseminating effective strategies to young entrepreneurs](#)
- Goals for encouraging schools to participate were as follows:
  - [Design and disseminate tools to promote awareness](#)

about entrepreneurship within the context of school curricula at the primary, secondary and college levels

- Promote entrepreneurship awareness among future educators and guidance councillors
  - Identify and disseminate successful formulae that promote entrepreneurial values, attitudes and skills among young people
  - Invite universities to participate in promoting entrepreneurial culture and entrepreneurship among young people
  - Consolidate the promotional activities of youth entrepreneurship networks during extra-curricula activities
- Goals for creating a favourable environment include:
    - Create awareness among family members regarding the importance of stimulating entrepreneurial culture
    - Foster closer ties between entrepreneurs and school
    - Encourage entrepreneurs, particularly family business owners, to plan for succession
    - Consult entrepreneurs on measures to promote entrepreneurial culture and to develop entrepreneurship
    - Foster the involvement of municipal officials in developing youth entrepreneurship
    - Create a network of resource advisors to promote youth entrepreneurship awareness all across Québec
    - Promote co-operative entrepreneurship among young people
  - Goals for disseminating effective strategies to young entrepreneurs include:
    - Provide information and support services to young entrepreneurs through the internet
    - Promote business networking for young entrepreneurs
    - Foster better management skills for young entrepreneurs
    - Encourage mentoring
    - Support micro-credit projects for young entrepreneurs

From the above, it is quite clear that educational institutions are playing a critical role in promoting entrepreneurship and that a clear commitment from government is essential in forming a basis for the successful delivery of entrepreneurial support mechanisms.

### 3.2.3 LATIN AMERICAN EXPERIENCES

Latin America finds itself spearheading youth development. Llisterri, Kantis, Angelelli and Tejerina (2006) studied the youth in 14 Latin American countries and highlighted the following characteristics of young people in these countries:

- Entrepreneurs between 16 and 24 years of age represent

8.2% of the total number of entrepreneurs.

- The education level of people self-employed out of necessity is generally low i.e. most have only primary education and partial secondary education.
- The education level of opportunity-orientated entrepreneurs tends to be at university level.
- Most businesses created by youth have a weak impact on job creation.
- Most young entrepreneurs (72%) are male.
- About 47% of entrepreneurs start thinking about business between the ages of 17 and 24 years.
- Universities and family play a significant role in the lives of dynamic entrepreneurs - more so than previous work experience.

Once again, the importance of education in entrepreneurial activity is highlighted. Opportunity-orientated entrepreneurs, who act as the spearhead of sustainable socio-economic development, require a different level of education than necessity-based entrepreneurs. In terms of the former, one can argue that more emphasis should be on innovation, opportunity recognition and technology whilst in the latter category more emphasis should be placed on basic business practices, numeracy and literacy.

The question can be raised whether dynamic entrepreneurs are needed. Studies by Storey and Birdch (cited in Llisterri et al, 2006:8) indicate that between 6 to 10% of new ventures are responsible for half the jobs created by new firms and are still in operation 7-10 years after they were created. This clearly shows the need for dynamic entrepreneurs. Furthermore, it also shows that development interventions should be focused on creating specific behavioural changes. These interventions can only be formulated if a sound database about youth exists, which is a problem in many countries.

Guaipatin, Vásquez, Severi, Buchsbaum, Parra and Wittkowski (2006:2) and Heredero, Hertz, Nawar, Ca'Zorzi, Ibararán, Buchara, Mazza, Koss and Londoño (2007) identified problems experienced in Peru as:

- a lack of basic skills and competencies;
- limited business skills;
- limited knowledge and access to support services; and
- failure of public institutions to promote entrepreneurship.

How, then, are Latin American countries dealing with these problems? Llisterri, et al. (2006), Guaipatin, et al. (2006) and Unknown authors (2006) highlighted the following principles in the development of youth support programmes:

- Preventative and proactive educational policies are needed

which will create an environment which encourages the youth to be dynamic entrepreneurs.

- Through dynamic integrated partnerships, the youth must be encouraged and assisted to develop their own business ideas.
- The innovative capabilities of the youth must be developed which could have the positive spin-off effect of the creation of dynamic entrepreneurs, who themselves create employment.
- Appropriate and accessible financing must be provided.
- An entrepreneurially friendly environment should exist which is characterised by factors such as rule of law, low cost procedures for business registration, access to technology and other support services.
- Developing a positive attitude towards work is important, especially where such a culture does not exist.
- Programmes should be developed according to market needs.
- Internships and coaching are important elements in developing sustainable entrepreneurial mindsets.
- All programmes should incorporate a rigorous evaluation methodology.

### 3.2.4 UK EXPERIENCES

According to Greene (2005:5), youth entrepreneurs in the UK:

- consider entrepreneurship a good career choice that brings with it status.
- feel positively orientated towards self-employment (more than 50%).
- are reluctant to actually start their own business despite this positive orientation.

The latter is an international phenomenon, despite the youth possessing an abundance of innovative ideas. Various reasons are cited for this phenomenon such as the lack of the right skills to create new businesses, fear of failure, complicated start-up procedures and the complexity of the international environment which necessitates more experience in order to operate successfully. To address the above, various initiatives have been implemented in the UK, ranging from private-orientated programmes to government initiatives. These were mainly steered by policy guidelines for youth development in the UK, which focus on:

- better co-ordination of policies affecting young people;
- the widening of access to post-16-years levels of education;
- targeting those perceived to be at greater risk of social exclusion through early interventions; and
- management of anti-social behaviour through families. ([www.keele.ac.uk/depts/so/youthchron/index.htm](http://www.keele.ac.uk/depts/so/youthchron/index.htm))

The above is supported by a philosophy of cross-government work on youth and an educational system which is much more focused on the knowledge economy than on a "one-size-fits-all" approach. In terms of the latter, Coventry University implemented a total integrated system to support entrepreneurship among students, which includes activities such as:

- degree programmes which focus on creating a business first and foremost, and whilst doing that obtaining an academic qualification;
- mentorship programmes using experienced business people such as the Institute of Directors;
- grants for start-up activities;
- a start-up café system which facilitates world-wide networking among potential youth entrepreneurs;
- weekly "student in business" society meetings; and
- technical support from a techno centre.

### 3.3 GEM DATA ON THE YOUTH IN SOUTH AFRICA FROM 2001-2006

#### General data

Data from previous GEM research projects was analysed to determine the state of youth entrepreneurship in South Africa. The first analysis focused on TEA rates of youth since 2004 (Table 7). This table combines involvement in TEA rates and indicates what percentage can be classified as opportunity or necessity entrepreneurship.

**Table 7: TEA rates per age group**

Age Group	Category	2004	2005	2006
18-24	TEA	3.9%	3.0%	4.1%
	Opportunity	2.2%	1.9%	3.0%
	Necessity	1.3%	1.0%	0.9%
25-34	TEA	7.0%	5.8%	6.0%
	Opportunity	3.1%	3.3%	4.6%
	Necessity	3.9%	2.3%	1.0%
35-44	TEA	6.1%	7.3%	5.8%
	Opportunity	2.8%	4.0%	3.2%
	Necessity	3.3%	3.1%	2.2%
45-54	TEA	3.3%	4.2%	4.1%
	Opportunity	1.6%	2.2%	2.7%
	Necessity	1.4%	2.0%	1.4%
55-64	TEA	3.7%	5.2%	5.3%
	Opportunity	2.9%	4.0%	2.8%
	Necessity	0.4%	1.2%	2.5%

**Note:** An example of reading Table 7: 3.9% of all the respondents in the age category 18-24 years were involved in total early-stage entrepreneurial activities during 2004. Of that 3.9%, 2.2% can be classified as opportunity-orientated activities.

From Table 7 the following deductions can be made:

- Respondents in the age group 25-34 years are more involved in TEA activities than the 18-24 year category in all three years. Several reasons for this can be offered, namely:
  - o the younger category might still be involved in education;
  - o the 18-24 year old category might not be experienced enough to create a new business; and
  - o they are probably still looked after by their parents and do not need to be entrepreneurial.

This is also in line with the findings of Greene (2005), who indicated that young people are less likely to be self-employed despite their entrepreneurial flair. In paragraph 3.2.2 it was also noted that studies in Canada concluded that young people tend to take longer to enter the labour market. However, it could be a positive sign if people in the young category are not too involved in entrepreneurial activities because one could argue that creating a sound educational basis at this stage could benefit a country more in the longer term.

- More respondents in the age group 25-34 years are involved in TEA activities in two of the three years than the next most important age category of 35-44 years old.
- Activities that can be classified as opportunity early-stage entrepreneurial activities are more than necessity activities in most cases. The only exceptions are during 2004 for the 25-34 and 35-44 age categories.
- The age group 25-34 shows an increasing trend of opportunity orientation. If it is accepted that the majority of the South African population consists of youth this is a very positive trend which should result in the identification of more opportunities in South Africa.
- Bosma et al. (2007:24) concluded that TEA rates are lower for adults in Europe and Asian countries which formed part of the former Soviet Bloc. However, younger people of these countries tend to follow the trend in higher income countries where opportunity-orientated activities form a more important part than necessity activities. The same trend in South Africa is observable in Table 7, where the younger age categories seems to be more opportunity-orientated than the older groups.

**Where are all the TEA activities happening?**

The regional spread of respondents involved in TEA activities (see Table 8) underlines the fact that Gauteng is still the major contributor to entrepreneurship, followed by the Western Cape and KwaZulu-Natal. Possible reasons for this might be the fact that these areas are the growth poles for the South African economy and therefore provide more opportunities to entrepreneurs. Urbanisation, which is an international trend, can be another contributing factor why most of the TEA activities

are in these growth poles. That does not mean that other areas should be neglected in terms of entrepreneurship development or that there are no opportunities in these areas. In Chapter 1 it was noted that the promotion of entrepreneurship should be adapted to suit different realities. This might necessitate that a different model of stimulating entrepreneurship in rural and less developed regions should be researched.

