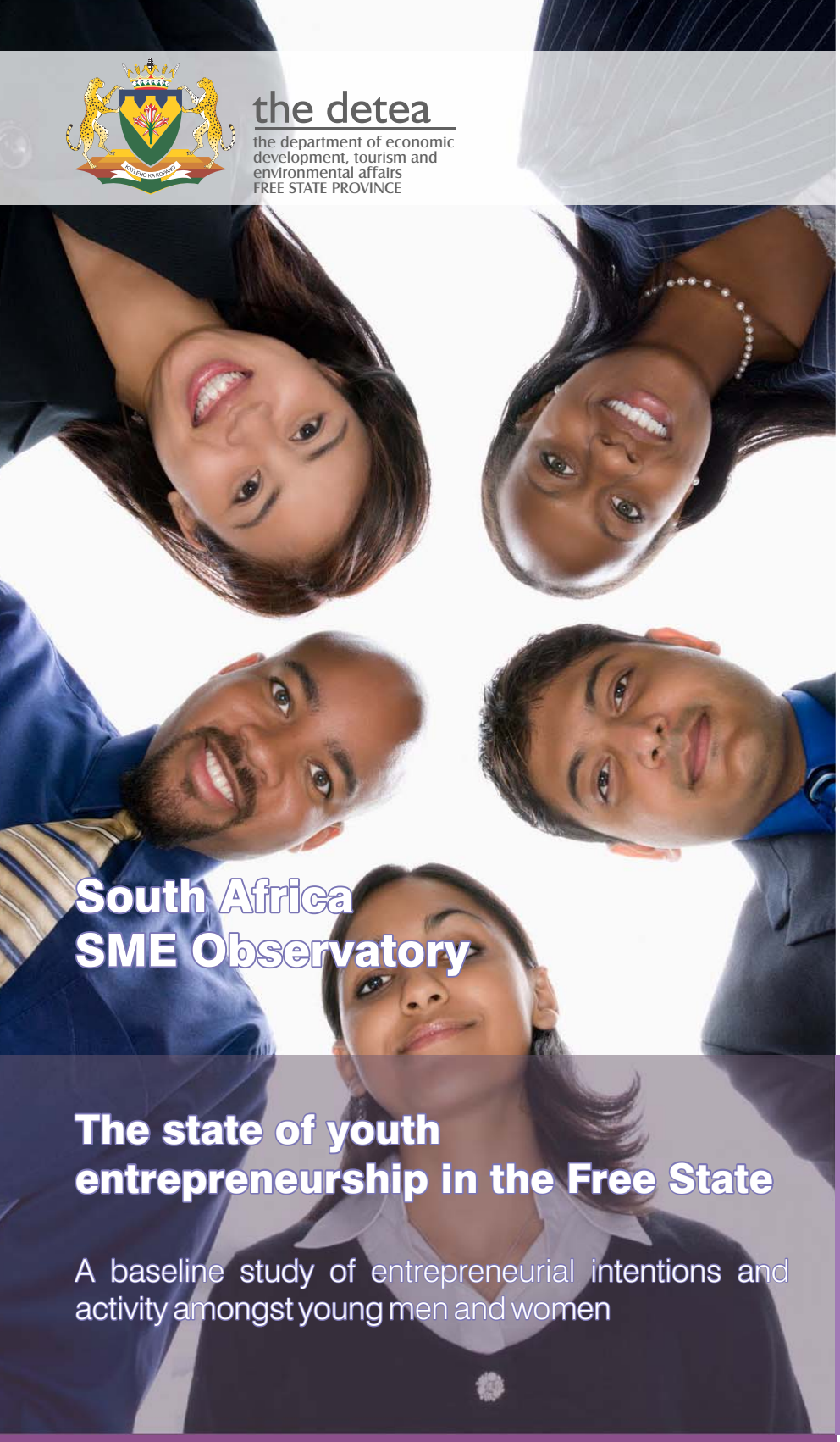
the detea
the department of economic development, tourism and environmental affairs
FREE STATE PROVINCE

International Labour Organization



South Africa SME Observatory

The state of youth entrepreneurship in the Free State

A baseline study of entrepreneurial intentions and activity amongst young men and women

GEM

UNIVERSITY OF THE FREE STATE
UNIVERSITEIT VAN DIE VRYSTAAT
YUNIVESITHI YA FREISTATA

the detea
the department of economic development, tourism and environmental affairs
FREE STATE PROVINCE

International Labour Organization

South Africa SME Observatory

The state of youth entrepreneurship in the Free State.

A baseline study of entrepreneurial intentions and activity amongst young men and women

Penny Kew
Natasha Turton
Mike Herrington
Jens Dyring Christensen

GEM

UNIVERSITY OF THE FREE STATE
UNIVERSITEIT VAN DIE VRYSTAAT
YUNIVESITHI YA FREISTATA

Copyright

First published 2013

978-92-2-127570-1 (print)
978-92-2-127571-8 (web pdf)

ILO Cataloguing in Publication Data

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our web site: www.ilo.org/publns

Printed in South Africa

Foreword

South Africa, along with the rest of the world, is facing a youth employment crisis of unprecedented proportions. Close to one third, 3.3 million, of young men and women aged 15–24 is neither employed nor in the education or training system. School leavers in South Africa enter a labour market where formal employment opportunities are scarce and the promotion of entrepreneurship among young people is an important strategy for reducing youth unemployment.

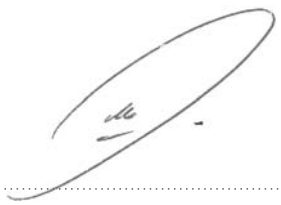
This report shows the current state of youth entrepreneurship in the Free State province with regards to young people's attitudes and perceptions about entrepreneurship, the constraints they face and the actual number of young men and women who are actively engaged as entrepreneurs running their own businesses. The findings confirm national statistics in terms of the high youth unemployment rate with less than half of the young people interviewed ever having been employed and with only six per cent being owners of a business.

However, there are also encouraging signs of a positive attitude towards entrepreneurship and towards the role of business owners in society. More than half of the youth interviewed aspire to become entrepreneurs and see owning a business as an attractive career. This bodes well for the future of youth entrepreneurship development in South Africa.

However, to ensure that potential young entrepreneurs are also given the opportunity to realise their potential an enabling environment for youth entrepreneurship must be created in which young people can nurture their entrepreneurial potential from an early age and develop enterprising mind-sets and entrepreneurial skills. Government, educational institutions and the private sector must partner to create opportunities for young people to practice entrepreneurship and this must be dove tailed with access to appropriate financial and non-financial business development services.

The report was produced under the umbrella of the South Africa SME Observatory, a public-private-partnership, established to inform evidence-based advocacy and dialogue concerning SME development in the Free State. We thank the authors of the report, Penny Kew, Natasha Turton, Mike Herrington and Jens Dyring Christensen. We also thank Detea staff and ILO youth entrepreneurship experts, notably Markus Pilgrim, Joni Simpson and Virgina Rose-Losada, who provided valuable comments to a first draft of the study. We thank the Flanders International Cooperation Agency (FICA) for the financial contribution which made this study possible.

Most of all we thank the young people who gave of their time to participate in this survey and we thank them for keeping hope and showing resilience faced with a harsh labour market in today's South Africa.



Vic van Vuuren
Director,
International Labour Organization,
South Africa

Ikhraam Osman
HOD, Department for Economic Development,
Tourism and Environmental Affairs,
Free State

Willem Ellis
Director,
Centre for Development Support,
University of the Free State

Executive Summary

The State of Youth Entrepreneurship in the Free State report is produced by the Free State SME Development Initiative. This initiative is a 3 year technical cooperation programme executed by the International Labour Organization and implemented in partnership with the Department for Economic Development, Tourism and Environmental Affairs of the Free State.

The objective of the Initiative is to contribute to the creation of more and better jobs through the development of small and medium sized enterprises (SMEs). One of the desired outcomes is a more entrepreneurial mind-set amongst young men and women, which would ultimately lead to more young people starting formal enterprises.

The study seeks to develop an understanding of young people's mind-sets, attitudes and perceptions concerning entrepreneurship; to identify and better understand the constraints and obstacles facing young entrepreneur; and to determine how many young men and women are actively engaged as entrepreneurs running their own business.

Interviews were done with 750 young men and women in the age group of 15-35 from all 5 district municipalities in the Free State. The sample was drawn through a geographically clustered quota sample stratified by age, gender, district and urban/rural residence. The final report is based on the findings of these interviews along with a review of relevant literature as the theoretical underpinning of the entrepreneurial process.

The report reiterates the high levels of youth unemployment in South Africa and highlight the large "youth bulge", which must be nurtured and educated to reduce poverty and inequality in order for inclusive economic growth to take place. This requires policies and institutions that broaden the opportunities for young people to develop their human capital and entrepreneurial skills enabling them to establish their own enterprises in a labour market that is unable to absorb the many young people who each year make the transition from school to the world of work.

According to the quarterly labour force surveys by Statistics South Africa, the Free State province has the highest youth unemployment rate in South Africa with one-third of the adult population being unemployed. The youth, defined as those between 15–34 years, have the highest unemployment rate at close to fifty per cent. The study show remarkably similar results with less than half of the youth interviewed (44.3 per cent) ever having been in salaried employment and less than five per cent ever having been full time self-employed.

Despite these low levels of employment and self-employment experience the young people surveyed show a positive attitude towards entrepreneurship. More than half of young men (52.3 per cent) and close to half of young women (45.1 per cent) state "have my own business" as their preferred career choice. However, it is important to differentiate between an expressed interest in starting a business and actual predisposition towards entrepreneurial behaviour. Furthermore, "business owners" are also ranked high by the young people as the second most respected professionals in South Africa following "artists".

An analysis of self-perception of business skills according to age group shows that the majority in each age group are optimistic about their own ability to come up with a business idea. However, while most age groups believe that they have "some knowledge" about the procedures required to start a business, the age group of 15-17 year-olds believe that they have "little knowledge" where these skills are concerned. This indicates that the education system is not preparing young people for entering into business and self-employment.

When asked about the procedures required for starting a business, such as getting the products or services to the market, drawing up a budget and maintaining financial records and obtaining finance close to half of all of respondents across age groups said they had "little or "no" experience. This indicates a lack of skills across age groups where business functions are concerned. This corresponds well with the finding that more than half of the interviewed youth (53.2 per cent) felt that becoming an entrepreneur would be "challenging" or "very challenging" whereas only 29.7 per cent felt that it would be "easy" or "very easy".

However, it is encouraging to note that 37.3 per cent of the youth surveyed believe they have the overall knowledge, skills and experience required to start a new business. An individual's perception of his or her own entrepreneurial ability, the recognition of start-up opportunities and the extent to which his or her social networks include entrepreneurs are of key importance in whether or not they actually become involved in starting new businesses.

In terms of perceived barriers to starting a business the most cited barrier (61.9 per cent) is "not being able to get appropriate funding" and secondly (42.6 per cent) "too great a financial risk". Only 22.1 per cent of the youth mention "lack of skills and training on how to start a business".

Of the 750 youth surveyed, 45 people (6 per cent) are business owners. When broken down by age the oldest age group from 31-35 years shows the highest number of current entrepreneurs (48.9 per cent) whereas the lowest number of entrepreneurs are found in the youngest age group from 15-17 years (6.7%) and the second lowest in the 18-24 years age group (13,3 per cent). This is consistent with previous findings by GEM, which show that the prevalence of early-stage entrepreneurial activity tends to be relatively low in the 18 to 24 year age group, peaks in the 25 to 34 year age group and then declines as age increases.

The study shows that more young men are running businesses (60 per cent) revealing a gender difference in entrepreneurial activity in the surveyed population. Where ethnic origin is concerned, 77.8 per cent of the current entrepreneurs are Black African, 4.4 per cent are Coloured, and 17.8 per cent are White. Previous research in South Africa has shown a strong association between population group and entrepreneurial activity with Whites and Indians/Asians more likely to start a business than Coloured or Black Africans. Considering the demographics of the survey sample (where 87.2 per cent of respondents are Black African, 4 per cent Coloured and 8.8 per cent White), Whites display proportionally higher levels of entrepreneurial activity.

A total of 24 people (3.2 per cent) can be classified as nascent entrepreneurs having done something in the past twelve months to try to start a business. Current and nascent entrepreneurs were also asked whether they had taken the Business Studies subject as an elective at school. Among the current entrepreneurs, 60.5 per cent had taken the business studies subject while 73.9 per cent of the nascent entrepreneurs had taken the subject. This shows a positive correlation between individuals entering into business as a career choice and having taken the business studies elective at school.

The study reveals that 90.9 per cent of the current entrepreneurs have gone into business to take advantage of a business opportunity and 74.5 per cent of these entrepreneurs employ between 1-5 people. Previous research has consistently shown that the economic and employment contribution of opportunity-motivated enterprises is higher than the contribution of necessity-driven enterprises. This is once again confirmed by this study. However, the study also reveals low levels of formality among these young entrepreneurs with only 25.5 per cent operating from a formal business space.

The entrepreneurs stated that family members, friends and other entrepreneurs were the groups that had motivated them most to become entrepreneurs whereas teachers and educators do not feature at all, once again showing the little overall impact the current education system has on entrepreneurial intentions and activity. Furthermore, it should be noted that 90.9 per cent of the entrepreneurs had never made use of a business-support programme for young entrepreneurs with 40 per cent not being aware of such programmes and another 32 per cent stating they live too far from the services of such programs.

In terms of business sustainability 61.8 per cent of the young entrepreneurs make enough money to survive and they also expect future growth of their business. This level of optimism is encouraging as entrepreneurs will always go through challenging times and it is important not to give up when times are tough. Even more encouraging is the finding that 92.7 per cent of the existing entrepreneurs believe they will still be in business in 5 years time.