**Table 8: Regional spread of youth involved in TEA activities**

Region	2005		2006	
	18-24 yrs	25-34 yrs	18-24 yrs	25-34 yrs
Gauteng	16.7%	25.0%	67.7%	31.1%
KwaZulu-Natal	16.7%	11.4%	19.4%	22.2%
Western Cape	16.7%	25.0%	12.9%	20.0%
Mpumalanga and Limpopo	12.4%	2.2%	0.0%	11.1%
Eastern Cape	12.5%	20.5%	0.0%	4.5%
Free State	8.3%	4.5%	0.0%	6.7%
North West and Northern Cape	16.7%	11.4%	0.0%	4.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Note:** An example of reading Table 8: Of all the respondents in the age group 18-24 years who can be classified as TEA, 16.7% are from Gauteng.

Youth male entrepreneurs exceed youth female entrepreneurs in 2004 and 2005 but are equal in percentages in 2006 (see Table 9). Female youth entrepreneurs show a positive growth from 2005 to 2006. This is in line with international trends in the growth of women entrepreneurs. Male youth entrepreneurs in the age bracket 18 – 24 years show a declining trend from 2004 to 2006.

**Table 9: Gender involvement in TEA**

Age group	Category	2004	2005	2006
18-24	Male	13.7%	10.4%	8.9%
	Female	5.1%	7.4%	12.6%
25-34	Male	18.7%	17.0%	17.8%
	Female	20.1%	12.6%	14.1%
35-44	Male	12.9%	17.0%	14.1%
	Female	12.9%	13.3%	8.9%
45-54	Male	5.8%	6.7%	5.9%
	Female	3.6%	5.9%	7.4%
55-64	Male	2.2%	3.0%	5.9%
	Female	5.0%	6.7%	4.4%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>

**Note:** Example of reading Table 10: 13.7% of respondents who can be classified as TEA in 2004 can be classified as males in the age group 18-24 years.

In an environment characterised by high levels of innovation, technological change and increased global competitiveness, education plays a major role. Higher levels of education are needed to compete in such an environment. Furthermore, because of problems in balancing the world of work and education, youth tend to study for longer periods of time. (Greene, 2005).

The situation in South Africa regarding the educational levels of respondents in the GEM study is highlighted in Table 10. The following deductions can be made:

- The majority of youth and other age groups have skills equivalent to some secondary or secondary training. In a knowledge-based economy more highly-skilled people are needed.
- There is a positive trend for youth in terms of secondary training completed.
- In terms of the age categories 25-34 years and 34-44 years, a positive trend regarding graduation is visible.

Therefore, in terms of education levels, it can be deduced that the trends are starting to move into the right direction and that this can eventually form a sound basis for more accelerated TEA activities.

In Table 11, the percentage of respondents who believe that they have the right knowledge and skills to start a new business is highlighted. In both the youth categories (18-24 and 25-34) a positive trend between 2005 and 2006 is evident with more people starting to believe that they have the right knowledge and skills to start a new business. This does not necessarily mean that people will go out and create new businesses but with the right stimulus this might be possible. The question, therefore, that must be addressed is what type of stimulus is needed to convince people to start their own businesses.

From Greene (2005) and Bosma et al. (2007) it is clear that having the right knowledge and skills are by no means a guarantee that the youth will actually start a new business. Table 12 assesses the impact that fear of failure has on whether people are prepared to start a business. The only category that shows a decline (i.e. increased fear) is the age group 18-24 years. In that age group 30.8% are afraid to start up a new business. Although this is still low in comparison with a country such as the UK, where the fear of failure in 2006 was 36% (Harding, 2006:5), the trend is a worrying factor.

Why are the youth suddenly becoming afraid of starting up their own businesses? Table 11 indicated that the age group 18-24 years has the lowest scores in 2006 regarding whether they believe that they have the right skills and knowledge to start up a new business.

**Table 10: Level of education**

Age group	Educational level	2004	2005	2006
18-24	None	0.0%	0.0%	0.0%
	Some secondary	64.5%	47.3%	40.2%
	Secondary	30.6%	43.0%	43.7%
	Post secondary	4.0%	8.9%	13.5%
	Graduation experience	0.9%	0.8%	2.6%
25-34	None	0.0%	0.0%	0.0%
	Some secondary	52.4%	48.9%	39.5%
	Secondary	37.4%	38.4%	48.0%
	Post secondary	7.7%	9.1%	9.9%
	Graduation experience	2.5%	3.6%	2.6%
35-44	None	0.0%	0.0%	0.0%
	Some secondary	64.0%	61.7%	49.9%
	Secondary	25.7%	24.4%	34.9%
	Post secondary	7.0%	10.1%	8.7%
	Graduation experience	3.3%	3.8%	6.5%
45-54	None	0.0%	0.0%	0.0%
	Some secondary	78.2%	66.2%	62.8%
	Secondary	12.4%	21.9%	23.5%
	Post secondary	6.6%	7.3%	8.9%
	Graduation experience	2.8%	4.6%	4.8%
55-64	None	0.0%	0.0%	0.0%
	Some secondary	77.5%	70.2%	65.5%
	Secondary	15.1%	17.7%	23.9%
	Post secondary	5.9%	7.7%	6.0%
	Graduation experience	1.5%	4.4%	4.6%

**Note:** Example of reading Table 10: 64.5% of respondents in the age category group 18-24 years old have in 2004 some secondary training.

**Table 11: Knowledge/skills to start a business**

Age group	2004	2005	2006
18-24	39.1%	36.9%	37.6%
25-34	45.2%	44.0%	47.1%
35-44	47.5%	52.1%	43.7%
45-54	37.8%	46.0%	44.6%
55-64	29.7%	23.5%	37.8%

**Note:** Example of reading Table 11: 39.1% of respondents in the age group 18-24 years in 2004 said that they have the right knowledge and skills to start a new business.

Other factors that might contribute towards fear of failure are complex administrative start-up procedures, costs of administrative adherence to procedures for maintaining a business, difficulty in obtaining financing and unknown market conditions. These conditions should be researched in order to find solutions to this trend of increased fear among the youngest category.

**Table 12: Fear of failure does not prevent start-ups**

Age group	2004	2005	2006
18-24	70.2%	76.4%	69.2%
25-34	70.6%	73.7%	74.6%
35-44	70.5%	76.3%	77.0%
45-54	72.4%	77.5%	77.2%
55-64	69.7%	73.1%	76.7%

**Note:** Example of reading Table 12: 70.2% of respondents in the age group 18-24 years in 2004 said that fear of failure does not prevent them from starting a new business.

Although respondents do think that they have the right knowledge and skills to start a new business, and are not afraid to do so, they do not regard themselves as entrepreneurs (see Table 13). In this table questions were asked to determine to what extent respondents regard themselves as entrepreneurial.

These questions addressed issues such as whether the respondent knows someone personally who has started a business; whether there will be good opportunities to start a business in the next three months; whether the person has the skills and knowledge to start a business; and whether fear of failure will prevent the respondent from trying.

In Table 13 “none” means that no respondents are of the opinion that they are entrepreneurial, at “level one” respondents reacted positively to at least one question, at “level two” at least two positive answers were provided and at “level three” at least three positive answers were provided. The latter would mean a total agreement with entrepreneurship.

From Table 13 it is clear that level 3 perceptions are always in the minority and do not always show a clear positive trend.

The most worrying factor is that a clear positive trend regarding individual support for entrepreneurship is not noticeable. Various reasons can be cited for this such as a lack of self-confidence, no culture of starting your own business and a lack of experience in this regard.

Entrepreneurship as some type of mystified concept which is a highly complex activity might also be a reason. However, none of these reasons was tested.

They are purely speculative and require further investigation as this remains an important issue to be addressed in the future, i.e. how to create positive individual perceptions of entrepreneurship.

**Table 13: Individual perceptions of entrepreneurship**

Age group	Category	2004	2005	2006
18 - 24	None	45.9%	53.9%	43.9%
	Level 1	22.4%	15.6%	23.7%
	Level 2	22.4%	18.0%	21.5%
	Level 3	9.3%	12.5%	10.9%
25 - 34	None	42.7%	50.5%	47.9%
	Level 1	23.0%	18.8%	21.7%
	Level 2	16.7%	17.8%	18.6%
	Level 3	17.6%	12.9%	11.8%
35 - 44	None	40.3%	41.5%	50.5%
	Level 1	19.4%	19.2%	14.5%
	Level 2	20.9%	22.2%	20.0%
	Level 3	19.4%	17.1%	15.0%
45 - 54	None	60.4%	50.3%	46.6%
	Level 1	16.8%	23.1%	19.7%
	Level 2	11.4%	13.3%	20.2%
	Level 3	11.4%	13.3%	13.5%
55 - 64	None	61.0%	66.0%	55.7%
	Level 1	19.5%	21.2%	20.4%
	Level 2	13.0%	6.4%	14.2%
	Level 3	6.5%	6.4%	9.7%

**Note:** Example of reading Table 13: 45.9% of respondents in the age group 18-24 years in 2004 indicate no positive perception regarding entrepreneurship. Only 9.3% in the same category reported total support of entrepreneurship.

Respondents do feel that government is busy creating a favourable culture for entrepreneurship in South Africa (Table 14). Certain questions were asked to determine this such as whether people would prefer everybody to have a similar standard of living, whether starting up a business is a desirable career choice, and whether positive stories are published in the media.

In Table 14 “none” means that none of the respondents are of the opinion that an entrepreneurial culture exists, at “level one” respondents reacted positively to at least one question, at “level two” at least two positive answers were provided and at “level three” at least three positive answers were provided. The latter would mean a total agreement that an entrepreneurial culture exists.

In Table 13, for 2006, 10.9% of the age group 18-24 years feels that they are entrepreneurial while 38% of the same group feels that a culture of entrepreneurship is created in South Africa (Table 14).