The report concludes that there is a shortfall between potential young entrepreneurs - i.e. those who consider themselves skilled and who see opportunities - as opposed to the actual number of young entrepreneurs. Previous GEM research has shown that individuals who are confident that they possess the skills to start a business are 4 to 6 times more likely to start a business. Potential entrepreneurs are those who see good opportunities for starting a business in the next 6-12 months as well as believe they have the skills to do so. When applying this rationale to the surveyed youth 22.5 per cent can be considered potential entrepreneurs, but only 7.3 percent are nascent and current entrepreneurs.

The report concludes that South Africa as a country with a primarily efficiency-driven economy must begin to focus on measures that seek to create positive attitudes towards entrepreneurship in order to take its economy to the next phase of more inclusive growth. To increase the pool of young people with entrepreneurial intentions, it is necessary for entrepreneurship to become more desirable as well as more feasible as a career choice for young people.

To ensure that the potential young entrepreneurs surveyed are given the optimal chances to realise their entrepreneurial potential and to ensure that the general youth population are given the opportunity to develop enterprising intentions the authors conclude that an entrepreneurial ecosystem for young people can be created through prioritized interventions that focus on;

- Introduction of entrepreneurship education as a compulsory subject in secondary education. This would lead to improved life skills as well as inculcation of more positive attitudes towards entrepreneurship and self-employment as a viable future career choice rather than a last choice.

- Improved targeting of potential young entrepreneurs through the provision of appropriate finance for business start-up coupled with continuous mentorship, training and access to support services is needed. This is an essential step in promoting the sustainability of youth entrepreneurship as many young people lack the skills and experience required for business growth and survival.

- Strategic government support programmes and initiatives that do more to reach out to young entrepreneurs since many are unaware of the programmes available. Government agencies tend to be concentrated in urban areas, but support programmes are also critical in rural areas where access to information and services is a prerequisite for business development.

Table of Contents

List of Tables

List of Figures

1.1 Introduction

Tackling the challenge of youth unemployment remains high on international and national development agendas. The global unemployment rate for youth was projected at 12.7 per cent in 2012, with nearly 75 million youths being unemployed around the world.[1] Whilst unemployment rates are high, school enrolment rates have also never been higher. Young people today are more educated than ever before, and the number of young people enrolled in secondary and tertiary education is increasing. Education and training are essential for young people to enter the labour market successfully as this increases their potential productivity and employability.

In developed economies, there is a strong link between educational attainment and employment outcomes, and people with higher levels of education enjoy a competitive advantage in the labour market, including higher wages. However, **a good degree is no longer a guarantee for obtaining a job.** Labour markets in many countries are presently unable to accommodate the expanding pool of the skilled young graduates that make the transition from school to the world of work. Although more and better education and training remains critical to improving an individual's prospect of obtaining decent work, in developing economies such as South Africa, more human-capital development and higher levels of education do not automatically translate into improved labour-market outcomes and more jobs. In South Africa, higher educational attainment does not seem to lead to lower unemployment rates.

Globally, it is estimated that about 400 million new jobs are needed to absorb today's youths into national labour markets. Persistence in youth unemployment is a major contribution to losses in human capital, which is proportional to the amount of time an individual has worked, so it declines when an individual is unemployed over longer periods of time. Youth unemployment also has security implications for almost every country in Africa since lack of economic opportunities and desperation often leads young people to fall prey to warlords, criminal gangs or illegal migration syndicates (Awogbenle and Iwuamadi, 2010). In sub-Saharan Africa, the issue of youth unemployment and underemployment remains one of the major challenges for governments and development partners alike. Africa has the youngest population in the world with the largest proportion of young women and men in the overall population. The median age, which is the age that divides the population into two equal groups above and below the median, was 19.7 years in 2012. This means that half of the population in Africa is 19.7 years or younger.

That this situation holds true for South Africa was confirmed by the results of Census 2011 (released on 30 October 2012). The results indicate that South Africa is an exceedingly young nation with almost 60 per cent of the population under the age of 35 and 28.9 per cent of the population in the age bracket 15–34 (for the purposes of entrepreneurial research, the age-bracket 15–35 is defined as youth). The median age in South Africa is 25.3 years, meaning that half of the population is below 25 years of age. These demographics may augur well for the future as far as work force and consumer market size are concerned. The 2007 World Development Report refers to this as the "demographic window of opportunity"[2]. The need to address youth issues is rooted in demographics because of the fiscal demands of the high number of today's young and their share of the future labour force. If youths are not in the work force and productively contributing to economic growth, they will instead be a social and economic burden on any developing society. **South Africa has a large "youth bulge" to nurture and educate before any economic rewards can be reaped.** This requires policies and institutions that broaden the opportunities for young people to develop their human capital and use it productively in work. The overall skills of the labour force, built largely during childhood and youth, also strongly affect the climate for investment in firms and the overall level of private-sector development and, ultimately, employment creation. As the report mentions, "Getting it right today can have huge payoffs for the future because young people, as the next generation of household heads and parents, will have profound impacts on their children."[3]

South Africa's high level of youth unemployment is therefore of grave concern. The quarterly labour force surveys commonly highlight without much variation that the youth cohort between 15 and 34 contribute to 75 per cent of the total unemployed figure. The recessionary climate of 2009–2010 exacerbated the situation with more than 50 per cent of job losses in this period occurring in the age group of people younger than 30. The latest quarterly labour-force survey from Statistics South Africa shows an unemployment rate of 24.9 per cent for the fourth quarter of 2012 with 4.5 million people unemployed. **Of the nine provinces in South Africa, the Free State commonly experiences the highest youth unemployment rate** with an unemployment rate of 33.2 per cent as opposed to Limpopo province that has the lowest unemployment rate at 19.6 per cent.

[1] Global employment trends for youth, International Labour Organisation, May 2012
[2] Development and the next Generation, World Development Report, 2007, World Bank
[3] As above

The youth (15–34 years) accounts for the highest proportion of the unemployed. **The national unemployment rate amongst the youth is 36.1 per cent, but in the Free State, it is closer to 50 per cent.** Furthermore, more than 31 per cent or 3.3 million of the youth aged 15–24 were neither employed not in the education or training systems – the "NEET" category – and are regarded as idle youth.[4] The figures speak for themselves in terms of the severe challenges South Africa currently faces regarding youth unemployment.

A particularly disturbing finding to emerge from the labour-force data was that 4 of every 5 younger unemployed respondents never had a job. GEM research has shown that the majority of people starting businesses were employed while developing their business. The fact that so many young people in South Africa are excluded from the work arena means that they will have been denied the opportunity to access knowledge and develop skills. This makes it unlikely that they will ever be able to break into the labour force – either in the formal sector or through self-employment.

1.2 Promoting youth entrepreneurship and self-employment

The disproportionately high unemployment figures for the youth highlight the need and importance of finding alternative ways of increasing youth participation in the economy. **The promotion of entrepreneurship amongst young people has an important role to play in reducing youth unemployment in labour markets where formal employment opportunities are scarce.** The ILO report The Youth Employment Crisis: Time for Action, presented at the 2012 International Labour Conference in Geneva[5], argues that encouraging and facilitating business start-ups by young people gives them an alternative pathway to enter the labour market through self-employment. From a macroeconomic perspective, the total number of employment opportunities for youths will increase because of the increase in the wage-employment opportunities that successful enterprises will generate for other young people. Governments therefore need to find ways to address the special problems and challenges faced by young potential and emerging entrepreneurs to ensure that they successfully start up and consolidate their ventures.

A compelling reason for governments to support youth entrepreneurship with active labour market policies and programs is the relative vulnerability of the youth compared to the adult population.

Youths have special vulnerabilities when they enter self-employment. Young men and women do not have the same number of years of life experience and may therefore have unrealistic views of their ability to succeed in business and end up burdening themselves with debt at the start of their working life. Promotion programmes for youth entrepreneurship therefore have a responsibility to ensure that youths without the necessary qualities for succeeding in business are not pushed into creating their own enterprises without proper support structures such as mentoring, coaching and access to business-development services. Young people must have access to realistic information about both the rewards and the downsides of setting up a business. Entrepreneurship education for youths at school is one approach as it sensitizes young people to the world of business and entrepreneurship, and it offers them the opportunity to practice entrepreneurship in a safe environment while they are still in an educational setting.

Globally, youth-entrepreneurship programs are increasingly prioritized by national governments as witnessed by the growth in the number of these programmes in recent years. The Youth Employment Inventory[6], a global repository that seeks to document the results of youth-employment programs globally, has recorded a growth in youth-entrepreneurship programs as an important instrument in support of youth employment. In 2011, such programs accounted for 20 per cent of all programs, making it the most important type of interventions after skills training[7]. Whilst it is agreed that youth entrepreneurship is a crucial component for tackling unemployment within national policy frameworks, it is not a solution on its own. **The creation of a business climate that is conducive to youth entrepreneurship is not a quick fix.** It requires not only sustained, multi-sectoral and multi-level efforts and investments in youths at different stages of their education and working life, but it also requires instilling an entrepreneurship culture and a policy framework that support youth entrepreneurship so that the youth can participate actively and fully in their society and economy.

In South Africa, the government has actively been supporting various types of youth-employment programs, but judged by the persistent high unemployment rates amongst the youth, the programs have not been particularly successful. The Umsobomvu Youth Fund and the Youth Commission were disbanded several years ago and were combined into the National Youth Development Agency (NYDA), which seems also to be struggling to fulfil its mandate to develop entrepreneurial activity amongst the youth.

[5] International Labour Conference, 101st session 2012, International Labour Office Geneva
[6] The Youth Employment Inventory (www.youthemployment-inventory.org) is a global database containing information on over 400 projects for youth employment creation in over 90 countries. The purpose of the inventory is to identify effective approaches to youth employment. It is a joint activity of the German Ministry of Economic Cooperation and Development, the Inter-American Development Bank, the World Bank, the Youth Employment Network and the International Labour Organization.
[7] The Youth Employment Crisis; Time for Action, International Labour Office, 2012

According to the 2008 Western Cape Youth Report, there are a number of reasons why young South Africans do not become involved in entrepreneurial activity. Whereas access to finance is a challenge for all small businesses, the youth are particularly vulnerable when it comes to securing finance for starting up a business for the first time. Many young people in South Africa have no credit history or assets to serve as collateral, and they are also less likely to have earned enough to be able to use their own savings to finance a business enterprise. Finally, as argued above, they have less life skills and working experience and may therefore not be able to convince a credit officer to grant them a loan. In addition, government programmes and initiatives aimed at assisting the youth seem to be poorly marketed to the youth. Whereas finance options do exist, young people seem not to be aware of the available programs.

1.3 The Free State SME Development Initiative

In light of the unemployment challenge described above, the Free State SME Development Initiative seeks to contribute to the creation of employment through the promotion of entrepreneurship and the development of small and medium enterprises (SME) in the Free State province. The initiative is executed by the ILO and implemented together with the Department of Economic Development, Tourism and Environmental Affairs (DETEA). The initiative is funded by the Flanders International Co-operation Agency (FICA).

One of the desired outcomes of the Free State SME Development Initiative is a more entrepreneurial mind-set amongst young men and women in the Free State, which would ultimately lead to more young people starting formal enterprises. As noted above, the unemployment rate amongst the youth in the Free State is very high at close to 50 per cent. Many school leavers who enter a labour market where formal employment opportunities are scarce end up being unemployed or involved in informal business. One of the programmes pursued by the initiative is the introduction of a more practical way of teaching entrepreneurship in secondary education in order better to prepare school leavers for the transition from school to the labour market and to enable them to identify business opportunities and improve their chances of success in business and self-employment ventures.

The new entrepreneurship curriculum is based on the ILO's Know About Business (KAB) entrepreneurship education program, which has been implemented in more than 50 countries and integrated into national curricula[8].

The South African version is based on experiential-learning methodologies and built around entrepreneurship games and business-simulation exercises that have been aligned with the Curriculum Policy Assessment Statement (CAPS) for the Business Studies subject in Grades 10 and 11. This curriculum focuses more on entrepreneurial qualities and attitudes and less on the functions of business, which are covered in the business studies textbooks. Current textbooks and the related text-book teaching methodology does not focus sufficiently on creating enterprising mind-sets in young learners and on instilling enterprising attitudes and habits of mind to make sure that young learners appreciate the merits of entrepreneurship so that they can choose to enter into business as a proactive career choice rather than out of necessity.

The new entrepreneurship curriculum, called "startUP&go" is complementing the current textbooks and is being tested in more than 60 secondary schools across the Free State from January 2013 onwards. In addition, an entrepreneurship-culture campaign is being developed in cooperation with local radio stations revolving around radio talk shows about entrepreneurship, open broadcasts from communities, entrepreneurship market days for in-school youth and business-plan competitions.

As a result of these interventions, over time – and especially if and when the entrepreneurship curriculum is rolled out to additional schools in the Free State on a large scale – it is expected that entrepreneurial intent and total entrepreneurial activity will improve amongst young people and that it will contribute to the creation of more young entrepreneurs. According to the most recent GEM report for South Africa (2011), **only 9 per cent of the adult population and only 1 per cent of the youth population are involved in entrepreneurial activity in South Africa.** This is very low compared to other countries in Africa and most developing countries.

1.4 Objective of the study

The primary objective of this study is to collect baseline data on the state of youth entrepreneurship in the Free State province against which the impact of the interventions of the Free State SME Development Initiative can be measured over time. This study is the first in a series of studies, which together form a comprehensive longitudinal impact assessment of interventions aimed at creating a stronger culture of entrepreneurship amongst the youth in the province. This study focuses on entrepreneurial intentions and activity for out-of-school youth, i.e. young people who have left school and have entered the labour market.

[8] For more information about the ILO's KAB program and implementation status in countries visit www.knowaboutbusiness.org. See also *Supporting Entrepreneurship Education, A report on the global outreach of the ILO's Know About Business Programme*, International Labour Office Geneva, 2009

The ILO and the GEM consortium decided to collaborate in carrying out a young entrepreneur survey in the Free State based on the GEM methodology and focusing on young men and women in the age brackets 15–35 across the 5 district municipalities of the Free State. The survey primarily aimed to determine the youth's mind-sets, attitudes, perceptions and intentions where entrepreneurship is concerned and to determine how many young men and women are actively engaged as entrepreneurs running their own business.

In summary, the data and findings from this survey serve as the baseline data on which to base the interventions that will be launched by the project to promote a culture of entrepreneurship for in-school and out-of-school youth. It will provide one element of a comparable baseline for surveys to be undertaken over the next few years in order to measure any changes in youth-entrepreneurship activity in the Free State[9].

1.5 Research methodology

Invest in Knowledge Initiative (IKI) was recruited as an external service provider to collect the data for the survey. IKI interviewed 750 youths aged 15–35 across 5 districts in the Free State province from 24 September to 23 October 2012. A clustered quota sample that was stratified by age, gender, district and urban/rural residence was used.

Fifteen clusters of 50 respondents each were used for a total sample of 750. These clusters were randomly selected in adequate numbers by district and urban/rural designation from enumeration areas (EA) which were developed for the country's national census.

Field researchers travelled to the geographic centre of the EA. There the EA was divided into 4 cardinal quadrants, and interviewers were assigned to each quadrant. Each interviewer was given a quota for the number of interviews required per day. They listed household members and selected an eligible participant by assigning numbers to eligible respondents and drawing a number to select the respondent interviewed. Once the interview was complete, the interviewer moved on to the next closest house in his or her quadrant of the EA. This process was repeated until the interviewer finished his or her quota for the day.

Table 1 below shows the households that were contacted, successful interviews, number of refusals, number of households where there were no eligible respondents and households where the interviewers found nobody at home at that particular time. It must be noted that these have been divided by enumeration area.

Table 1: Summary of fieldwork

Enumeration area (EA)	EA number	# HH contacted	# Successful interviews	# refused	# Replace-ments	Not eligible	Nobody at home
Chris Hani	1	66	50	4	6	8	1
Willows	2	75	50	6	7	11	3
Pelindawa	3	60	50	9	1	0	4
Botchabello-N	4	54	50	4	0	5	0
Bethlehem	5	62	50	12	0	0	0
Boklokong	6	54	50	4	0	1	3
Old location	7	57	50	7	0	5	2
Qwaqwa/ Witsieshoek	8	54	50	4	0	6	4
Mofulatshepe SP	9	62	50	5	7	1	1
Thabong SP	10	61	50	11	0	6	3
Riebeekstad	11	69	50	8	6	5	5
Meloding	12	58	50	8	0	4	4
Ngwathe 2	13	56	50	6	0	6	3
Kroonstad NU	14	67	50	12	0	6	2
Winberg	15	55	50	8	1	0	2
Total	**15**	**910**	**750**	**108**	**28**	**64**	**37**

[9] In addition to this survey the ILO is undertaking a separate baseline study of more than 15'000 learners in the schools where the startUP&go program will be implemented as well as in a number of control group schools where the program is not being implemented.

1.5.1 Form design, training and data collection

The fieldwork was conducted using the Open Data Kit (ODK) electronic data-collection software. The tool has advantages over paper questionnaires in that it provides quick access to the data, minimises data-entry errors and avoids a lot of paperwork.

The data manager at Invest In Knowledge developed a data-collection tool (form) based on experience from several previous surveys that have run successfully during fieldwork on Android-run mobile phones.

Data was collected using IDEOS smart phones running Android software with a data-collection form developed in excel (.XLS) and later converted into XML by the ODK program XLS2XFORM. The form was designed to switch between English, Xhosa, Sesotho and Afrikaans. All skip patterns and interviewer hints were pre-programmed, and a period of 4 days was allocated to allow for thorough training of the interviewers on the questionnaire and the interviewing techniques as well as the use of the smart phone for data collection.

1.5.2 Data management

The research manager from Invest In Knowledge downloaded the data from the individual interviewers' phones to a computer on a daily basis. This was done by using the ODK Briefcase tool that aggregates all the questionnaires completed. The data was then exported from their initial .XML form to .CSV form ready for conversion to the SPSS statistical package.

This .CSV data was then sent to the data manager of Invest In Knowledge via e-mail on a weekly basis. The data manager converted the data to SPSS and carried out checks on the skip logics and variable labels, as well as the value labels on the options. A continuous feedback process took place between the data manager and the research manager, who subsequently briefed the interviewers on any areas needing attention. A final aggregated data set was then submitted by Invest in Knowledge to GEM for cleaning and analysis.

"Success comes down to hard work plus passion, over time. If you work really, really hard over a long period of time, it will pay off."

– Stanley Tang

Chapter 2

2.1 Literature Review

According to the Global Entrepreneurship Monitor (GEM), a global research organisation that tracks and measures entrepreneurial activity in each of the participating countries in a way that allows for meaningful cross-national and intra-country comparisons over time, entrepreneurial activity is best seen as a process rather than an event. For this reason, the consortium measures entrepreneurial intentions as well as actual business activity (which includes nascent, new and established). Similarly, according to Pihie (2009), entrepreneurship can be measured in two ways: actual entrepreneurship (i.e. people who have actually started a business) and entrepreneurial intention or latent entrepreneurship (i.e. people who intend to start a business; Awogbenle and Iwuamadi, 2010). In South Africa, both intentional entrepreneurship (latent) and entrepreneurial activity (actual) are very low compared to international standards.

The country's Total Entrepreneurship Activity (TEA), which is an estimate of the number of working-age adults (18–64 years old) involved in starting or operating businesses up to 3.5 years old, is one of the lowest in the world (Herrington et al., 2011). In 2011, the TEA rate in South Africa was 8.9 per cent, which is considerably lower than the average of 14.1 per cent for countries of similar economies to South Africa which participated in the Global Entrepreneurship Monitor's (GEM) annual review (Herrington et al., 2011). In 2011, the country's entrepreneurial intention rate was also one of the lowest at 17.6 per cent.

Herrington et al. (2009) point out that the growing body of unemployed youths in South Africa places an additional burden on a limited government budget that is already burdened with a large number of demands. Young people's engagement in entrepreneurship helps them to achieve economic independence and to reduce their reliance on state welfare. Youth entrepreneurship improves self-esteem and makes the youths more productive members of their families and communities.

It also contributes to growth in an economy by providing employment – the employees and the business would pay taxes, thus contributing to government revenue. Entrepreneurship, including youth entrepreneurship, improves the general standard of society as a whole, which leads to political stability and national security. Youth entrepreneurship reduces crime, poverty and income inequality. This indirectly induces an environment for national and regional economic growth and development (Mutezo, 2005).

Vesalainen and Pihkala (2000) define latent entrepreneurship as a conscious state of mind that directs attention (and therefore experience and action) toward a specific object (goal) or pathway to achieve it (means). Latent entrepreneurs wish to be self-employed in the future and have the possibility to realise self-employment with adequate policy support. Pihie (2009) defines intention as a state of mind or attitude which influences entrepreneurial behaviour. A strong association exists between entrepreneurial intention and actual entrepreneurial behaviour (Awogbenle & Iwuamadi, 2010).

Several models for entrepreneurial intention have emerged over the years and are generally accepted as explaining entrepreneurial intentions (Drennan & Saleh, 2008). These models also explain the various factors which play a role in determining whether an individual chooses to start a business and work for him or herself or be employed by someone else. Those used most frequently to analyse entrepreneurial intentions are the Shapero Entrepreneurial Event (SEE) model (Shapero, 1982) and the Theory of Planned Behaviour (Azjen, 1991), adapted to entrepreneurship. In essence, these models suggest that an individual's entrepreneurial intention is influenced, firstly, by the perception of the extent to which it is desirable to become an entrepreneur.

Secondly, entrepreneurial intention is influenced by perceptions of feasibility, which focus on one's ability to adopt entrepreneurial behaviour given the prevailing environmental conditions regarding entrepreneurship. Factors that influence the development of entrepreneurship include, amongst others, political-legal and economic conditions and infrastructure development. Thirdly, social and cultural norms about entrepreneurship in a particular country or locality are considered to influence one's decision to become an entrepreneur. The perception of social norms is to a large extent influenced by an individual's family and friends (Drennan & Saleh, 2008).

Krueger et al. (2000) argue that entrepreneurial activity is predicted more accurately by studying intention rather than personality traits, demographics or situational factors (such as employment status). They define entrepreneurial intention as a commitment to starting a business in the foreseeable future. The factors determining entrepreneurial intention, in their view, are:

- Attitude: This includes beliefs/perceptions regarding the personal desirability of performing the behaviour, i.e. how attractive and credible entrepreneurship appears to them as a choice. Attitude is also influenced by their expectations of what the personal impact of the behaviour will be (this will tie in to their definitions of success, desire for autonomy and independence, desire for remuneration, etc. and the extent to which they perceive entrepreneurial behaviour as a credible path to achieving these goals).

- Perceived behavioural control: This is linked to the concepts of feasibility and self-efficacy. In order to be motivated to act, potential entrepreneurs must perceive themselves as capable individuals – they must consider themselves personally able to successfully carry out their intentions. Krueger et al.(2000) see feasibility as the most important determinant of entrepreneurial intention.

- Perceived social norms: perceptions about beliefs, values and norms held by people they respect. Role models, mentors, etc. can often serve as a catalyst for entrepreneurial intentions (Krueger et al., 2000).

Krueger et al.'s theory is supported by GEM, which believes that attitudes toward entrepreneurship are often what kick-start the entrepreneurial process.

For example, the extent to which people think that there are good opportunities for starting a business or the degree to which they attach high status to entrepreneurs might be termed entrepreneurial attitudes. Other relevant attitudes might include the level of risk that individuals might be willing to take and individuals' perception of their own skills, knowledge and experience in business creation. GEM considers those who perceive good opportunities for starting a business as well as believe that they have entrepreneurial capabilities to be the potential entrepreneurs in a society, those most likely to have entrepreneurial intentions. More specifically, they will be the opportunity-driven entrepreneurs.

Where exposure to entrepreneurship education is concerned, previous research indicates that entrepreneurship education can enhance an individual's level of self-efficacy (Bandura 1986; Hollenbeck & Hall 2004; Wilson et al., 2007 in Basu & Virick, 2008). Noel (1998 in Basu & Virick, 2008) found that entrepreneurship education is strongly related to entrepreneurial intention with entrepreneurship majors expressing higher intention to start their own businesses. Dyer (1994 in Basu & Virick, 2008) and Wilson et al. (2007 in Basu & Virick 2008) argued that entrepreneurship education can also increase students' interest in entrepreneurship as a career. Souitaris et al. (2007 in Basu & Virick, 2008) found that entrepreneurship programmes significantly raised students' subjective norms and intentions toward entrepreneurship by inspiring them to choose entrepreneurial careers. Basu's research amongst university students showed that those who had prior education in entrepreneurship had more positive attitudes toward a career in entrepreneurship and that taking entrepreneurship classes is significantly associated with higher perceived control over behaviour with regard to entrepreneurship (Basu & Virick, 2008).

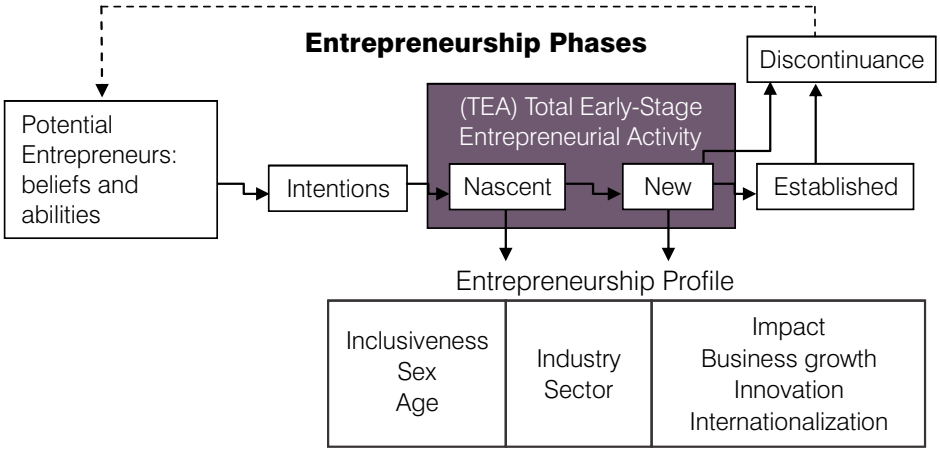
With regards to entrepreneurship education, research has found that, amongst other variables, formal learning from entrepreneurship-related courses had the strongest positive relationship with entrepreneurial intentions. The influence is through the mediation of entrepreneurial self-efficacy (ESE) as well as through the successful performing of certain tasks such as identifying new business opportunities, creating new products, thinking creatively and commercialising an idea (Zhao, Seibert & Hills, 2005). Despite the well-documented benefits of entrepreneurship education, many secondary schools are still lacking in this respect. An expert quoted in the GEM 2010 report commented that there is a lack of entrepreneurship education and training in primary and secondary schools in South Africa and further stated:

the current education system continues to favour rote academic learning and largely ignores the realities of the world of work. It perpetuates the culture of entitlement and job-seeking. The system also encourages higher education as the sole pathway to professional advancement and success and creates the implication that vocational expertise is distinctly inferior to academic knowledge. Teachers are barely competent academically, let alone entrepreneurially, so they are unable to inspire and support those who show flair and passion. Worst of all, the system discourages individualism. (GEM South Africa, 2010).