The trend for the age group 25-34 years is even more positive. This perception that a culture of entrepreneurship

is busy forming in South Africa is therefore a strong basis to work from. However, positive individual as well as cultural perceptions are needed for a strong entrepreneurial drive and therefore more attention should be devoted to influencing individual perceptions more positively.

**Table 14: Cultural support for entrepreneurship**

Age group	Category	2004	2005	2006
18 – 24	None	27.7%	34.8%	26.7%
	Level 1	9.7%	8.2%	13.2%
	Level 2	20.3%	22.8%	22.1%
	Level 3	42.3%	34.2%	38.0%
25 – 34	None	30.4%	29.9%	33.8%
	Level 1	10.8%	10.3%	6.6%
	Level 2	17.0%	17.8%	17.8%
	Level 3	41.8%	42.1%	41.8%
35 – 44	None	24.6%	28.2%	28.2%
	Level 1	6.4%	8.0%	8.3%
	Level 2	19.6%	17.6%	20.4%
	Level 3	49.4%	46.2%	43.1%
45 – 54	None	32.2%	40.2%	29.7%
	Level 1	5.6%	10.3%	5.9%
	Level 2	20.3%	13.6%	14.9%
	Level 3	42.9%	35.9%	49.5%
55 – 64	None	34.7%	35.7%	28.0%
	Level 1	11.3%	7.1%	7.2%
	Level 2	16.1%	15.3%	18.9%
	Level 3	37.9%	41.8%	45.9%

**Note:** Example of reading Table 14: 27.7% of respondents in the age group 18-24 in 2004 indicated that there is not a culture supporting entrepreneurship in South Africa. During the same period 42.3% indicated that such a culture is starting to form in South Africa.

### 3.3.1 MANIFESTATIONS OF ENTREPRENEURSHIP

In the previous paragraph, general data regarding youth entrepreneurship in South Africa were highlighted. A positive trend regarding youth entrepreneurship is observable in most of these tables. In this paragraph, data is analysed to determine how this positive trend manifests itself in reality.

The majority of businesses classified as TEA engage only one person, normally the owner (Table 15). That is not uncommon for start-ups because these start-ups can be a function of one person's dream.

It will also cost more to start up a more complex business consisting of more than one owner, and which also needs more complex and expensive start-up support.

**Table 15: Individuals involved in TEA activities and number of owners per business**

Age group	# of owners	2004	2005	2006
18 – 24	1	46.2%	37.4%	44.9%
	2	23.0%	37.4%	27.6%
	3	15.4%	4.2%	17.2%
	4	15.4%	12.5%	0.0%
	5	0.0%	0.0%	0.0%
	6	0.0%	4.2%	0.0%
	8	0.0%	0.0%	0.0%
	10	0.0%	4.2%	10.3%
25 – 34	1	52.8%	61.0%	72.1%
	2	26.4%	2.4%	9.3%
	3	3.8%	4.9%	11.6%
	4	3.8%	2.4%	2.3%
	5	7.5%	2.4%	0.0%
	6	1.9%	2.4%	4.7%
	8	1.9%	0.0%	0.0%
	10	1.9%	24.5%	0.0%
35 – 44	1	36.0%	51.3%	85.7%
	2	27.8%	14.6%	14.3%
	3	5.6%	14.6%	0.0%
	4	8.3%	12.2%	0.0%
	5	5.6%	7.3%	0.0%
	6	2.8%	0.0%	0.0%
	8	5.6%	0.0%	0.0%
	10	8.3%	0.0%	0.0%
45 – 54	1	69.2%	61.1%	88.2%
	2	23.1%	33.3%	11.8%
	3	0.0%	5.6%	0.0%
	4	7.7%	0.0%	0.0%
	5	0.0%	0.0%	0.0%
	6	0.0%	0.0%	0.0%
	8	0.0%	0.0%	0.0%
	10	0.0%	0.0%	0.0%
55 – 64	1	72.7%	75.0%	85.8%
	2	18.2%	8.3%	7.1%
	3	9.1%	16.7%	7.1%
	4	0.0%	0.0%	0.0%
	5	0.0%	0.0%	0.0%
	6	0.0%	0.0%	0.0%
	8	0.0%	0.0%	0.0%
	10	0.0%	0.0%	0.0%

**Note:** Example of how to read Table 15: 46.2% of respondents in the age group 18-24 years in 2004 indicated that there is only one owner in the business.

The youth tend to be more in favour of taking in more owners than any other age group. During 2006 the ratio between one owner and more than one owner for the 18-24 group was 44.8% to 55.2%, for the 25-34 age group 72.1% to 27.9%, for the 35-44 age group 85.7% to 14.3%, for the 45-54 age group 88.2% to 11.8%, and for the 55-64 age group 85.7% to 14.3%. In an environment characterised by intense competition one could argue that to make it on your own can be quite challenging, and that more partners involved can help to provide the capacity to sustain business success over time.

It was indicated in earlier paragraphs that technology forms an important part of current businesses. In Table 16 it is clear that the youth group (18-34 years) are by far the most important users of new technology. What is alarming is the declining trend in the use of new technology. The same trends are observed in the categories where new products are implemented into new markets (see Table 17).

**Table 16: Use of new technology by people involved in TEA activities**

Age group	2004	2005	2006
18 – 24	50.0%	25.0%	10.3%
25 – 34	55.6%	31.7%	18.6%
35 – 44	61.1%	19.5%	12.9%
45 – 54	42.9%	11.8%	5.9%
55 – 64	70.0%	0.0%	14.3%

**Note:** Example of reading Table 16: 50% of the respondents involved in TEA activities in the age group 18-24 years in 2004 indicated that they have used new technology.

**Table 17: New product/market combinations by TEA-involved individuals**

Age group	2004	2005	2006
18 – 24	46.2%	25.0%	21.4%
25 – 34	25.9%	24.4%	14.0%
35 – 44	25.7%	14.6%	25.8%
45 – 54	28.6%	11.8%	22.2%
55 – 64	10.0%	23.1%	33.3%

**Note:** Example of reading Table 17: 46.2% of the respondents involved in TEA activities in the age group 18-24 in 2004 indicated that they have used new product/market combinations.

Although youth is also playing a major part in innovative activities, the declining trend is again a worrying factor (see Table 18).

In order to check whether the above trends are correct two more tables were analysed. In Table 19 the number

of customers that consider a product new or unfamiliar can also be an indication of the level of innovation.

**Table 18: TEA-related innovative activities with regard to customers, competitors and technology**

Age group	2004	2005	2006
18 – 24	42.3%	16.7%	10.3%
25 – 34	22.2%	12.2%	9.3%
35 – 44	22.2%	12.2%	9.7%
45 – 54	28.6%	5.9%	5.9%
55 – 64	10.0%	0.0%	13.3%

**Note:** Example of reading Table 18: 42.3% of the respondents involved in TEA activities in the age group 18-24 years in 2004 indicated that they were involved in innovative activities.

In Table 19 it is clear that, except for the age group 35-44 years, all other age groups have experienced a decline in the number of customers who would consider products new or unfamiliar. This might indicate that innovation is under pressure. However, the world is experiencing a drive towards the delivery of services which might create an environment for hyper competition - i.e. many businesses providing the same service/product. Since innovation is such an important part of the knowledge environment, this then calls for a renewed emphasis on the stimulation of innovation.

**Table 19: TEA-related activities where customers consider product new/unfamiliar**

Age group	Category	2004	2005	2006
18 – 24	All	22.2%	16.7%	13.8%
	Some	40.8%	33.3%	41.4%
	None	37.0%	50.0%	44.8%
25 – 34	All	20.4%	22.0%	16.3%
	Some	31.5%	24.3%	25.6%
	None	48.1%	53.7%	58.1%
35 – 44	All	5.7%	9.8%	10.0%
	Some	31.4%	31.7%	20.0%
	None	62.9%	58.5%	70.0%
45 – 54	All	57.1%	17.7%	16.7%
	Some	0.0%	17.6%	5.6%
	None	42.9%	64.7%	77.7%
55 – 64	All	20.0%	15.3%	13.3%
	Some	20.0%	46.2%	66.7%
	None	60.0%	38.5%	20.0%

**Note:** Example of reading Table 19: 22.2% of the respondents involved in TEA activities in the age group 18-24 years in 2004 indicated that their customers consider a product new/unfamiliar.

Table 20 further indicates that all categories show that

many businesses exist which sell the same products. That may again correlate with Table 15 (number of owners) indicating that people get involved in relatively easy businesses. Another possible reason might be that most businesses worldwide are in the services sector, which can lead to a high proportion of similar businesses (see also Table 19).

**Table 20: TEA-related activities where there are many businesses offering the same products**

Age group	Category	2004	2005	2006
18 – 24	Many	26.9%	33.4%	53.6%
	Few	50.0%	58.3%	32.1%
	None	23.1%	8.3%	14.3%
25 – 34	Many	44.5%	39.0%	41.8%
	Few	29.6%	48.8%	44.2%
	None	25.9%	12.2%	14.0%
35 – 44	Many	38.9%	52.4%	40.0%
	Few	47.2%	35.7%	40.0%
	None	13.9%	11.9%	20.0%
45 – 54	Many	30.8%	29.4%	29.4%
	Few	38.4%	64.7%	64.7%
	None	30.8%	5.9%	5.9%
55 – 64	Many	50.0%	41.7%	35.7%
	Few	40.0%	41.7%	35.7%
	None	10.0%	16.6%	28.6%

**Note:** Example of reading Table 20: 26.9% of the respondents involved in TEA activities in the age group 18-24 years in 2004 indicated that there are many businesses offering the same product.

Finally, when analysing the stage of activity per age group (Table 21), it is noticeable that many new businesses are being formed but that not enough are maturing to the next level. In 2006, 69% of respondents in the 18-24 age category can be classified as nascent entrepreneurs while 31% can be classified as baby businesses.

When compared with previous years this represents an improvement because one would like to see an increase in the number of baby businesses. The latter, if supported correctly, can then become mature businesses - i.e. still surviving after 42 months. This can provide a stronger socio-economic basis in South Africa over time. However, the trend in the age group 25-34 is less positive. New businesses are created but do not succeed in surviving to the next level. Reasons for this should be researched.