According to Izquierdo and Buelens (2008), research findings indicate that to encourage students to become active during learning and to give them the opportunity to get hands-on experience in realistic situations will enable them to build competence levels. As they practise, students are expected to gain confidence in using the acquired competencies in different situations. Current research suggests the use of a variety of learning experiences to expose students to real-world situations (Edelman & Manolova, 2008 in Izquierdo & Buelens, 2008).

By doing so, students' self-efficacy is expected to increase gradually, which is possible as students gain experience by developing complex skills (Bandura, 1982; Gist, 1987 in Izquierdo & Buelens, 2008). However, whilst possessing the necessary skills for performing a certain task is essential, people also need to have a resilient self-belief in their capabilities in order to succeed in accomplishing certain goals (Wood & Bandura, 1989 in Izquierdo and &, 2008). Enhancement of self-efficacy, in turn, can result in increased intentions toward a target goal (Izquierdo & Buelens, 2008).

Figure 1: The entrepreneurial process and GEM operational definitions



(Source: GEM Global Report 2011)

Many of the findings of the youth survey in the current report will be compared to those of the Global Entrepreneurship Monitor (GEM) because their data, which has been collected, analysed and interpreted each year since 2001, allow for meaningful intra-country comparisons over time. As mentioned previously, an important feature of the GEM model is that it is concerned with entrepreneurship as a process. Figure 1.1 presents an overview of the entrepreneurial process and the GEM operational definitions. The GEM survey collects data on individuals in the process of setting up new businesses as well as those who own and manage running businesses.

It captures information on entrepreneurial attitudes, activity and aspirations in different phases of entrepreneurship – from general intentions through early-stage entrepreneurial activity to status as established firms. Where intentions are concerned, GEM considers those who perceive good opportunities for starting a business and simultaneously believe that they have entrepreneurial capabilities to be the potential entrepreneurs in a society, those most likely to have entrepreneurial intentions.

The primary measure of entrepreneurial activity used by GEM is the Total Early-stage Entrepreneurial Activity (TEA) index, indicated by the shaded blue area in Figure 1.1. TEA indicates the prevalence of business start-ups (or nascent entrepreneurs) and new firms in the adult (18–64) population. In other words, it captures the level of dynamic entrepreneurial activity in a country (GEM South Africa, 2010). The ILO and GEM believe that, to encourage economic development in the form of new enterprises, one must first and foremost promote perceptions of both the feasibility and desirability of entrepreneurial behaviour in order to influence the pool of potential entrepreneurs. However, because it is not enough to successfully increase the quantity and quality of potential entrepreneurs without also creating an enabling environment (entrepreneurial climate) in which they can flourish, such perceptions must also be promoted amongst critical stakeholders, including suppliers, financiers, government officials and the broader community. The World Economic Forum agrees and refers to this as the development of an entrepreneurial ecosystem where governments, entrepreneurial academic institutions and the business community must work together in multi-stakeholder partnerships (World Economic Forum, 2009).

According to GEM, a country's macro-economic stability, institutions, infrastructure, health and primary education are the underlying fundamental conditions required for a well-functioning business environment. These requirements are usually the focus of development efforts in factor-driven countries. As these factors become relatively established and the economy moves toward the efficiency stage (South Africa is in the efficiency stage), more funding and development efforts should focus on the efficiency enhancers. These factors include higher education and training, goods and labour-market efficiency, financial-market sophistication, technological readiness and market size. The features that are expected to have a significant impact on the entrepreneurial sector are captured in the nine Entrepreneurial Framework Conditions (EFCs), described in Figure 1.2 and which form the entrepreneurial climate. The 2010 GEM Global Report indicates that, although the EFC's can be addressed at any stage of development, these conditions function best in economies with an underlying foundation of basic requirements and efficiency enhancers. For example, it is unlikely that governments' entrepreneurship programmes will be effective if the country provides inadequate health care and primary education to its population.

Table 2: The GEM entrepreneurial framework conditions

Entrepreneurial finance The availability of financial resources, equity and debt for new and growing firms, including grants and subsidies	**Government policy** The extent to which government policies, such as taxes or regulations, are either size-neutral or encourage new and growing firms	**Government entrepreneurship programs** The extent to which taxes or regulations are either size-neutral or encourage new and growing firms. Also includes support programmes
Entrepreneurial education The extent to which training in creating/managing new, small or growing business entities is incorporated within the education and training system at all levels. There are two sub-divisions – entrepreneurship education and training in primary and secondary school and entrepreneurship education and training for post-school learners.	**Research and development transfer** The extent to which national research and development will lead to new commercial opportunities and whether or not these are available for new, small and growing firms.	**Commercial and legal infrastructure** The presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities
Entry regulations There are two sub-divisions – market dynamics, i.e. the extent to which markets change dramatically from year to year, and market openness, i.e. the extent to which new firms are free to enter existing markets.	**Physical infrastructure** Ease of access to available physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against new, small or growing firms.	**Cultural and social norms** The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income.

(Source: GEM South Africa 2010)

Figure 2 shows GEM's complete Conceptual Model, which incorporates each of the phases of the entrepreneurial process (as discussed throughout this chapter) as well as the environment in which potential, intentional and actual entrepreneurs exist.

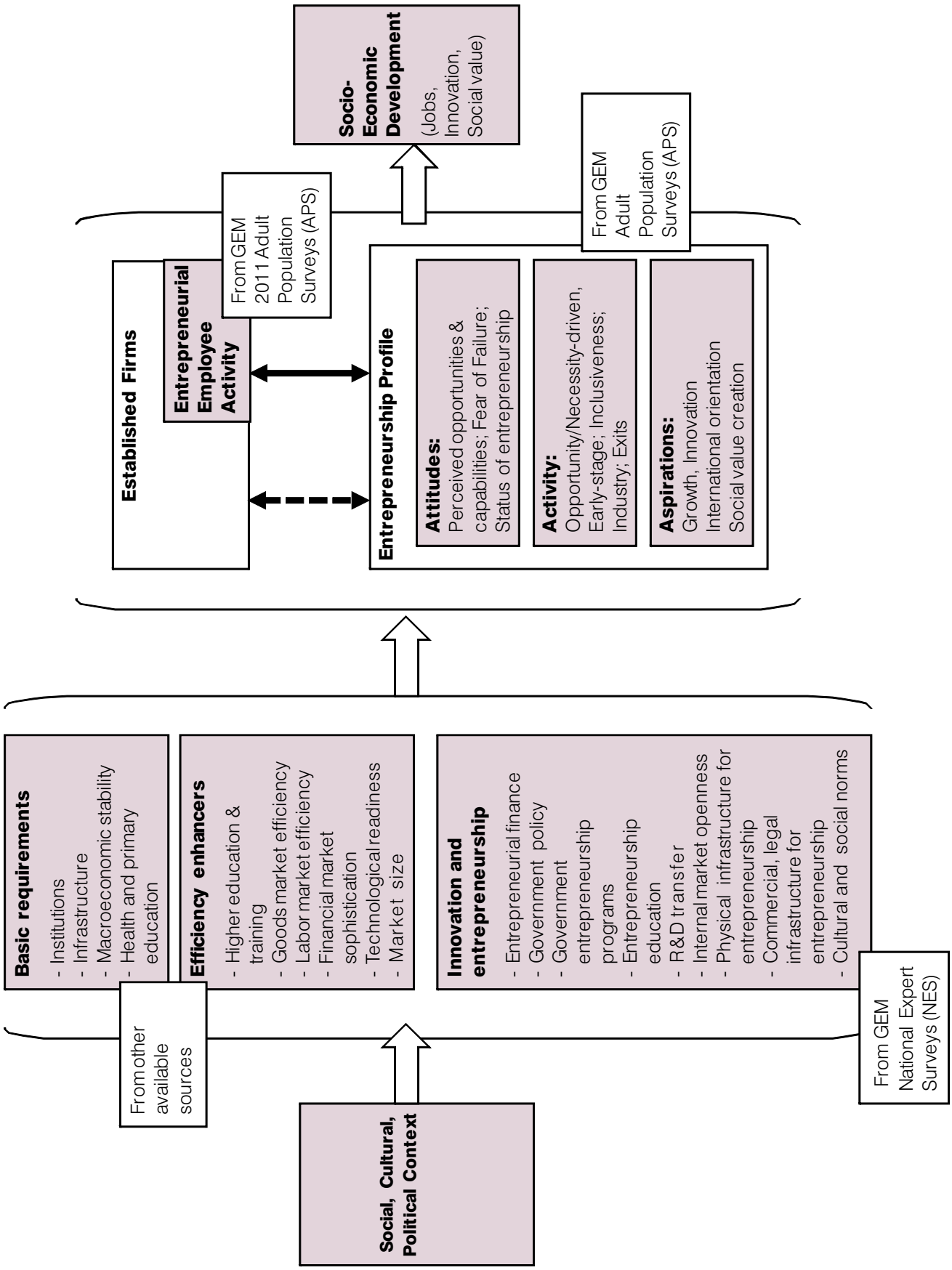


Figure2: The GEM conceptual model (Source: GEM Global Report 2011)

3.1 Introduction

The unemployment rate amongst the youth in the Free State is very high at close to 50 per cent. Many school leavers enter a labour market where formal employment opportunities are scarce, ending up unemployed or involved in informal business. This chapter profiles the respondents in the young-entrepreneur survey in the Free State focusing on young men and women in the age brackets 15–35 across the 5 district municipalities. The goals of the survey are:

- to develop an understanding of the youth's mind-sets, attitudes and perceptions concerning entrepreneurship
- to identify and better understand the constraints and obstacles facing young business owners
- to determine how many young men and women are actively engaged as entrepreneurs running their own businesses

3.2 Profile of respondents

Table 3: Respondents by sex

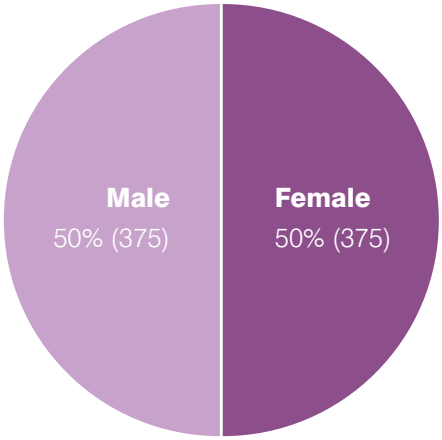


Table 4: Respondents by ethnic origin

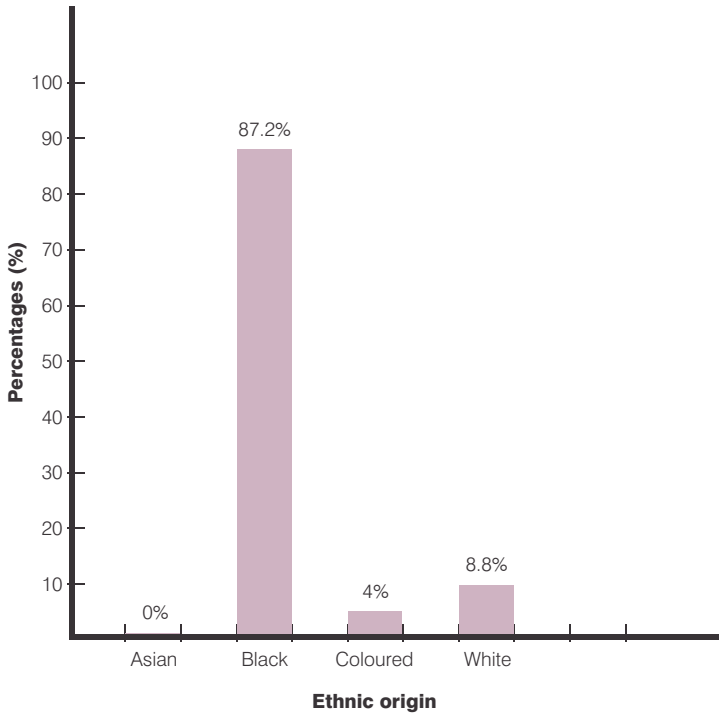


Table 5: Respondents by marital status

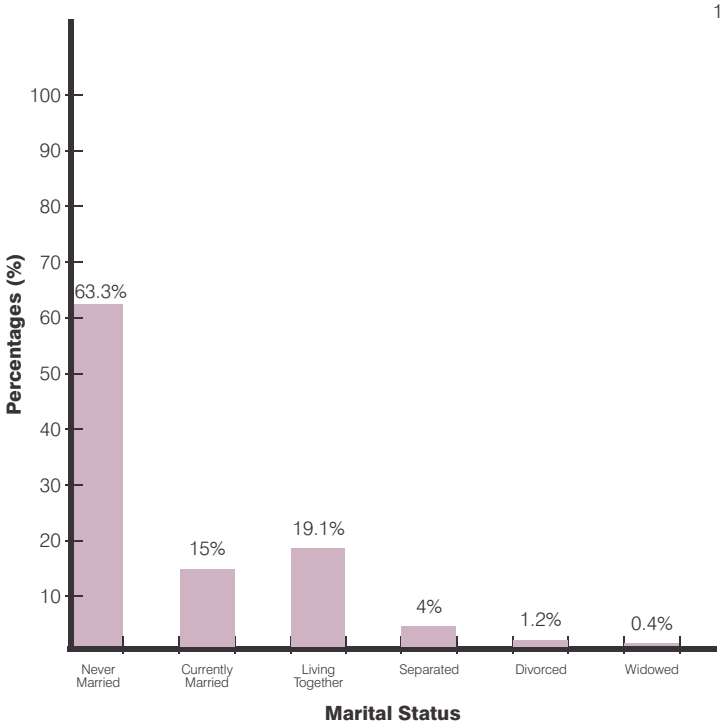


Table 6: Respondents by age

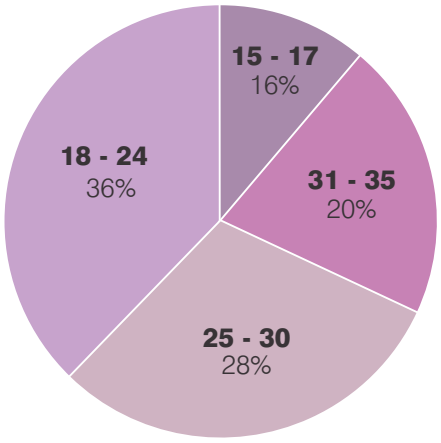


Table 7: Respondents by level of education

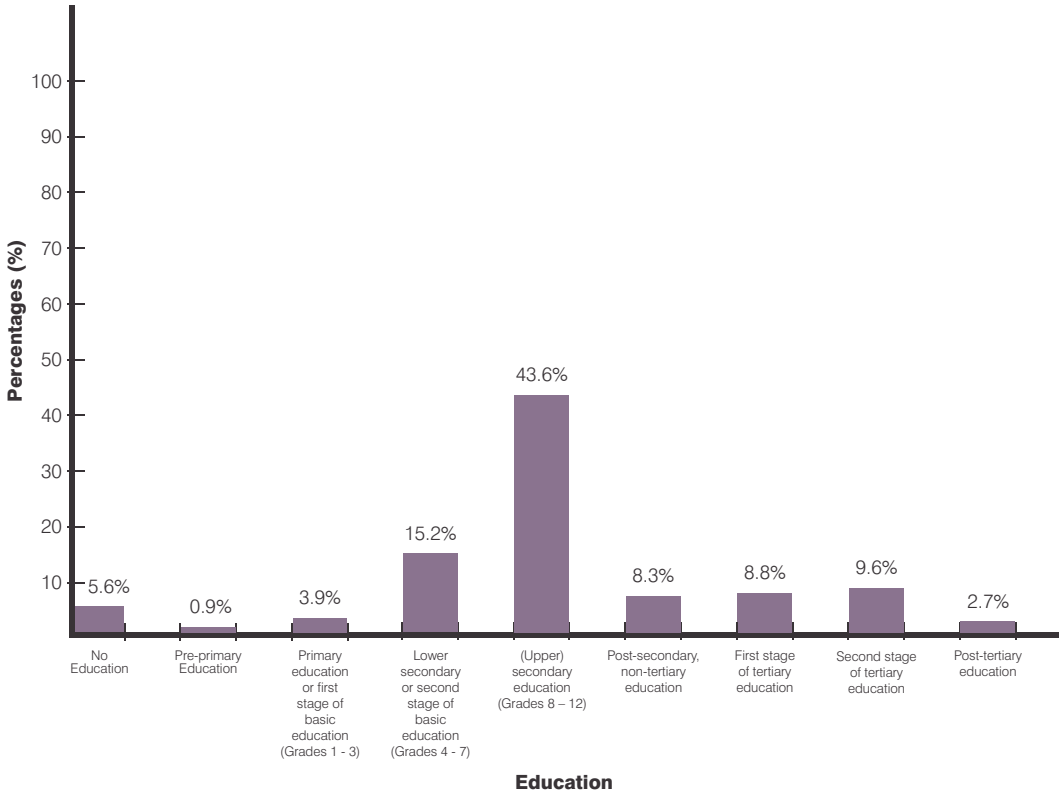


Table 8: Respondents by municipality

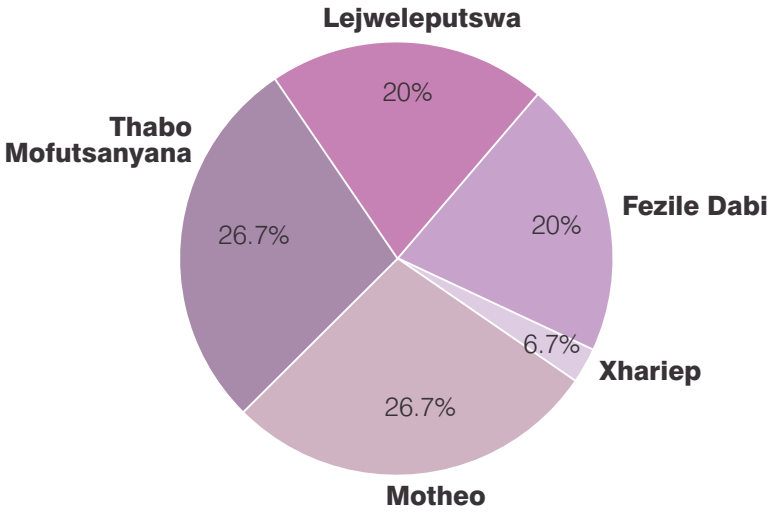
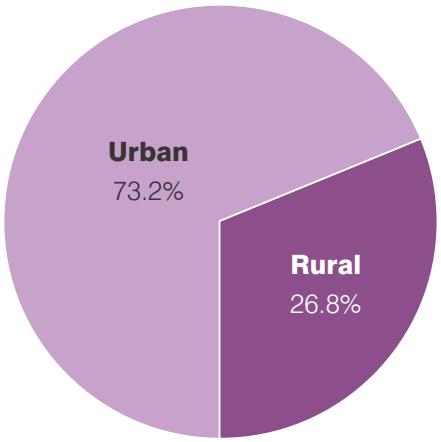


Table 9: Respondents by area type



3.3 Findings

When respondents were asked whether they had ever had employment for which they were paid, only 44.3 per cent responded in the affirmative. Of this group, the majority (47.6 per cent) stated that they had had full-time salaried work with the second highest percentage (36.7 per cent) stating that they had been engaged in part-time work for cash. Only 4.5 per cent of the respondents had been self-employed full-time.

Table 10 disaggregates the information into age groups. The percentages for full-time salaried work increase per age group whilst part-time work (for cash), with the exception of the youngest age group, decreases with each group. The oldest age group contains the highest percentage of respondents who are/had been self-employed.

Table 10: Employment experience by age (years)

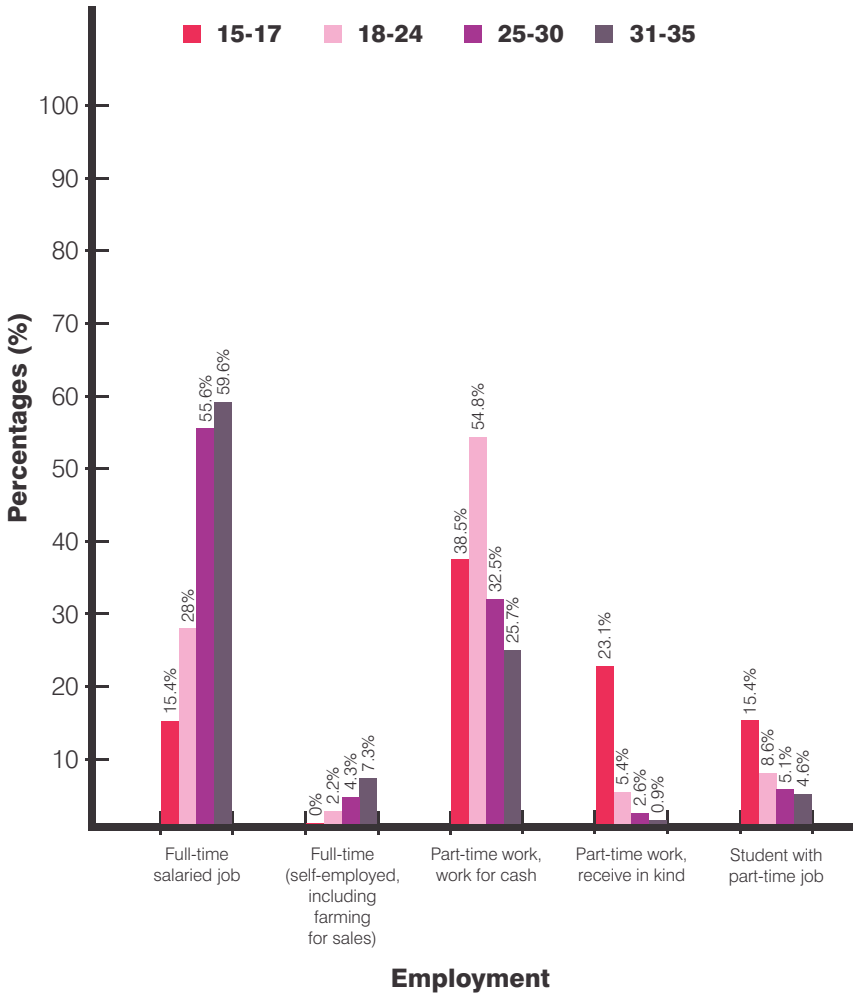


Table 11 summarises the career preferences of the respondents. When respondents were asked what their preference was when seeking to earn a living (out of a total of seven options), a considerable majority in almost all categories responded with "have my own business".

The second highest percentage, for most categories, was for the option to "work in the government/ public services", whilst the third highest was to "work in a medium or large business".

Table 11: Career preferences (%)

Category	"Have my own business"	"Work in the government/ public service"	"Work in a medium or large business"	Other responses
GENDER				
Male	52.3	18.7	10.1	18.9
Female	45.1	22.1	9.9	22.9
ETHNIC ORIGIN				
Black African	48.5	22.3	10.1	19.1
Coloured	53.3	13.3 (second highest for Coloureds was "work in a family business": 26.7)	3.3	30.1
White	48.5	4.5 (second highest for Whites was "work in a non-government organisation": 15.2)	12.1	34.9
AGE GROUP (years)				
15–17	50	24.2	10	15.8
18–24	45.6	22.6	8.5	23.3
25–30	47.1	17.6	11.9	23.4
31–35	55.3	17.3	10	17.4
EDUCATIONAL LEVEL				
No education	59.5	4.8	9.5	26.2
Pre-primary education	85.7	0	14.3	0
Primary education or first stage of basic education (Grades 1 – 3)	55.2	17.2	3.4	24.2
Lower secondary or second stage of basic education (Grades 4 – 7)	40.4	23.7	12.3	23.6
Upper secondary education (Grades 8 – 12)	48.3	25.4	8.9	17.4
Post-secondary, non-tertiary education	48.4	9.7	9.7	32.2
First stage of tertiary education	48.5	12.1	13.6	25.8
Second stage of tertiary education	38.9	29.2	9.7	22.2
Post tertiary education	75	0	20	5
AREA TYPE				
Urban	47.7	20.2	9.8	22.3
Rural	51.2	20.9	10.4	17.5

It is encouraging that a majority in each of the above categories state that they would prefer to have their own business as a first choice to earn a living. However, it is important to differentiate between an expressed interest in starting a business and actual predisposition towards entrepreneurial behaviour. Several questions were asked of the respondents to gain a clearer picture of the respondents' attitude towards entrepreneurship as a desirable career option. The responses to these questions highlighted a number of factors which could have a negative impact on entrepreneurial intention.

Respondents were asked how easy or challenging they believed it would be to become an entrepreneur. Only 29.7 per cent felt that it would be very easy or easy, **whilst 53.2 per cent of respondents saw becoming an entrepreneur as challenging or very challenging.** Although this may indicate a more realistic view of self-employment, it is clear that these perceptions are likely to make entrepreneurship both less desirable and less feasible for many young people.

Table 12: Reasons which would discourage and encourage business start-up

Reasons which would PREVENT respondent from starting a business ((%)s)		Reasons which would ENCOURAGE respondent to start a business ((%)s)
Most important	If already employed: 32.1	Being unemployed: 49.6
Second most important	Too great a financial risk: 16.5	Able to get appropriate funding: 16.2
Third most important	Unable to get appropriate funding: 13	Have access to info on how to start a business:

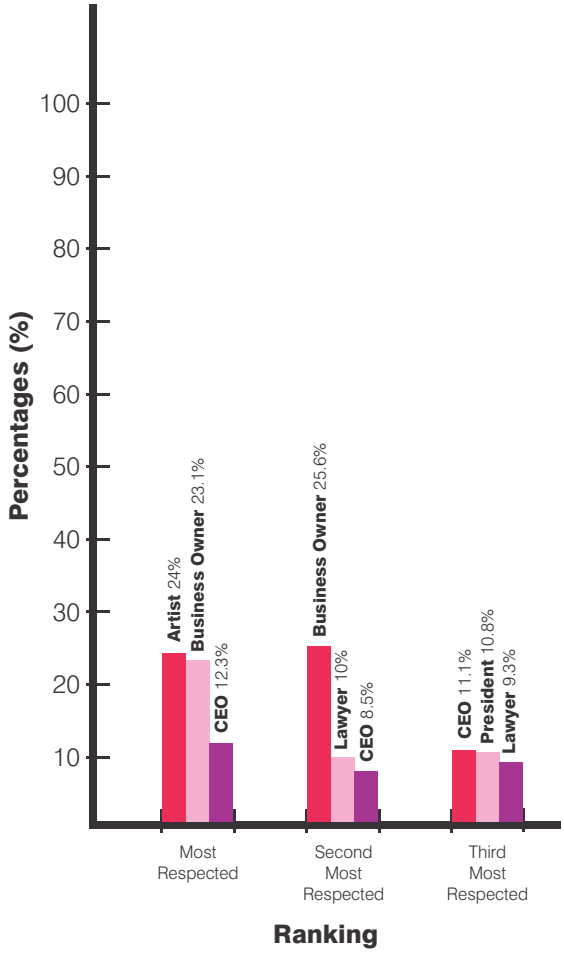
Of the 322 respondents (42.9 per cent) who chose being a business owner as a first choice to earn a living (Table 12), 37.3 per cent stated that the most important reason which would prevent them from actually starting such a business would be if they were already employed. In the same vein, of those 322 respondents, the vast majority (61.5 per cent) stated that the most important reason which would encourage them to start a business would be if they were unemployed. Linan et al. (2005) found that individuals who prefer remunerative jobs generally do not have high entrepreneurial intentions, so these people are unlikely potential entrepreneurs.