Questions were asked about possible creation of future jobs (Table 22). These are perceptions; nevertheless they provide an idea about the growth mindset of

respondents. The latter is a crucial mindset for sustainable entrepreneurship and to add value to the socio-economic growth development of South Africa.

**Table 21: Stage of activity regarding TEA activities**

Age group	Category	2004	2005	2006
18 – 24	Nascent	84.6%	70.8%	69.0%
	Baby business	15.4%	29.2%	31.0%
25 – 34	Nascent	55.6%	68.3%	79.1%
	Baby business	44.4%	31.7%	20.9%
35 – 44	Nascent	77.8%	75.6%	64.5%
	Baby business	22.2%	24.4%	35.5%
45 – 54	Nascent	100%	70.6%	55.6%
	Baby business	0.0%	29.4%	44.4%
55 – 64	Nascent	54.5%	61.5%	46.7%
	Baby business	45.5%	38.5%	53.3%

**Note:** Example of reading Table 21: 84.6% of the respondents involved in TEA activities in the age group 18-24 years in 2004 indicated that they were still in the early stages (0-3 months). Nascent businesses are businesses between 0 and 3 months old; baby businesses are businesses between 4 and 42 months old.

**Table 22: Expected number of jobs to be created by people involved in TEA activities**

Age group	Category	2004	2005	2006
18 – 24	No jobs	4.2%	0.0%	0.0%
	1 – 5 jobs	70.8%	71.4%	60.9%
	6 – 19 jobs	20.8%	23.8%	30.4%
	20+ jobs	4.2%	4.8%	8.7%
25 – 34	No jobs	6.2%	0.0%	0.0%
	1 – 5 jobs	61.2%	86.8%	86.1%
	6 – 19 jobs	20.4%	7.9%	11.6%
	20+ jobs	12.2%	5.3%	2.3%
35 – 44	No jobs	0.0%	0.0%	0.0%
	1 – 5 jobs	64.5%	77.1%	89.7%
	6 – 19 jobs	22.6%	20.0%	6.9%
	20+ jobs	12.9%	2.9%	3.4%
45 – 54	No jobs	0.0%	0.0%	0.0%
	1 – 5 jobs	77.8%	100%	94.1%
	6 – 19 jobs	22.2%	0.0%	0.0%
	20+ jobs	0.0%	0.0%	5.9%
55 – 64	No jobs	0.0%	0.0%	0.0%
	1 – 5 jobs	66.7%	90.9%	91.7%
	6 – 19 jobs	33.3%	0.0%	0.0%
	20+ jobs	0.0%	9.1%	8.3%

**Note:** Example of reading Table 22: 70.8% of the respondents involved in TEA activities in the age group 18-24 in 2004 indicated that they expect to create between 1-5 jobs.

From Table 22 it is clear that respondents indicate mainly jobs to be created within the 1-5 categories. Some researchers feel that only businesses with more than 20 employees can really add value to economic development. Although this might be true for an environment characterised mainly by industrialisation, it is debatable whether it holds for a knowledge-driven environment.

Smaller companies using smart technologies are starting to play significant roles in the economic development of countries. In that sense data from Table 22 is in line with modern trends. The youth category in particular shows a more optimistic expectation than the older generations in terms of the creation of more than 5 jobs.

### 3.4 SUMMARY

In paragraph 3.1 the importance of the youth was highlighted. It is not a question of whether youth entrepreneurship should be supported but rather how. Although there are a number of positives discussed in this chapter, there are also a number of negatives that should be addressed.

Some of the positives are as follows:

- There is an improved focus on opportunity entrepreneurship (Table 7).
- More female entrepreneurs are entering the market (Table 9).
- People accept that they have the right knowledge and skills to create new businesses (Table 11).
- Fear of failure in creating new businesses is not playing a significant role, except in the case of the 18-24 age category (Table 12).
- Respondents feel that a culture for entrepreneurship is being created in South Africa (Table 14).
- There is a positive mindset among the youth regarding the possible creation of new jobs in the future (Table 22).

The negatives that should be addressed are as follows:

- There are social problems among the youth in South Africa e.g. drug abuse and unemployment (Table 5).
- There is a level of child labour which can have a negative influence in the long term (Table 6).
- The majority of respondents have only some secondary schooling which is not supporting modern trends in a knowledge environment (Table 10).
- Individuals do not perceive themselves as being entrepreneurial (Table 13).
- People are not using more new technologies, products and services are not perceived as new and there are many companies offering the same services/products (Tables 16 & 20).

There were also a number of issues that could be seen as both positive and negative. These issues include:

- The majority of TEA activities are in urban areas (Table 8). The involvement of people in TEA activities is positive but more attention should be focused on supporting lesser developed and rural areas.
- The youth are more willing to take in new partners than older groups, which is a positive (Table 15). However, the high proportion of people who are still the only owners in their businesses can be an indication that ideas are implemented that are easy to copy, leading to hyper competition in most cases. More attention should be focused on stimulating innovation.
- Table 21 shows the stages of activity to be more positive in terms of maturing to the next levels, except for the 25-34 year old category. This should be researched.

Clearly there are many positive and negative factors. Our analysis shows, however, that the overall picture is actually more positive than negative. Areas to be addressed that are likely to have the most positive spin-offs include:

- Education and training efforts should focus on inculcating an entrepreneurial mindset and providing the youth with the right knowledge and skills to start their own business.
- Youth entrepreneurs need exposure to different market conditions and support in identifying modern, cutting-edge business ideas.
- Provide support services that will help youth entrepreneurs to develop the above ideas into sustainable businesses.
- A national integrated and co-ordinated support system should be developed, addressing the specific needs of youth entrepreneurs.
- A special focus on developing entrepreneurship in lesser developed and rural areas is essential.

# CHAPTER 4

## 4.1 INTRODUCTION

In chapters 2 and 3, information from previous GEM studies was used. In order to explore different dimensions of youth entrepreneurship in more detail and to verify data from the GEM reports, another additional study was conducted during 2007.

This study focused on the youth in three provinces namely Gauteng, Kwazulu-Natal and the Western Cape. In previous GEM studies, these three provinces were identified as the most entrepreneurial regions in South Africa. Furthermore, because of limited resources and time constraints this study could not be conducted in all provinces.

The following researchers were involved in this study: Dr. Mike Herrington, Jacqui Kew and Sandile Mankayi. Gratitude must also be expressed for the support received from the Western Cape Youth Commission.

## 4.2 RESEARCH METHODOLOGY

A questionnaire was developed by the researchers based on secondary literature, previous GEM studies, and experts active in the field of youth entrepreneurship development. This questionnaire was tested by conducting 100 interviews amongst a representative sample of people within the age category 14 to 35 years old in the Western Cape. Feedback from the interviewees and analysed data of the initial 100 respondents were used as the basis to formulate a final questionnaire.

Interviewees were used to obtain data from a representative sample in the three provinces. Three supervisors were appointed in the Western Cape, namely Johan Fourie, Glen Visser and Motlasi Tsubani. They managed 25 interviewees in the Western Cape. In Kwazulu-Natal Rakesh Mohunlal managed 8 interviewees and in Gauteng Raebetswa Manny and Amanda Ndiki managed 10 interviewees.

One day was spent per province in training the supervisors and interviewees. As part of the training they had to complete a questionnaire to check whether all questions were fully understood. In the final data capture process, completed questionnaires were firstly checked for quality by Sithembiso Ntombela from the Centre for Innovation and Entrepreneurship. Thereafter the researchers checked 20% of questionnaires by going back to the respondents to verify that they had been interviewed.

The final sample for this study was based on a representative and random sample, i.e. taking into consideration race, gender and district data. A total of 1000

interviews were conducted in the Western Cape and 500 each in Gauteng and Kwazulu-Natal. More people from the Western Cape were included in the sample because the Western Cape Youth Commission commissioned this research. Respondents from the various regions were selected on a random and proportional basis according to each region's demographical situation.

## 4.3 DATA

Data in the form of tables will be provided on selected themes in the following paragraphs. Following these tables, summaries of the most important issues will be highlighted.

### 4.3.1 BACKGROUND OF RESPONDENTS

The background of the respondents who participated in the study is highlighted in this section. The Pearson Chi-Square test is used to indicate whether there is statistically significant variability regarding a variable.

This is expressed as an alpha value ( $\alpha$ ). For the purposes of this research a difference between the observations resulting in an  $\alpha$ -value smaller than 0,05 is regarded as statistically significant.

**Table 23: Self-employment per province**

Province	% Self-employed from respondents per province
Gauteng	11.4%
Kwazulu-Natal	11.1%
Western Cape	7.2%
Pearson Chi-Square	0.066

**Table 24: Self-employed by age group**

Age category	% Self-employed
14-20 years old	5.3%
21-29 years old	8.8%
30-35 years old	13.4%
Pearson Chi-Square ( $\alpha$ )	0.017

**Table 25: Self-employed by gender**

Gender	% Self-employed
Male	9.8%
Female	8.6%
Pearson Chi-Square	0.486

**Table 26: Self-employed by race**

Race	% Self-employed
Asian	17.0%
Black African	8.3%
Coloured	7.2%
White	16.8%
Pearson Chi-Square (α)	0.005

**Note on reading the above table:** 17% of the Asian respondents indicated that they are self-employed. This table indicates a significant difference between the races, mainly because the black African and coloured groups differ so much from the others.

**Table 27: Sector in which self-employed**

Sector	% in total from this sector	% from Gauteng	% from Kwazulu-Natal	% from Western Cape
Construction	1.1%	3.4%	0.0%	0.0%
Manufacturing / Engineering	4.6%	3.4%	10.0%	0.0%
Auto services	2.3%	3.4%	0.0%	3.6%
CMT	2.3%	0.0%	6.7%	0.0%
Restaurant	12.6%	17.2%	10.0%	10.7%
Craft	0.0%	0.0%	0.0%	0.0%
Grocery/spaza	11.5%	17.2%	6.7%	10.7%
Transport	10.3%	3.4%	23.3%	3.6%
Other retail	2.3%	0.0%	0.0%	7.1%
Tavern/shebeen	1.1%	3.4%	0.0%	0.0%
Personal services	14.9%	13.8%	16.7%	14.3%
Security	4.6%	10.3%	3.3%	0.0%
Cleaning	1.1%	3.4%	0.0%	0.0%
Consulting	2.3%	0.0%	3.3%	3.6%
Tourism	1.1%	0.0%	0.0%	3.6%
Financial services	1.1%	0.0%	0.0%	3.6%
Other	26.8%	21.1%	20.0%	39.2%

**Note on reading the above table:** 1.1% of all respondents said that they are involved in construction.

Summary of important issues from the tables above:

- **Table 23:** 9.2% of all respondents indicated that they are self-employed. Most of the respondents who indicated that they are self-employed are from Gauteng.
- **Table 24:** The most important age group in terms of self-employment is the 30-35 year group. Although it is a positive indicator that people from a relatively young age such as the 14-20 year group are involved in self-employment, it

is also disturbing because people of that age should probably still be involved in schooling or training of some nature.

- **Table 25:** More male respondents indicated that they are self-employed than female respondents. This corresponds with general data on gender involvement in entrepreneurship.
- **Table 26:** The Asian group had more respondents indicating that they are self-employed than any other group. They are closely followed by the white group. There is a substantial gap between these and the two remaining race groups.
- **Table 27:** The sector in which most of the respondents are operating is the services sector. This is in line with international trends where the service sector is the dominant economic sector.

4.3.2 REASONS FOR STARTING A BUSINESS

The mindset of an entrepreneur determines the potential/value of the business, i.e. whether it will really be adding value to socio-economic growth. An opportunity orientation is the preferred mindset within entrepreneurs. This section determined the nature of the entrepreneurial mindsets within the three regions.

**Table 28: Reasons for starting a business**

Province	Age group	Opportunity	No other
Gauteng	14-20	100.0%	0.0%
	21-29	60.9%	39.1%
	30-35	66.7%	33.3%
Kwazulu-Natal	14-20	82.4%	17.6%
	21-29	73.5%	26.5%
	30-35	68.8%	31.3%
Western Cape	14-20	80.6%	19.4%
	21-29	50.9%	49.1%
	30-35	58.6%	41.4%
Pearson Chi-Square			0.143

**Note on reading the above table:** 100% of the respondents in the age group 14-20 years old said that they started a business because of the opportunity they had identified.

**Table 29: Reasons for starting a business per race group**

Race group	Opportunity	No other choice
Asian	66.7%	33.3%
Black African	66.9%	33.1%
Coloured	64.2%	35.8%
White	78.6%	21.4%
Pearson Chi-Square		0.600

**Note on reading the above table:** 66.7% of the Asian group said that they have started a business because of the perceived opportunity.

**Table 30: Reasons for starting a business per gender**

Gender	Opportunity	No other choice
Male	71.8%	28.2%
Female	62.9%	37.1%
Pearson Chi-Square		0.139

**Note on reading the above table:** 71.8% of males said that they started a business because of the perceived opportunity.

Summary of important issues from the tables above:

- **Table 28:** Most respondents indicated that they started a business because they had observed an opportunity. It is noticeable that the youngest age category is more opportunity-orientated than the other groups in all three provinces.
- **Table 29:** In terms of race group, the white group is the most positive group in terms of opportunities identified.
- **Table 30:** The male group has a higher percentage opportunity orientation than the female group. This is in line with findings from the GEM 2006 South African report where it was highlighted that female entrepreneurs see their involvement more as an interim phase or to balance their life style (Maas and Herrington, 2006).

**4.3.3 LOCATION OF BUSINESSES**

The location of a business can have an important impact on the regulations from local authorities regarding the stimulation of entrepreneurship. The following tables highlight from where the respondents are operating.

**Table 31: Business location per gender**

Gender	From street	Informal stall	Container	Home	Formal shop	Formal work-shop	Other
Male	14.5%	7.2%	2.9%	45.7%	8.7%	7.2%	13.8%
Female	11.9%	4.2%	2.5%	52.5%	15.3%	10.8%	12.7%

**Note on reading the above table:** 14.5% of males said that they operate their business from the street.

**Table 32: Business location per age and province**

Province	From street	Informal stall	Container	Home	Formal shop	Formal workshop	Other
Gauteng							
14-20	28.6%	0.0%	0.0%	42.9%	0.0%	0.0%	28.6%
21-29	39.1%	0.0%	4.3%	21.7%	17.4%	8.7%	8.7%
30-35	21.1%	5.3%	15.8%	26.3%	21.1%	5.3%	5.3%
Kwazulu-Natal							
14-20	2.9%	11.4%	0.0%	42.9%	2.9%	2.9%	37.1%
21-29	8.6%	2.9%	8.6%	54.3%	11.4%	8.6%	5.7%
30-35	5.6%	5.6%	0.0%	55.6%	22.2%	0.0%	11.1%
Western Province							
14-20	27.3%	3.0%	0.0%	45.5%	0.0%	3.0%	21.2%
21-29	7.0%	10.5%	0.0%	63.2%	12.3%	0.0%	7.0%
30-35	3.4%	3.4%	0.0%	58.6%	20.7%	10.3%	3.4%

**Note on reading the above table:** 28.6% of respondents between the ages of 14-20 years in Gauteng indicated that they operate their business from the street.

Summary of important issues from the tables above:

- **Table 31:** Most males and females operate from home. This might be a reflection of international trends where people are locating to more cost-effective locations or working on contract for companies which practice does not necessitate an office. The availability of technology further supports the creation of virtual businesses which can be operated from home.
- **Table 32:** Even if the above data is analysed per region, the most important place where a business operates from is the home. The only difference is for the age group 21-29 years in Gauteng who indicated that operating from the street is the predominant choice of location.

**4.3.4 SKILLS AND EDUCATIONAL BACKGROUND**

One of the most critical issues in stimulating entrepreneurship is skills and the level of education. These skills and education should be appropriate for the challenges facing entrepreneurs. Although the appropriateness of skills and education was not analysed in a scientific manner, it was tested whether respondents believe that they possess the necessary skills and education to cope with the challenges facing entrepreneurs.

**Table 33: Respondents have the required skills to start a business per province**

Province	%
Gauteng	48.4%
Kwazulu-Natal	58.7%
Western Cape	53.8%
Pearson Chi-Square (α)	0.000

**Note on reading the above table:** 48.4% of respondents in Gauteng said that they possess the required skills to start a new business. There is a highly significant difference, mainly because the respondents in Gauteng measured much lower than their counterparts in Kwazulu-Natal. This may be because of a more realistic view of themselves or because of the exposure of the respondents in the other two provinces.

**Table 34: Respondents have the required skills to start a business per age group**

Age group	%	Pearson Chi-Square
14-20	17.3%	0.065
21-29	17.8%	0.001
30-35	34.3%	0.003

**Note on reading the above table:** 17.3% of respondents in the age group 14-20 years have indicated that they possess the required skills to start their own business.

**Table 35: Race and the highest level of education**

Level of education	Asian	Black African	Coloured	White
No school	0.0%	1.1%	0.0%	0.0%
Attended school but no diploma/degree	57.5%	79.9%	83.3%	72.9%
Tertiary diploma	30.0%	15.2%	14.7%	17.1%
Tertiary degree	12.5%	3.9%	1.9%	10.0%
Pearson Chi-Square (α)				0.004

**Note on reading the above table:** 57.5% of Asian respondents indicated that they have attended school but have no diploma or degree. The variability between race groups and their level of education is clearly demonstrated if the tertiary education of the black African and coloured respondents is compared with the other races.

**Table 36: Gender and highest level of education**

Level of education	Gauteng		KZN		Western Cape	
	Male	Female	Male	Female	Male	Female
No school	0.0%	1.1%	1.7%	0.0%	1.3%	0.0%
Attended school but no diploma/degree	74.5%	66.7%	82.3%	75.2%	83.9%	82.7%
Tertiary diploma	20.4%	30.0%	14.2%	16.2%	9.4%	13.3%
Tertiary degree	5.1%	2.2%	1.8%	8.6%	5.4%	4.0%
	100%		100%		100%	
Pearson Chi-Square (α)	0.234		0.062		0.014	

**Note on reading the above table:** 74.5% of the male respondents said that they have attended school but do not have a degree or diploma. If the observation regarding tertiary education in Gauteng is compared with the other provinces it results in a statistically significant difference.

**Table 37: Reason for starting a business and highest level of education**

Level of education	Opportunity	No other choice
No school	0.0%	4.4%
Attended school but no diploma/degree	72.7%	86.7%
Tertiary diploma	18.2%	6.7%
Tertiary degree	9.1%	2.2%
	100%	100%
Pearson Chi-Square		0.042

**Note on reading the above table:** 72.7% of the respondents with an opportunity mindset indicated that they have attended school but do not have any degrees or diplomas.

**Summary of important issues from the above tables:**

- **Table 33:** The majority of respondents in KwaZulu-Natal and the Western Cape indicated that they have the required skills to start a business. It is a positive indication to have percentages around 50% who think that they have the required skills. However, only 9.2% indicated that they are self-employed which indicates that something is working against this positive attitude.
- **Table 34:** The age group that is the most positive about their skills levels is the 30-35 years age groups, which might be as a result of experience and self-knowledge gained.
- **Table 35:** The Asian group is by far the most qualified group.

- **Table 36:** A larger number of males have attended school, but this is counter-balanced by the better performance of females in terms of diplomas achieved. All three regions show a steep decline in terms of tertiary degree levels.
- **Table 37:** People with an opportunity-orientated mindset possess higher levels of education than those who indicated that they do not have any other choice but to start their own business.