Kennedy et al. (2003) could not find conclusive evidence to support the notion that a person's employment situation had an impact on entrepreneurial inclination. Their findings indicate that entrepreneurial intention has more to do with desirability and feasibility than it does with situational (unemployment) factors. They did, however, find a negative correlation between perceptions of the desirability and feasibility of starting a business and agreement with the statement "I'll only set up own business if I'm unemployed."

Where the other main reasons are concerned (financial risk and lack of funding), Cichello (2005) argues that self-employment is a risky venture, and the poor and unemployed, who are already extremely vulnerable financially, often find it impossible to take on the additional risks associated with self-employment. In South Africa, the poor quality of general education leading to a poor skills base is likely to have a negative impact on young people's sense of self-efficacy. It is, therefore, perhaps not surprising that many young South Africans do not regard entrepreneurship as a positive and viable choice (Cichello, 2005).

Table 13 shows the responses to the question: "Who do you think is the most respected type of person in your country?" Respondents were asked to choose their top three choices from a long list of professions. In the first choice, respondents felt that the most respected people are artists, followed by business owners and then CEO/directors of a company. In the second choice, respondents ranked the most respected profession as business owners followed by lawyers and CEO/directors of a company. It is encouraging to see "business owner" featuring highly in these first two choices.

Table 13: Most respected professions



Respondents were asked to rate their own business skills. Table 14 summarises the responses.

Table 14: Perceptions of business skills (%)

Business skill	Good	Some	Little	None
Coming up with a business idea	41.9	31.3	14.8	12
The procedures required to start a business	26.3	33.6	26.4	13.7
Getting your product/service to market	27.7	30.7	29.5	12.1
Hiring employees	20.9	18.9	40.9	19.2
Drawing up a budget and maintaining financial records	25.1	26.1	32.7	16.1
Obtaining finance for a business	23.5	23.2	36	17.3
Developing a business plan	26.1	29.5	25.5	18.9

When their perception of their own skills was analysed according to age group, the majority in each age group were optimistic about their ability to come up with a business idea. Whilst most age groups believed that they had "some" knowledge about the procedures to start a business, the cohort of 15 to 17–year-olds believed that they had "little" knowledge where this skill is concerned. Concerning knowledge of the procedures required in starting a business as well as getting the product/service to the market, drawing up a budget and maintaining financial records and obtaining finance, the majority of respondents across age groups responded with "little". This indicates that there is a lack of sufficient skills across age groups where business functions are concerned.

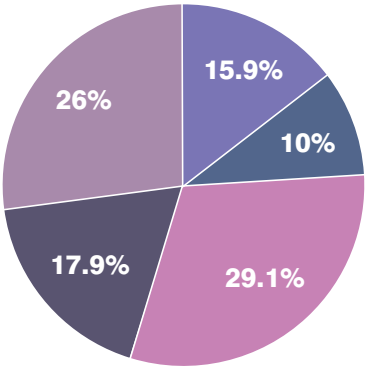
A considerable majority of respondents (71.2 per cent) believe that being a young entrepreneur would not negatively affect the possible success of a business.

A number of other perceptions concerning entrepreneurial behaviour within the respondents' community context are summarised in Table 15.

Table 15: Community perceptions

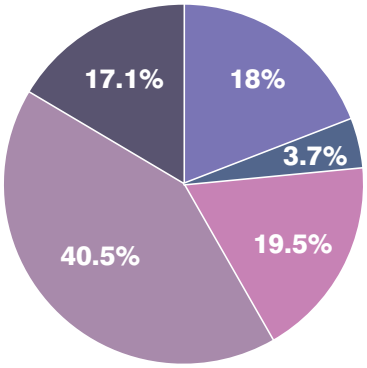
Statement: Where you live....

It is more difficult for young adults to start a business than for an older person



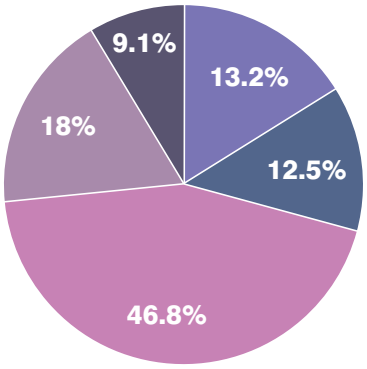
Strongly disagree
Disagree
Agree
Strongly agree
Not sure

Lack of knowledge amongst young men and women on how to start a business is a substantial barrier to entrepreneurship



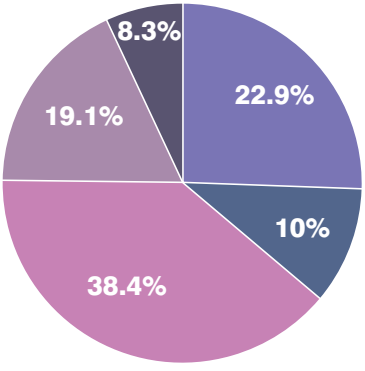
Strongly disagree
Disagree
Agree
Strongly agree
Not sure

Most young adults who have started their own business did so because they could not find a job



Strongly disagree
Disagree
Agree
Strongly agree
Not sure

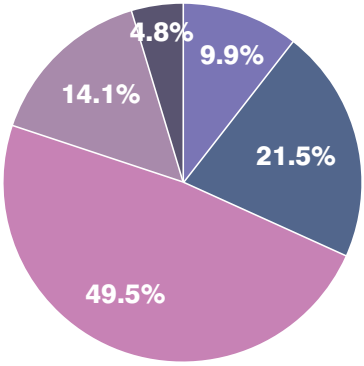
Most young adults who start their own business have to work too hard for little money



Strongly disagree
Disagree
Agree
Strongly agree
Not sure

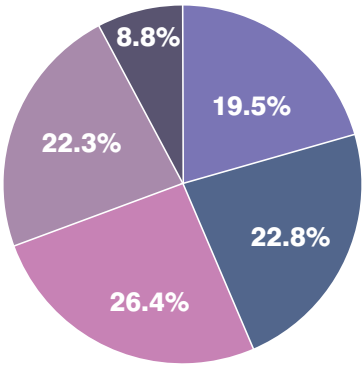
Statement: Where you live....

Earning a good living requires getting a good formal education



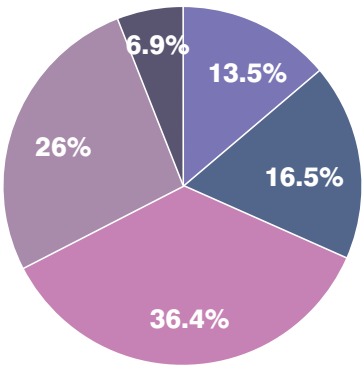
Strongly disagree
Disagree
Agree
Strongly agree
Not sure

Even with a good education, it is difficult to earn a decent living



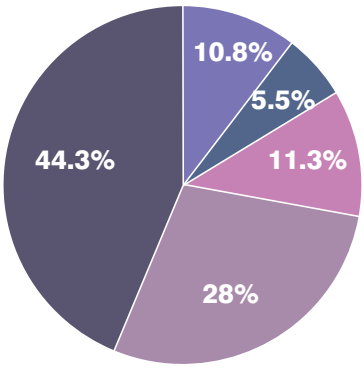
Strongly disagree
Disagree
Agree
Strongly agree
Not sure

Working for the government is the best way to earn a good living



Strongly disagree
Disagree
Agree
Strongly agree
Not sure

The government is trustworthy



Strongly disagree
Disagree
Agree
Strongly agree
Not sure

Table 16: Gender and entrepreneurship

Statement: Where you live….	Strongly disagree	Disagree	Agree	Strongly agree	Not sure
Young men are more likely to start a business than young women	8.9	22.7	39.2	10.7	17.9
Young men and women are equally successful when they start a business	14.3	32.7	25.2	4.5	22.4
It is believed that men should earn more than women	18.9	42	12.4	10.8	15.6
A young woman's primary responsibility should be to start and maintain a family	34.7	37.6	14	2.5	10.9
Young women are disadvantaged in starting a business due to religious/cultural beliefs	42.1	32.9	8	5.2	11.5

Table 16 shows mostly favourable attitude of and towards women in entrepreneurship with the majority of respondents believing that culture no longer requires that women remain in traditional roles. When the responses to each of the above statements were broken down by gender, a very similar number of men and women answered with each of the response options (strongly disagree to strongly agree). These balanced findings (i.e. the absence of any skewed views by sex) are a positive finding in terms of the liberalisation of social norms within the South African context. This may well be related to the predominantly urban demographic of the sample surveyed (almost three-quarters of the respondents came from urban areas).

It seems that young women in the sample group will not be withheld from pursuing entrepreneurial activities by either external or internalised social codes although the data is inconclusive in this respect. This augurs well for the potential success of interventions aimed at improving the feasibility and desirability of entrepreneurship amongst young South Africans.

Table 17 summarises respondents' beliefs relating to entrepreneurial desirability and feasibility as well as certain social norms.

Table 17: Entrepreneurial perceptions and attitudes

Question	Yes	No	Don't know
"In the next 6 months, will there be good opportunities for starting a business in the area where you live?"	36.5	56.9	6.4
"Do you have the knowledge, skills and experience required to start a new business?"	37.3	61.7	0.9
"Would fear of failure prevent you from starting a business?"	20	75.5	4.4
"Where you live, do most people consider starting a new business a desirable career choice?"	43.6	42.7	13.2
"Where you live, do those successful at starting a new business have a high level of status and respect?"	68.5	28.7	2.7
"Where you live, will you often see stories in the public media about successful new businesses?"	63.7	34	2.3

These findings are in accordance with those of GEM over the past three years (Table 18).

Table 18: Entrepreneurial attitudes and perceptions in SA, 2009–2011

Year	Perceive good business opportunities	Believe they have entrepreneurial capabilities	See entrepreneurship as a good career choice	Believe successful entrepreneurs have high status
2009	35	35	64	64
2010	41	44	77	78
2011	41	43	73	72

Source: GEM 2010, 2011

Whilst an earlier table (Table 14) represented responses regarding specific business functions, Table 18 shows that only 37.3 per cent of the respondents believe that, overall, they have the knowledge, skills and experience required to start a new business. GEM research has confirmed the importance of individuals' perceptions of their entrepreneurial ability, their recognition of start-up opportunities and the extent to which their social networks include entrepreneurs as instrumental in whether or not they become involved in starting new businesses. The 2004 GEM Report noted that individuals who are confident that they possess the skills to start a business are 4 to 6 times more likely to engage in entrepreneurial activity. Those who saw good business opportunities in their area were 3 times more likely to be involved in entrepreneurial activity (Orford et al., 2004).

The respondents' perception of their entrepreneurial self-efficacy is thus an area that is likely to have a strong impact on entrepreneurial intention.

Urban et al. (2007) argue that self-efficacy within the South African context is complicated by the legacy of apartheid. Specific ethnic groups have not only been disadvantaged in terms of access to resources, education, et cetera, but they are also likely to have suffered damage to their self-esteem, motivation and creativity. Disadvantaged communities often suffer from deficits in self-efficacy – findings showed that victims of poverty often visibly reflect symptoms of learned helplessness (Rabow et al., 1983). Many individuals in transitional economies may have the desire to pursue entrepreneurial ventures but do not engage in entrepreneurial behaviour because of a lack of self-belief (Urban et al., 2007).

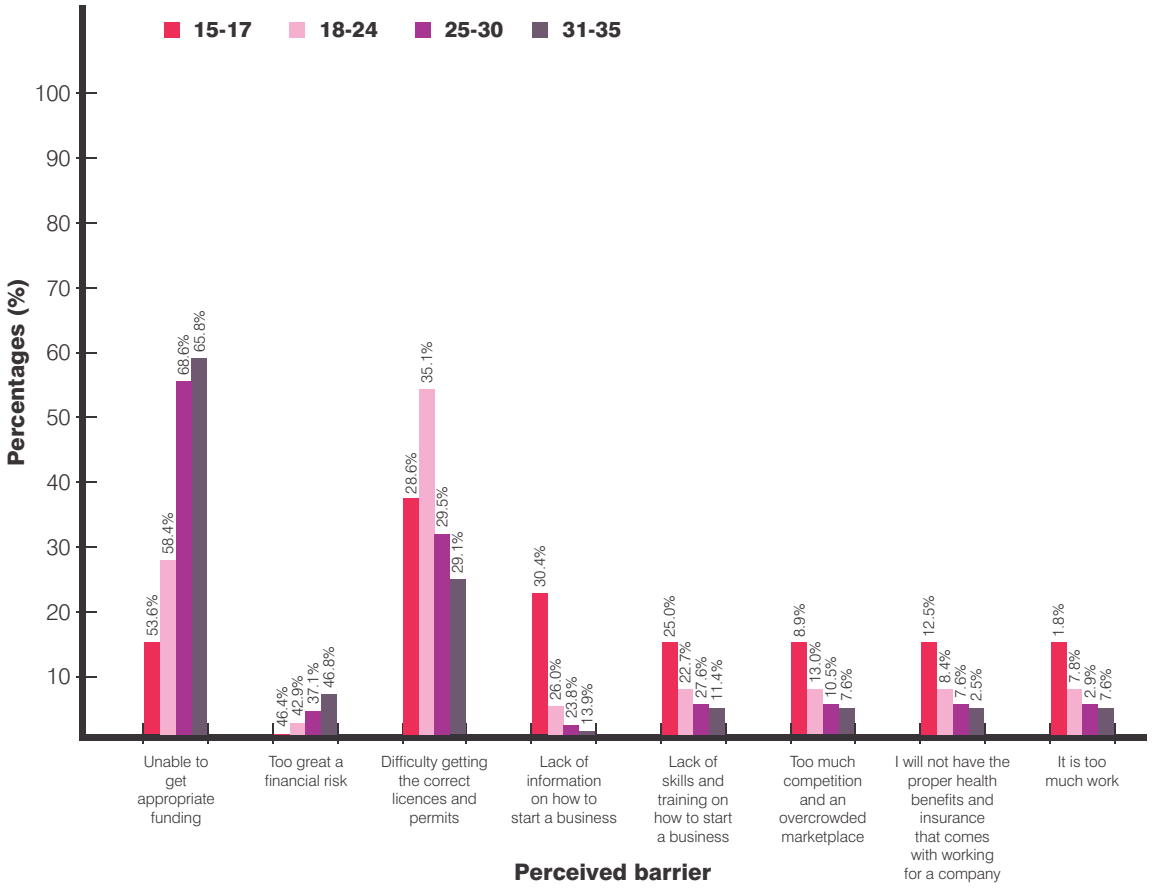
When respondents were asked whether they believed that young entrepreneurs face exactly the same barriers as older entrepreneurs, the majority (52.7 per cent) responded with "no". The main barriers to entrepreneurship identified by the respondents are outlined in Table 19.