#### 4.3.5 GENERAL OPINIONS

Perceptions determine the actions of entrepreneurs. The following tables highlight perceptions of the respondents which could influence entrepreneurial behaviour.

**Table 38: Unable to find employment but family will look after you**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	9.0%	8.4%	9.9%
Disagree	26.2%	9.6%	9.2%
Not sure	13.7%	15.6%	15.1%
Agree	40.7%	36.8%	31.6%
Strongly agree	10.4%	29.6%	34.2%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 9.0% of respondents from Gauteng indicated that they strongly disagree with the statement that if they are unable to find employment their family will look after them.

**Table 39: It is your responsibility to find employment for yourself**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.1%	1.4%	1.6%
Disagree	3.4%	1.1%	1.6%
Not sure	13.0%	2.7%	5.6%
Agree	48.3%	39.7%	34.5%
Strongly agree	33.2%	55.1%	56.7%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 2.1% of the respondents in Gauteng said that they strongly disagree that it is their own responsibility to find employment.

**Table 40: It is the government's responsibility to provide employment for all South Africans**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	6.7%	11.5%	8.4%
Disagree	28.5%	16.3%	16.2%
Not sure	13.0%	12.1%	18.6%
Agree	37.3%	33.9%	30.7%
Strongly agree	14.5%	26.2%	26.1%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 6.7% of the respondents in Gauteng said that they strongly disagree that it is the government's role to provide employment for all South Africans.

**Table 41: You would rather not be employed than accept a very low-paying job**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	9.3%	32.4%	22.4%
Disagree	47.2%	33.0%	29.8%
Not sure	16.1%	12.4%	18.9%
Agree	19.7%	16.5%	18.4%
Strongly agree	7.8%	5.7%	10.5%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 9.3% of respondents in Gauteng said that they strongly disagree that they would rather not be employed than accept a lower paying job.

**Table 42: You are excited about your future employment opportunities**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	1.0%	2.7%	3.8%
Disagree	6.5%	2.8%	5.5%
Not sure	15.6%	13.6%	14.0%
Agree	45.2%	44.1%	36.4%
Strongly agree	31.7%	36.8%	40.3%
	100%	100%	100%
Pearson Chi-Square (α)			0.001

**Note on reading the above table:** 1% of respondents in Gauteng disagree that they are excited about future employment opportunities.

**Table 43: Without tertiary education it is very difficult to find a job**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.4%	11.3%	5.0%
Disagree	18.2%	10.8%	13.3%
Not sure	11.2%	14.4%	14.5%
Agree	52.6%	39.7%	34.9%
Strongly agree	14.6%	23.8%	32.3%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 3.4% of respondents in Gauteng said that they strongly disagree that without tertiary education it is very difficult to find a job.

**Table 44: If you do well at school you will be able to find good employment**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.1%	4.2%	3.2%
Disagree	7.8%	4.6%	9.7%
Not sure	9.6%	12.6%	13.7%
Agree	59.5%	39.5%	37.7%
Strongly agree	21.0%	39.1%	35.7%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 2.1% of respondents in Gauteng strongly disagree that they will be able to find good employment if they do well at school.

**Table 45: New businesses in South Africa have a good chance of succeeding**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.6%	1.8%	2.0%
Disagree	6.2%	5.7%	4.3%
Not sure	25.1%	23.5%	27.4%
Agree	53.9%	44.4%	45.1%
Strongly agree	12.2%	24.6%	21.2%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 2.6% of all respondents in Gauteng strongly disagree that new businesses in South Africa have a good chance of succeeding.

**Table 46: You are very positive about the idea of starting a business in South Africa**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.5%	4.4%	3.8%
Disagree	11.2%	9.7%	8.7%
Not sure	14.2%	21.0%	22.1%
Agree	55.3%	42.7%	38.6%
Strongly agree	15.8%	22.2%	26.8%
	100%	100%	100%

**Note on reading the above table:** 3.5% of all respondents in Gauteng strongly disagree that they are very positive about starting a new business in South Africa.

**Table 47: Most people in South Africa that start their own business do so because they cannot find a job**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	6.3%	10.3%	7.8%
Disagree	29.1%	12.9%	13.5%
Not sure	19.7%	18.1%	25.2%
Agree	31.9%	32.6%	29.9%
Strongly agree	13.0%	26.1%	23.6%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 6.3% of all respondents in Gauteng strongly disagree that most people in South Africa start their own businesses because they cannot find another job.

**Table 48: You would prefer to work for someone else rather than start your own business**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	8.5%	32.2%	23.8%
Disagree	55.2%	27.9%	26.3%
Not sure	12.2%	9.6%	22.3%
Agree	16.8%	21.1%	19.6%
Strongly agree	7.3%	9.2%	8.0%
	100%	100%	100%
Pearson Chi-Square (α)			0.000

**Note on reading the above table:** 8.5% of all respondents in Gauteng strongly disagree that they would prefer to work for someone else rather than start their own business.

**Table 49: People that start their own business have to work too hard for little money**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	6.0%	14.4%	14.9%
Disagree	34.7%	11.2%	17.7%
Not sure	26.4%	26.6%	31.0%
Agree	24.9%	36.3%	20.5%
Strongly agree	8.0%	11.5%	15.9%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 6% of all respondents in Gauteng strongly disagree that people starting their own businesses have to work too hard for little money.

**Table 50: You are proud to be a South African**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.1%	4.2%	2.5%
Disagree	5.3%	5.0%	4.0%
Not sure	10.7%	8.3%	8.0%
Agree	27.3%	37.2%	29.2%
Strongly agree	53.6%	45.3%	56.3%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.003

**Note on reading the above table:** 3.1% of all respondents in Gauteng strongly disagree that they are proud South Africans.

**Table 51: You are very positive about the future of South Africa**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	4.4%	3.9%	4.1%
Disagree	6.4%	5.9%	6.6%
Not sure	11.7%	18.8%	19.1%
Agree	53.4%	45.8%	34.2%
Strongly agree	24.1%	25.6%	36.0%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 4.4% of all respondents in Gauteng strongly disagree that they are very positive about the future of South Africa.

#### Summary of important issues from the above tables:

- **Table 38:** More than 50% of respondents in the three provinces indicated that if they are unable to find employment their families will look after them. This is an indication that the family unit is still strong in South Africa which is a very

positive indicator for socio-economic growth.

- **Table 39:** Although the family will look after respondents if they cannot find employment, more than 80% of all respondents in the various provinces agree and strongly agree that it is primarily their responsibility to find employment.
- **Table 40:** Although respondents accept that they need to find their own employment, more than 50% of respondents in the three provinces feel that the government must create employment for all South Africans. This might be an indication of a high dependency on somebody else to create jobs rather than a truly entrepreneurial mindset where the responsibility lies with the entrepreneur.
- **Table 41:** More than 50% of respondents in all three provinces indicated that they will accept a lower paying job than be unemployed. This could be an indicator that although respondents feel that government should create jobs, they are quite willing to work and will accept a lower paying job rather than do nothing.
- **Table 42:** This table provides an overwhelming positive response from respondents in that more than 70% agree or strongly agree that they are excited about future employment opportunities.
- **Table 43:** More than 60% of respondents agree that it is difficult to find a job without tertiary education. This highlights the fact that although the level of tertiary education is not that high in South Africa, respondents know that it is the route to better employment. Whether everybody has the opportunity to obtain a tertiary education is another question to be explored.
- **Table 44:** Although the level of tertiary education is not high in South Africa, respondents realise the value of doing well at school. More than 70% of respondents indicated that they feel that will be able to find employment if they do well at school.
- **Table 45:** Respondents (more than 60%) feel that new businesses in South Africa have a good chance of success. Furthermore, over 60% of respondents feel very positive about starting a new business (Table 46). This portrays a very positive mindset towards business creation.
- **Table 47:** The above-mentioned positive mindset regarding creation of businesses is to a certain degree tempered by the perception that people will only create their own businesses if they cannot find a job. This apparent lack of an entrepreneurial mindset is further supported by the high percentage of respondents who indicated that they would rather work for somebody else than start their own business (Table 48).
- **Table 49:** This relatively negative mindset was tested with a question about whether respondents feel that small business owners are working too hard for their money, but this table did not provide a clear indication in this respect. Other factors must surely play a role in this mindset.
- **Tables 50 and 51:** Although there might be a slightly negative mindset against business formation, respondents are overwhelmingly proud to be South African and are very positive about the future of South Africa.

### 4.3.6 FACTORS WHICH IMPACT NEGATIVELY ON START-UPS

Various factors can influence people negatively towards the creation of their own businesses. This section investigates the possible factors that might influence opinions negatively regarding the formation of new businesses.

**Table 52: Shortage of capital**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	4.4%	2.3%	3.0%
Disagree	9.7%	3.9%	4.2%
Not sure	5.7%	6.0%	10.9%
Agree	63.6%	38.1%	40.5%
Strongly agree	16.6%	49.7%	41.4%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 4.4% of respondents in Gauteng strongly disagree that a shortage of capital influences business negatively.

**Table 53: Lack of turnover**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	0.8%	1.6%	2.5%
Disagree	7.8%	4.2%	5.9%
Not sure	19.2%	13.3%	21.7%
Agree	63.4%	50.2%	44.0%
Strongly agree	8.8%	30.7%	25.9%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 0.8% of respondents in Gauteng strongly disagree that a lack of turnover influences business negatively.

**Table 54: Competition**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.6%	11.1%	5.3%
Disagree	27.9%	12.9%	13.4%
Not sure	12.0%	9.4%	13.2%
Agree	47.9%	41.1%	40.2%
Strongly agree	8.6%	25.5%	27.9%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 3.6% of respondents in Gauteng strongly disagree that competition influences business negatively.

**Table 55: Crime**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	1.8%	2.0%	5.9%
Disagree	13.5%	6.0%	5.3%
Not sure	14.0%	5.0%	12.4%
Agree	45.5%	36.6%	37.8%
Strongly agree	25.2%	50.4%	38.6%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 1.8% of respondents in Gauteng strongly disagree that crime influences business negatively.

**Table 56: Insufficient information/knowledge**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	1.8%	2.1%	3.7%
Disagree	15.3%	3.7%	7.2%
Not sure	13.5%	9.6%	19.8%
Agree	55.6%	51.1%	46.3%
Strongly agree	13.8%	33.5%	23.0%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 1.8% of respondents in Gauteng strongly disagree that insufficient information/knowledge influences business negatively.

**Table 57: Business planning**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.6%	7.9%	4.8%
Disagree	14.5%	7.4%	11.1%
Not sure	14.5%	12.0%	14.6%
Agree	49.4%	50.4%	43.3%
Strongly agree	19.0%	22.3%	26.2%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 2.6% of respondents in Gauteng strongly disagree that a lack of business planning influences business negatively.

**Table 58: Government regulations and policies**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.4%	7.1%	5.6%
Disagree	27.0%	10.6%	18.5%
Not sure	23.1%	27.4%	29.1%
Agree	38.1%	41.8%	32.1%
Strongly agree	9.4%	13.1%	14.7%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 2.4% of respondents in Gauteng strongly disagree that government regulations and policies influence business negatively.

**Table 59: Quality of employees**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	4.2%	7.6%	4.0%
Disagree	19.4%	8.0%	12.6%
Not sure	20.5%	24.1%	20.5%
Agree	46.8%	46.1%	44.3%
Strongly agree	9.1%	14.2%	18.6%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 4.2% of respondents in Gauteng strongly disagree that quality of employees influences business negatively.

**Table 60: Stock control**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.6%	5.7%	4.6%
Disagree	19.1%	11.2%	14.3%
Not sure	15.9%	17.5%	19.9%
Agree	51.7%	51.3%	44.4%
Strongly agree	10.7%	14.3%	16.8%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 2.6% of respondents in Gauteng strongly disagree that stock control influences business negatively.

**Table 61: Business location**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.6%	5.3%	3.3%
Disagree	17.9%	7.8%	6.7%
Not sure	10.7%	12.7%	15.5%
Agree	52.9%	52.6%	47.3%
Strongly agree	15.9%	21.6%	27.2%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 2.6% of respondents in Gauteng strongly disagree that business location influences business negatively.

**Table 62: Marketing of products/services**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	2.6%	9.9%	4.4%
Disagree	21.2%	16.7%	10.5%
Not sure	19.3%	18.3%	15.1%
Agree	43.6%	42.9%	46.1%
Strongly agree	13.3%	12.2%	23.9%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 2.6% of respondents in Gauteng strongly disagree that marketing of products/services influences business negatively.

**Table 63: Technological change**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	4.4%	12.4%	4.9%
Disagree	33.5%	22.2%	16.4%
Not sure	26.5%	18.6%	29.9%
Agree	27.3%	36.3%	34.8%
Strongly agree	8.3%	10.5%	14.0%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 4.4% of respondents in Gauteng strongly disagree that technological change influences business negatively.

**Table 64: Personal entrepreneurial capacity**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	4.7%	7.3%	5.9%
Disagree	22.4%	11.9%	12.1%
Not sure	18.2%	29.9%	28.4%
Agree	44.8%	36.6%	37.8%
Strongly agree	9.9%	14.3%	15.8%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 4.7% of respondents in Gauteng strongly disagree that personal entrepreneurial capacity influences business negatively.

**Table 65: Politics, society and institutions**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.4%	12.4%	6.9%
Disagree	42.0%	13.0%	20.5%
Not sure	24.3%	25.4%	29.0%
Agree	23.0%	38.7%	29.5%
Strongly agree	7.3%	10.5%	14.1%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 3.4% of respondents in Gauteng strongly disagree that politics, society and institutions influence business negatively.

**Table 66: Rates and taxes**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.1%	8.7%	4.9%
Disagree	23.5%	13.2%	17.1%
Not sure	15.4%	13.8%	22.4%
Agree	47.1%	42.5%	38.0%
Strongly agree	10.9%	21.8%	17.6%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 3.1% of respondents in Gauteng strongly disagree that rates and taxes influence business negatively.

**Table 67: Labour regulations**

Level of agreement	Gauteng	KZN	Western Cape
Strongly disagree	3.2%	4.6%	5.5%
Disagree	21.0%	12.4%	16.1%
Not sure	25.3%	27.6%	29.5%
Agree	42.1%	40.0%	34.3%
Strongly agree	8.4%	15.4%	14.6%
	100%	100%	100%
Pearson Chi-Square ( $\alpha$ )			0.000

**Note on reading the above table:** 3.2% of respondents in Gauteng strongly disagree that labour regulations influence business negatively.

In the tables 39 to 67, the respondents from Gauteng differ significantly from the other two provinces. For example politics, society and institutions as well as labour relations and taxes are viewed much more favourably by them than by their counterparts in KZN and the Western Cape.

If a 60% margin (selected arbitrarily) is used to make a distinction between the importance of factors, then the following factors were indicated as inhibiting factors to the success of businesses:

- Table 52: Shortage of capital
- Table 53: Lack of turnover
- Table 54: Competition
- Table 55: Crime
- Table 56: Insufficient knowledge/information
- Table 57: Business planning
- Table 59: Quality of employees
- Table 60: Stock control
- Table 61: Business location

The following factors were less than the 60% margin:

- Table 58: Regulations and policies
- Table 62: Marketing of products/services
- Table 63: Technological changes
- Table 64: Personal entrepreneurial capacity
- Table 65: Politics, society and institutions
- Table 66: Taxes and rates
- Table 67: Labour regulations

In the first list of important factors, most of the factors relate to the management of businesses whilst the second list of factors relate to external factors which influence businesses. A possible deduction from this is that the respondents only focus on specific business issues (micro-issues) and that other important factors which might have an impact on the success of their businesses are ignored. That might be an indication that training and

education must focus more on creating a holistic mindset.

#### 4.4 CONCLUSIONS

Various positive and negative issues regarding the youth were highlighted in paragraph 3.4. In this chapter these issues were subjected to a more detailed study within three provinces. Analysis in both chapter 3 and 4 revealed certain consistent themes, namely:

- The youth is overwhelming positive about South Africa and their future. This positive attitude manifests itself as an opportunity entrepreneurial approach. Such an approach is needed for real, value-adding entrepreneurship.
- Respondents indicated that they have the right knowledge and skills to create new businesses. However, an analysis of what is preventing them from actually starting their own businesses leads one to the conclusion that there is a lack of small business management knowledge and experience.
- It seems that regulations, taxes and rates do not play a significant role in influencing their decision to start a business. Other factors such as the mindset that the government must provide jobs for everyone and that it is only those who cannot find a job that will create their own business are influencing this decision. From this it can be deduced that respondents indicated in essence a non-small business attitude and that self-employment will only be used as a last resort.
- Respondents regarded the level of education and how well one is doing at school to be important in getting a job. However, the levels of tertiary education are fairly low in South Africa. Questions should be raised as to why this is still the case. Since this study focuses on youth, historical reasons might not be the only reasons why people are not studying in South Africa. Over the years education has been a consistent theme in all GEM reports and therefore seems to be one of the most important factors in promoting youth entrepreneurship in South Africa.

# CHAPTER 5

## 5.1 INTRODUCTION

In the previous chapters various factors were discussed which might have a positive or inhibiting factor on the promotion of youth entrepreneurship in South Africa. Although there are a number of negative issues that should be addressed, it can be safely said that the youth of South Africa is positively motivated for future developments in the country.

In essence, the youth in South Africa is no different to youth in other countries. Similar opportunities and challenges exist such as being qualified for the world of small business/entrepreneurship, unemployment of youth and social problems like substance abuse.

Although similar problems are identified, it is debatable whether similar support mechanisms used by other countries can be used without contextualising them for the South African environment. Cultural differences, level of education, different markets and a different socio-political environment are some of the factors that should be taken into consideration.

This chapter provides an overview of recommendations that can be pursued on a macro level. These recommendations should be integrated to form a model, which can be managed in a dynamic and integrated manner within South Africa.

## 5.2 RECOMMENDATIONS FOR PROMOTING YOUTH ENTREPRENEURSHIP IN SOUTH AFRICA

The test of a sound recommendation should be whether it helps to address or support another recommendation. If any recommendation acts in isolation or on an *ad hoc* basis, it should not be accepted as such.

On a macro level, the nine entrepreneurial framework conditions identified by the GEM project team (Maas and Herrington, 2006:73) should be used. These nine framework conditions were used as the basis to provide recommendations for the GEM 2006 report for South Africa. These recommendations (see Table 68) still apply.

From the above, specific recommendations are made for stimulating youth entrepreneurship (see Table 69). Although a positive base exists, more should be done in an accelerated manner so as to address national challenges and to form a basis from which South Africa will be able to compete on an international level with developed countries.

In the previous chapters various themes were highlighted which might influence youth entrepreneurship development either positively or negatively in South Africa.

One important theme that consistently came through GEM reports in the past is the level of education and how this influences the formation of entrepreneurial ventures.

It is proven that the level of education can have a positive impact on youth entrepreneurship, especially within the current knowledge environment era.

If one can improve on educational levels it is assumed that more people will get involved in sustainable entrepreneurial ventures, which should impact positively on social problems currently being experienced. Although it might sound simplistic, the solutions are not.

Education as a level of improvement has the longest lead-time in terms of solutions and one cannot wait that long in the current environment. More should be done in order to improve levels of education in an accelerated manner without negatively affecting quality. Therefore, recommendations in this report focus on what training/educational/research institutions can do to help support youth entrepreneurship development in South Africa.