Table 19: Perceived barriers to entrepreneurship

Perceived barrier	Respondents citing barrier (%)
Unable to get appropriate funding	61.9
Too great a financial risk	42.6
Difficulty getting the correct permits and licences	31.5
Lack of information on how to start a business	23.6
Lack of skills and training on how to start a business	22.1
Too much competition and an overcrowded marketplace	10.7
I will not have the proper health benefits and insurance that comes with working for a company	7.6
It is too much work	5.6

Interestingly, when the above barriers are broken down into age groups, the inability to obtain appropriate funding was cited by more respondents as the age group increased (Table 20). As indicated earlier, although access to finance is a perennial problem for all small businesses, the youth are particularly vulnerable to this limitation. Young people often have no credit history or assets to serve as collateral in order to secure loans from financial institutions. They are also less likely to have accumulated sufficient capital to be able to use their own savings to finance a business enterprise. This finding may also indicate more experience with failed attempts to secure funding.

Table 20: Perceived barriers by age



When respondents were asked which source of information they would use if they ever thought of starting a business, by far the highest percentage (48.8 per cent) stated that they would speak to someone they know who runs their own business. The second highest (19.9 per cent) response rate was for those stating that they would attend training courses. However, a significant finding revealed that 90.9 per cent of the entrepreneurs amongst the respondents had never made use of a government-related programme that assisted young entrepreneurs with 40 per cent of those stating that this was because they were not aware of any support programmes.

Respondents were asked what most symbolised what success means to them (out of a list of 18 symbols, which included "having my own business"). The highest percentages across the board involved money and materialistic assets. "Having money in the bank" increased by age group. "Having a high level of education" featured strongly across the board as well. "Having a high level of education" features quite strongly as well, which links to an earlier finding where 71.2 per cent of respondents strongly agreed or agreed that earning a good living requires obtaining a good formal education.

Table 21: Symbols of success (%)

What most symbolises success to you?	Most	2nd most	3rd most	4th most
Having money in the bank	**44.9**			
Having a high level of education	9.1	12.5	10.9	
Owning a large house	8.4	**20.5**	12.4	
Saving for the future		11.3	**17.7**	**10.7**
Owning an expensive car				9.5
Having a job/career that I like				9.5

In similar vein, respondents were asked what would make them consider their business a success, besides making money. The highest percentage (35.9 per cent) responded with "being recognised as a leader in my industry", with "having lots of customers" (13.3 per cent) and "expanding into other markets" (11.7 per cent) respectively recording the second and third highest number of responses.

The vast majority of respondents in each of the age, race and education groups stated that they updated themselves "daily" on news and current affairs.

The highest percentage in each age group stated that their first source of news and current affairs was "family and friends", their second source "radio" with both "internet" and "television" coming in third.

Where technology is concerned, the highest percentage across the board (74.8 per cent) claimed that they had used a cell phone before. Tables 22 and 23 indicate the use of technology according to age and area (urban/rural) respectively.

"As we look ahead into the next century, leaders will be those who empower others."

- Bill Gates

Table 22: Technology by age group (years)

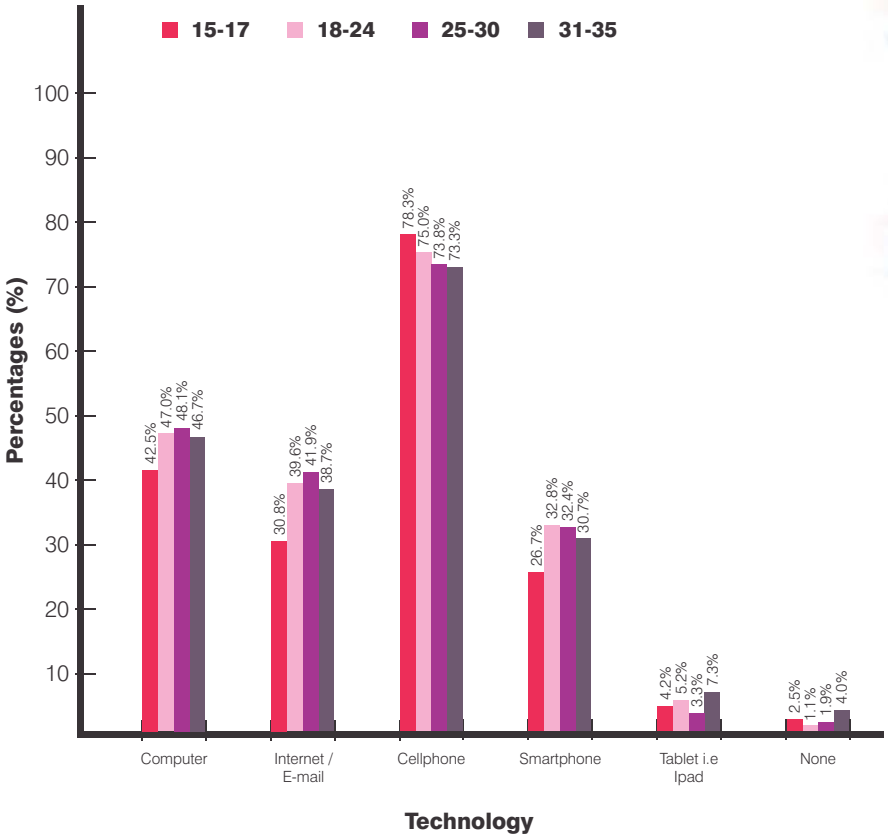
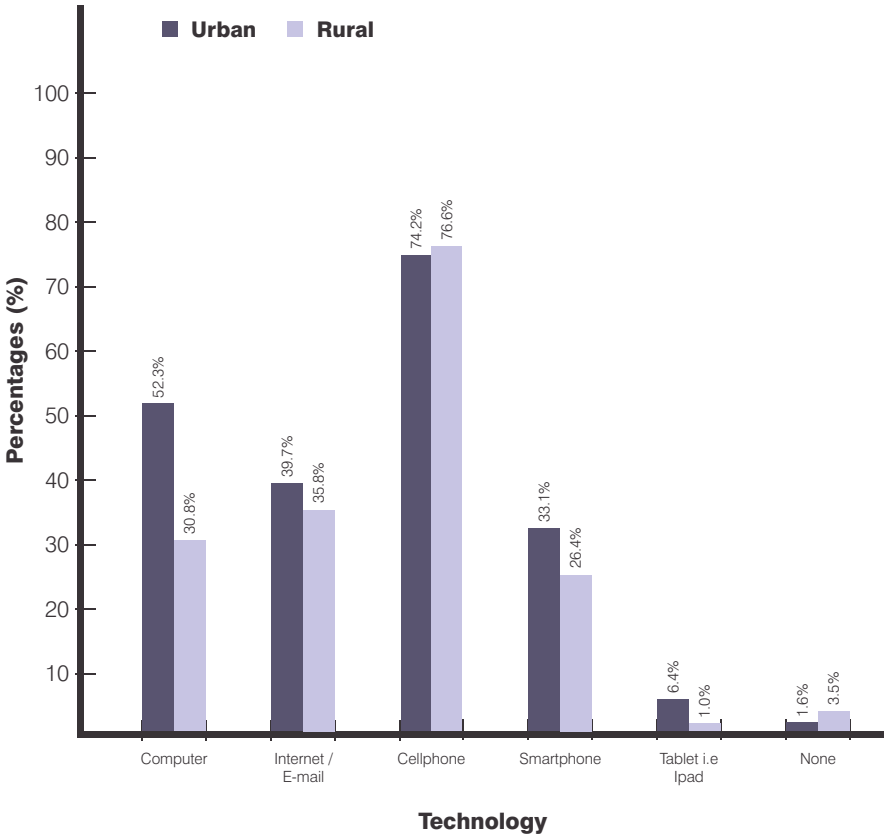


Table 23: Technology by area type

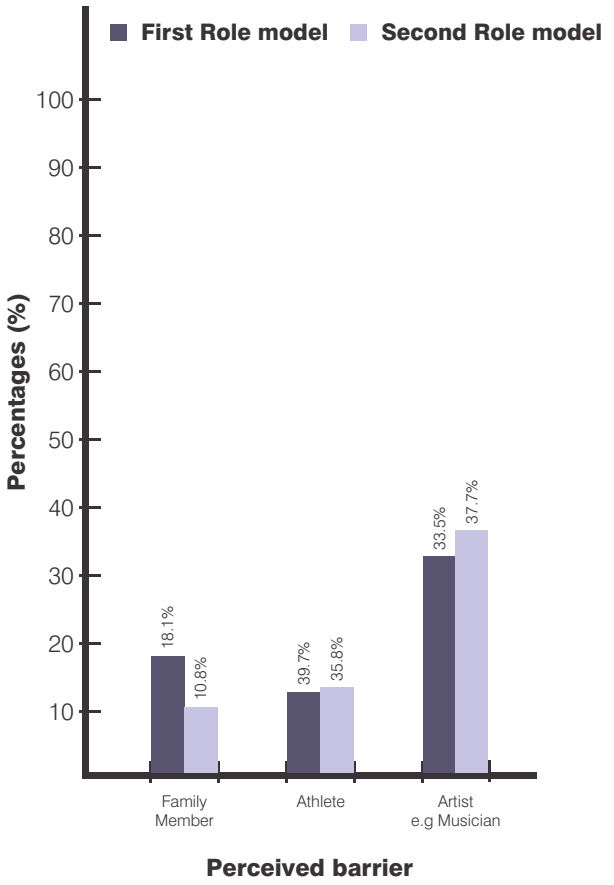


70.3 per cent of respondents have access to the internet. Those who have access to the internet were asked which activities were regularly performed online. High percentages were found for Facebook (76.2 per cent), Twitter (42.5 per cent) and listening to music (38.2 per cent). It is clear that, for many young people, the internet is regarded as a source of social interaction rather than a tool which could be of use in accessing business information or in running a small business. **Given the lack of awareness of and access to government-funded programmes that young entrepreneurs reported above, use of the internet as a business resource should be encouraged amongst the youth.**

Social media sites such as Facebook could also be used constructively as "virtual hubs" where young entrepreneurs and potential entrepreneurs can exchange ideas and gain support and advice.

Respondents were asked whether they had any role models, with 93.2 per cent stating that they had. The respondents were provided with a list of 14 types of role models, which included "entrepreneur". The following table (Table 24) summarises the positions which the most cited role models hold.

Table 24: Role model positions



"Logic will get you from A to B. Imagination will take you everywhere."

- Albert Einstein

Note that, for all role models including artists, the percentages were relatively equal across age groups (i.e. they did not significantly decrease with increasing age).

Respondents were also asked whether they knew any local business owners, with **91.3 per cent stating that they know a local business owner.** Table 25 summarises the types of business known by the respondents – it is interesting to note that the majority are involved in the transport, grocery and manufacturing trades. These are likely to be competitive industries, with low market-entry and skills-base requirements. Therefore those engaging are unlikely to make huge profits. These types of business will be unlikely to appeal to the high percentage of respondents whose main symbols of success are having money in the bank and owning a large house. The entrepreneurial role models within their local context are therefore likely to have a negative effect on the respondents' perception of the desirability of entrepreneurial activity. That the respondents' perception of entrepreneurship is negatively influenced by examples from their immediate community is reinforced by the data in Table 15.

Only 19 per cent of respondents disagreed that young adults who start their own businesses have to work too hard for little money whilst 48.4 per cent agreed or strongly agreed with this perception. Of all the respondents, 59.3 per cent also believed that most young adults who started their own business did so because they could not find a job. This perception positions entrepreneurial activity as a default option rather than as a positive and pro-active career choice.

Table 25: Local business types

Ranking	Local business known to respondent (%)		
First local business owner	Transport: 24.2	Grocery shop: 23.4	Manufacturing: 14.9
Second local business owner	Transport: 23.1	Grocery shop: 22.6	Manufacturing: 17.5

To try to counter the disincentivising effect that some local business owners may have on potential entrepreneurs, Endeavor (2012) suggests identifying a "local hero" entrepreneur who is admired by others and inspires others to start businesses. However, caution must be exercised as South Africa has a culture of celebrating the achievements of successful entrepreneurs without acknowledging the sacrifices that these entrepreneurs have had to make to achieve success, as well as their daily challenges, portraying these success stories as 'overnight successes'. It is important that emphasis is placed on the full journey of a local hero. In reality, the challenges and pressures that entrepreneurs have overcome before reaching success form an integral part of their narratives and often contain the most valuable lessons for aspiring entrepreneurs.