Table 68: General recommendations from GEM 2006 report

Category	Recommendations from GEM 2006 South African report
<b>Access to finance</b>	Develop financial support systems for start-ups and for growth of businesses on different levels e.g. low technology, middle technology and high technology.
<b>Government policies</b>	All government policies should be investigated in terms of: <ul style="list-style-type: none"> <li>• their impact on business creation;</li> <li>• their regulatory burden on new start-ups; and</li> <li>• how they are communicated to specific stakeholders.</li> </ul>
<b>Government programmes</b>	Government programmes should be investigated in terms of: <ul style="list-style-type: none"> <li>• how and what levels they are focusing on;</li> <li>• whether a whole and integrated range of programmes exists; and</li> <li>• whether service providers are sufficiently trained and educated to deliver their specific services.</li> </ul>
<b>Education and training</b>	It is important that nobody be scared away from entrepreneurship. Therefore, teaching frameworks should: <ul style="list-style-type: none"> <li>• allow for the gradual development of entrepreneurial knowledge and experience over time;</li> <li>• allow the entrepreneurial philosophy to be included in all subject matters; and</li> <li>• ensure that presenters of entrepreneurship are promoting entrepreneurship and not merely teaching about entrepreneurship.</li> </ul>
<b>Transfer of research and development</b>	Not only should research explore ways that can support a true South African entrepreneurial renaissance but research should also find ways to disseminate information and experience to other stakeholders as quickly as possible. Therefore: <ul style="list-style-type: none"> <li>• the transfer of research and development needs to be more focused on start-ups in the medium to high technology sectors;</li> <li>• contextualised incubator systems should be developed and implemented for South Africa; and</li> <li>• a database of higher order ideas should be developed and researched with the aim of commercialisation.</li> </ul>
<b>Commercial, legal and financial infrastructure</b>	Potential entrepreneurs find it difficult to forge their way through all the regulations normally done by a specialised department in big organisations. Therefore: <ul style="list-style-type: none"> <li>• commercial, legal and financial services should be made more accessible and affordable for start-up businesses;</li> <li>• a database of possible accredited suppliers should be available; and</li> <li>• would-be entrepreneurs should be trained in these requirements before commencing with a start-up business.</li> </ul>
<b>Openness of the domestic market</b>	The domestic market is the training ground for entrepreneurs before growing their businesses. Therefore: <ul style="list-style-type: none"> <li>• any restraints should be evaluated and acted upon when needed;</li> <li>• more focus should be on training potential and existing entrepreneurs to understand domestic market needs within the context of global competition; and</li> <li>• actively encourage networking in the domestic market.</li> </ul>
<b>Access to physical infrastructure</b>	Entrepreneurs need to utilise infrastructure effectively to serve their market effectively. Therefore: <ul style="list-style-type: none"> <li>• clusters of infrastructure supporting start-up businesses should be created;</li> <li>• shortcomings of existing infrastructure should be identified; and</li> <li>• the necessity of more affordable infrastructure should be investigated.</li> </ul>
<b>Social and cultural norms</b>	The support of society is crucial in promoting entrepreneurship. Therefore: <ul style="list-style-type: none"> <li>• the advantages of and what is meant by entrepreneurship should be promoted at all levels of society in South Africa;</li> <li>• specific cultures should be investigated in terms of entrepreneurship and what can be done to enhance entrepreneurship without changing cultures; and</li> <li>• more role models should be identified and promoted in South Africa.</li> </ul>

Reference: Adapted from Maas and Herrington, 2006:73

**Table 69: Specific recommendations for youth entrepreneurship development**

<p><b>Finance for young entrepreneurs</b></p>	<p>The youth must be encouraged to start their own businesses and be taught that making mistakes is one way of learning. Therefore, a financial support system which allows for trial and error should be developed for entrepreneurs starting their first business.</p> <p>One way to start such a process and where the emphasis is on relatively higher order ideas, is to develop a system for tertiary level students similar to the Student Placement for Entrepreneurs in Education programme within tertiary education institutions in the UK. Students receive on average £4500, which must be spent on developing their business.</p> <p>The emphasis is more on the journey of how to establish a business than on the success of the business itself. One important fact to determine is the average start-up capital needed for people starting their first small business. The private sector, higher education institutions and local authorities should integrate their activities in order to find solutions for youth development. Therefore, tertiary institutions should:</p> <ul style="list-style-type: none"> <li>• develop start-up capital systems for students whilst studying.</li> </ul>
<p><b>Curriculum design</b></p>	<p>It is accepted that the world is experiencing an entrepreneurial age, which is characterised by factors such as accelerated innovation and the commercialisation threat at a faster rate, companies scaling down in order to be more competitive, and more emphasis on project-driven approaches. One can therefore assume that more must be done to ensure that the youth is employable and can start their own businesses. Therefore:</p> <ul style="list-style-type: none"> <li>• curriculum design should support employability skills such as languages, starting your own business, presentation skills, creativity and leadership abilities.</li> <li>• specific qualifications focusing on business creation should be developed.</li> <li>• case studies should focus more on opportunity-orientated ideas and businesses.</li> <li>• lecturing staff should be empowered to support entrepreneurial activities in their respective fields.</li> </ul>
<p><b>Research</b></p>	<p>Not all youth come from families involved in their own businesses. From discussions in the previous chapters, it is also clear that a mindset for starting one’s own business is not the dominant paradigm. Because of this, it can be expected that youth might struggle to both identify the right business idea and to implement it successfully. Therefore:</p> <ul style="list-style-type: none"> <li>• databases of possible business ideas should be developed.</li> <li>• a conceptual research model that will support accelerated youth entrepreneurship development should be developed for the country.</li> <li>• research institutions should be contracted to populate this research model.</li> <li>• all government regulations should be tested regarding their impact on youth entrepreneurship development as a standard item.</li> <li>• fresh approaches are needed to stimulate youth entrepreneurship in rural areas. Therefore, policies and programmes to encourage youth entrepreneurship in rural areas should be researched.</li> </ul>
<p><b>Visibility of youth entrepreneurs</b></p>	<p>Visibility of activities is the strongest possible motivational tool to encourage others to try it out. Positive images of entrepreneurs can help to address the fear factor, which prevents youth from becoming entrepreneurs. Therefore:</p> <ul style="list-style-type: none"> <li>• national competitions for youth entrepreneurs should be encouraged.</li> <li>• visible events should be organised such as Enterprise Weeks at tertiary institutions.</li> <li>• tertiary institutions can investigate the possibility of business hives for students or allowing student businesses to operate on campus for the duration of their studies.</li> </ul>

<p><b>General support system</b></p>	<p>Youth entrepreneurs should be supported over time in creating sustainable businesses. Therefore:</p> <ul style="list-style-type: none"> <li>• information regarding government policies and programmes should be geared for the youth market in terms of availability and ease of understanding and use.</li> <li>• develop a total support system for students who want to establish their own businesses during their studies, such as hot desk facilities where computers, fax machines, telephone systems and meeting places are available.</li> <li>• develop mentoring systems on different levels e.g. entry level that will concentrate more on coaching; intermediate level for people who want to start a business but still need coaching; and an advanced level where youth entrepreneurs are already involved in business. In terms of the latter, the private sector can play an important role.</li> <li>• placement systems for youth entrepreneurs within smaller companies should be investigated. This can help to create a positive mindset in terms of smaller businesses and the abilities needed to start and manage your own business.</li> <li>• small business must actively be promoted as a career and not as a second-rate choice if one cannot find a job in the corporate sector.</li> <li>• the youth should be actively exposed to modern technologies both nationally and internationally.</li> </ul>
<p><b>Networking</b></p>	<p>Networking is an important activity of entrepreneurs. Not only should this networking be on a national scale but also internationally to expose mindsets to international trends and possibilities. Therefore:</p> <ul style="list-style-type: none"> <li>• youth entrepreneurs should be taught the importance of networking and how to network.</li> <li>• a national network of youth entrepreneurs should be created e.g. Students in Business Societies.</li> <li>• this national network should interact with international networks, which can be done through a virtual meeting place such as the Start-up Café concept (<a href="http://www.start-upcafe.eu">www.start-upcafe.eu</a>).</li> <li>• all offices of SEDA and other agencies need to be linked to a tertiary institution.</li> <li>• the specialists in entrepreneurship and small business need to be included in the services offered to the youth as the quality of service can be improved.</li> <li>• a regional structure where the advisors of Seda can have a direct line to the expertise at a tertiary institution would benefit all clients of the agency.</li> </ul>
<p><b>Learnership programme</b></p>	<p>The learnership programme for graduates is too bureaucratic and needs to be changed to empower the youth to utilise opportunities. Therefore:</p> <ul style="list-style-type: none"> <li>• set standards for the programmes required which will ensure quality short courses.</li> <li>• change the assessment tool to a bankable business plan.</li> <li>• link these training and development programmes to mentorship programmes to guide these prospective entrepreneurs.</li> </ul>

### 5.3 CONCLUSIONS

This report portrays a very positive image about youth entrepreneurship in South Africa. Certainly, it can be argued that the situation is far from ideal and that there are other countries that are far more advanced in this area than South Africa. However, if the bases of mindsets and various other positive trends in this report are taken into consideration, then South Africa can only improve in an accelerated way.

#### What is the threat in this whole system?

Certainly two major threats come to mind. Firstly, if the youth's needs and desires are not addressed, they might lose faith in starting their own businesses and in that way become more dependent on government creating jobs for them.

In this report, there is already an indication of such a predominant mindset, which needs urgent addressing. The only way to address this is not through documents and procedures, but through visible actions to help youth

in creating and maintaining their own businesses.

Secondly, and in some way linked to the first, is unemployment. It is clear that a high percentage of youth are unemployed. If this percentage increases, more social instability could arise which will work against creating an ethos of working for oneself. Certain countries in the world experienced youth uprisings before any changes were made. In such a forced situation, the correct measures are not always implemented but rather popular ones.

Therefore, the final and most important conclusion is that the window of opportunity is open and ready for accelerated youth entrepreneurship development. With creative energy and willingness youth entrepreneurship development can be accelerated which can bring renewed socio-economic growth in South Africa.

Certainly, a case can be made for the establishment of a high level Youth Entrepreneurship Directorate that will manage all activities related to youth entrepreneurship in an integrated and co-ordinated manner.

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