3.4 The entrepreneurs

Of the 750 respondents surveyed, **45 people (6 per cent) are currently owners of a business.**

Table 26: Current entrepreneurs by age

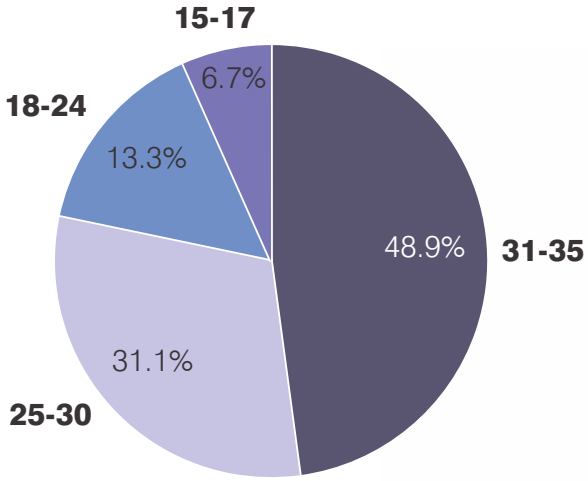


Table 26 shows the breakdown by age, the oldest age group showing the highest number of entrepreneurs. This is consistent with previous findings by GEM Global and GEM South Africa, which show that the prevalence of early-stage entrepreneurial activity tends to be relatively low in the cohort of 18 to 24-year-olds, peaks amongst 25 to 34-year-olds and then declines as age increases. According to Bosma et al. (2008), this reflects the interaction between 'the desire to start a business, which tends to reduce with age, and perceived skills, which tends to increase with age'. According to the GEM data, over the period 2005 to 2010, 18 to 24-year-olds contributed to on average 18 per cent of the early-stage entrepreneurial population whilst 25 to 34-year-olds constituted 30 per cent of the early-stage entrepreneurial population.

Table 27 sorts the current entrepreneurs according to the highest level of education obtained. **The highest percentage (42.2 per cent) of respondents is people who have secondary education** (Grades 8–12). An encouraging 35.6 per cent of respondents have some form of tertiary qualification. According to Orford et al. (2004), higher levels of education are associated with better rates of firm survival and a higher probability that the entrepreneur might be involved in opportunity-motivated entrepreneurial activity.

Table 27: Current entrepreneurs by highest educational level attained

Education	(%)
No education	4.4
Pre-primary education	0
Primary education or first stage of basic education (Grades 1 – 3)	4.4
Lower secondary or second stage of basic education (Grades 4 – 7)	8.9
Upper secondary education (Grades 8 – 12)	42.2
Post-secondary, non-tertiary education	6.7
First stage of tertiary education	8.9
Second stage of tertiary education	8.9
Post tertiary education	11.1

n = 45

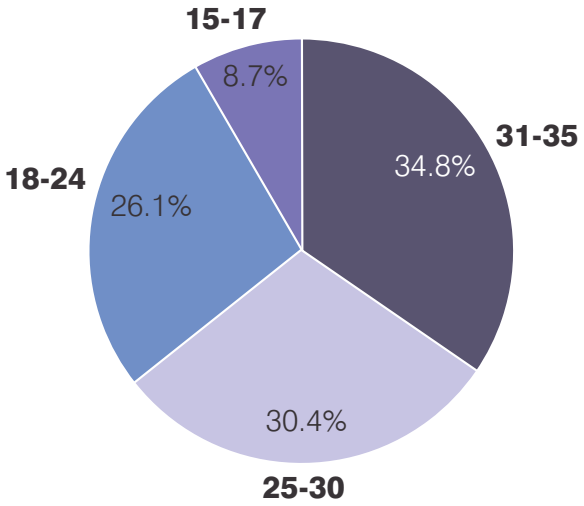
Looking at the gender breakdown, **60 per cent of the entrepreneurs are men.** Considering that 50 per cent of the total respondents are women, this shows that there is a gender equity gap in entrepreneurial activity with a relative higher percentage of men being entrepreneurs. Where ethnic origin is concerned, 77.8 per cent of the current entrepreneurs are Black African, 4.4 per cent are Coloured, and 17.8 per cent are White. GEM research in South Africa has shown a strong association between population group and entrepreneurial activity with Whites and Indians/Asians substantially more likely to start a business than Coloureds or Black Africans. Considering the demographics of the survey sample (where 87.2 per cent of respondents are Black African, 4 per cent Coloured and 8.8 per cent White), Whites display proportionally higher levels of entrepreneurial activity.

Respondents were also asked whether they were currently trying to start a new business.

24 people (3.2 per cent) are trying to start a new business with 23 of the 24 people (3.1 per cent) responding that they had done something in the past twelve months to help start a business (for example, source equipment, look for a location, organise a start-up team, work on a business plan, save money). GEM defines these 23 people as nascent entrepreneurs. However, of these 23 nascent entrepreneurs, 9 are already business owners (current entrepreneurs). Therefore, **the total number of respondents who are either current and/or nascent entrepreneurs is 55 (7.3 per cent).** Krueger (1993) states that prior entrepreneurial experience/exposure has an influence on both the perceived feasibility and the perceived desirability of creating a new venture. Breadth of experience is strongly correlated with perceived feasibility whilst positive experience is strongly correlated with perceived desirability, which may explain why some of the current entrepreneurs are also starting additional businesses.

Table 28 shows the age breakdown of the nascent entrepreneurs, revealing that the highest percentage (34.8 per cent) is from the oldest cohort.

Table 28: Nascent entrepreneurs by age



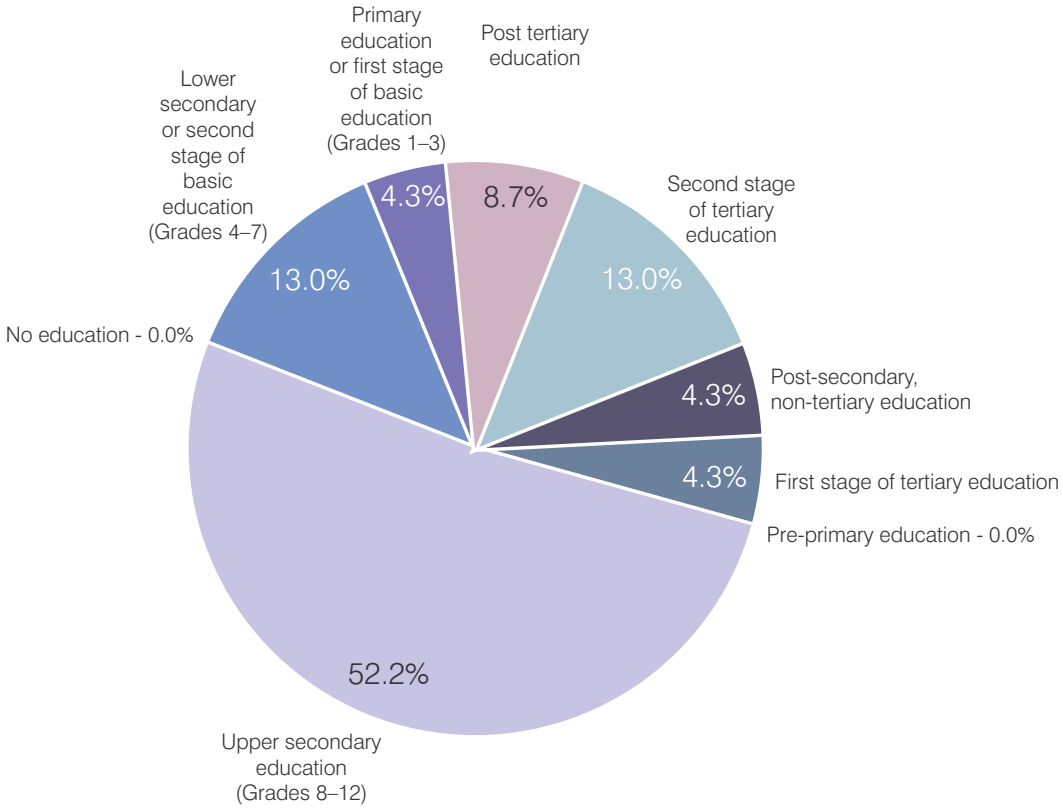
"The function of leadership is to produce more leaders, not more followers."

- Ralph Nader

n=23

With regards to highest level of education (figure 27 below), again by far the highest percentage is from the group with Grades 8–12 (secondary education) at 52.2 percent whilst 30.3 per cent have some form of tertiary training/ education.

Table 29: Nascent entrepreneurs by highest educational level attained



n=23

Looking at sex, the highest percentage of nascent entrepreneurs is female (52.2 per cent). Where ethnic origin is concerned, 87 per cent of the entrepreneurs are Black African and 13 per cent are White. These findings are proportional to the ethnic demographics of the respondents, in particular where Black Africans are concerned.

Current and nascent entrepreneurs were asked whether they had taken a business-studies elective at school. Of the current entrepreneurs, 60.5 per cent had taken the business studies subject at school whilst 73.9 per cent of the nascent entrepreneurs had taken the subject. **There appears to be a strong correlation between individuals choosing entrepreneurship as a career choice and the choice of a business-studies elective at school.** Whereas the correlation is clear, the study did not control for whether those that took business studies already possessed some entrepreneurial predisposition and therefore started a business. The alternative could have been that they had had no entrepreneurial disposition and that it was the business course that had triggered their interest.

Taking into account that the highest percentage of both current and nascent entrepreneurs are from the group with a Grade 8–12 level of education, an analysis was done on this education category to determine the percentage of them that had taken the business-studies elective at school. Encouragingly, 66.7 per cent of the nascent entrepreneurs in this education cohort had taken the subject. Of the current entrepreneurs in this education group, 47.4 per cent had taken the business-studies elective.

Of the current and nascent entrepreneurs, only 12.7 per cent believed that all of their customers would consider their product/service offering to be new and unfamiliar. The remainder believed that none or only some of them would consider it new and unfamiliar. In a similar vein, only 14.5 per cent of the entrepreneurs stated that they had no competitors whilst 4.5 per cent stated that they had some competitors, and 36.4 per cent stated that there were many competitors offering the same product/service as them. Perhaps not surprisingly, when entrepreneurs were asked what their biggest challenge was in running the business, the highest percentage (29.1 per cent) responded that it was high competition, including those in the oldest age cohort.

90.9 per cent of the entrepreneurs stated that they had gone into business to take advantage of a business opportunity.

In terms of employment creation, 74.5 per cent of the entrepreneurs have between 1 and 5 employees working for them. GEM research has consistently shown that the economic contribution of opportunity-motivated firms is higher than the contribution of necessity-driven enterprises. The GEM 2005 Report found that almost a third of necessity firms had no employees and that the mean number of jobs created per firm was 1.6. By contrast, the mean number of employees for opportunity-motivated firms was 4.4.

Only 25.5 per cent of the entrepreneurs are operating from a formal business space, and 67.3 per cent believe that more than half of their business will come from family and friends. This suggests that most of the businesses are likely to be informal in nature.

Entrepreneurs were asked where the majority of the money to start the business came/will come from. The largest group (43.6 per cent) stated that personal savings was the main source, and another 43.6 per cent stated family as the main source of funding. Only 9.1 per cent stated that the funding source was a bank or other financial institution.

Entrepreneurs were asked which people most motivated them to become an entrepreneur (from a list which included family member, friends, teachers/professors, other entrepreneurs, government/civil service, my church/-religious association, no-one and other). Table 30 summarises the findings. It is interesting to note that family members feature very highly and that friends feature consistently whilst those in the education system (teachers/professors) do not feature at all (or the percentage is very low). Other entrepreneurs do not feature as highly as one would hope. However, given the nature of the entrepreneurial role models within the respondents' communities (as discussed earlier), this is not surprising.

"A friendship founded on business is a good deal better than a business founded on friendship."

- John D. Rockefeller

Table 30: Motivators

Which person most motivated you to become an entrepreneur?	Most	2nd most	3rd most
Family member	**72.9**	18.9	
Other entrepreneurs	10.9	13.2	**34**
Friends	9.1	**43.4**	18
No one			16

In a similar vein, of those who indicated that they received advice in creating and managing their business, the highest percentage (37.5 per cent) amongst the respondents as a whole indicated that their most valuable advice was provided by relatives. Those in the oldest cohort received the most valuable advice equally from relatives, teachers, friends and business owners.

72.7 per cent of the entrepreneurs stated that their friends see their business as a respectable career. Disaggregating the responses into age groups shows that the percentage increased from the youngest to the oldest cohorts. Only 50 per cent of the 15–17-year old entrepreneurs stated that their friends see their business as a respectable career whilst 82.6 per cent of the 31–35-year old entrepreneurs reported approval from their friends.

When asked whether there were any entrepreneurs amongst their friends, 50.9 per cent responded in the affirmative. **94.5 per cent of the entrepreneurs stated that their family members see their business as a respectable career.** Only 34.5 per cent of the young entrepreneurs surveyed in the Free State have other entrepreneurs in their family.

90.9 per cent of the entrepreneurs had never made use of a business-support programme for young entrepreneurs. 40 per cent were not aware of such programmes, 32 per cent stated they were living too far away from such programs. Table 31 indicates the three main reasons for this.

Table 31: Reasons for not making use of support programmes

Why have you not made use of any young entrepreneur business support programme? (%)		
Not aware of any support programmes: 40	Too far away: 32	Lack of transparency: 22

Krueger (1993) argues that a better knowledge of the entrepreneurial environment contributes to more realistic perceptions of entrepreneurial activity and helps potential entrepreneurs to identify appropriate role models.

When entrepreneurs were asked what the current state of their business was, **61.8 per cent of entrepreneurs said their business was making enough money to survive but that they expected future growth.**

This level of optimism is encouraging as entrepreneurs will always go through challenging times, and it is important for them not to give up when times are tough. Even more encouraging was the finding that **92.7 per cent of the entrepreneurs believed they will still be in business in 5 years' time.**

**"Expect the best.
Prepare for the worst.
Capitalize on what comes."**

- Zig Ziglar

Chapter 4

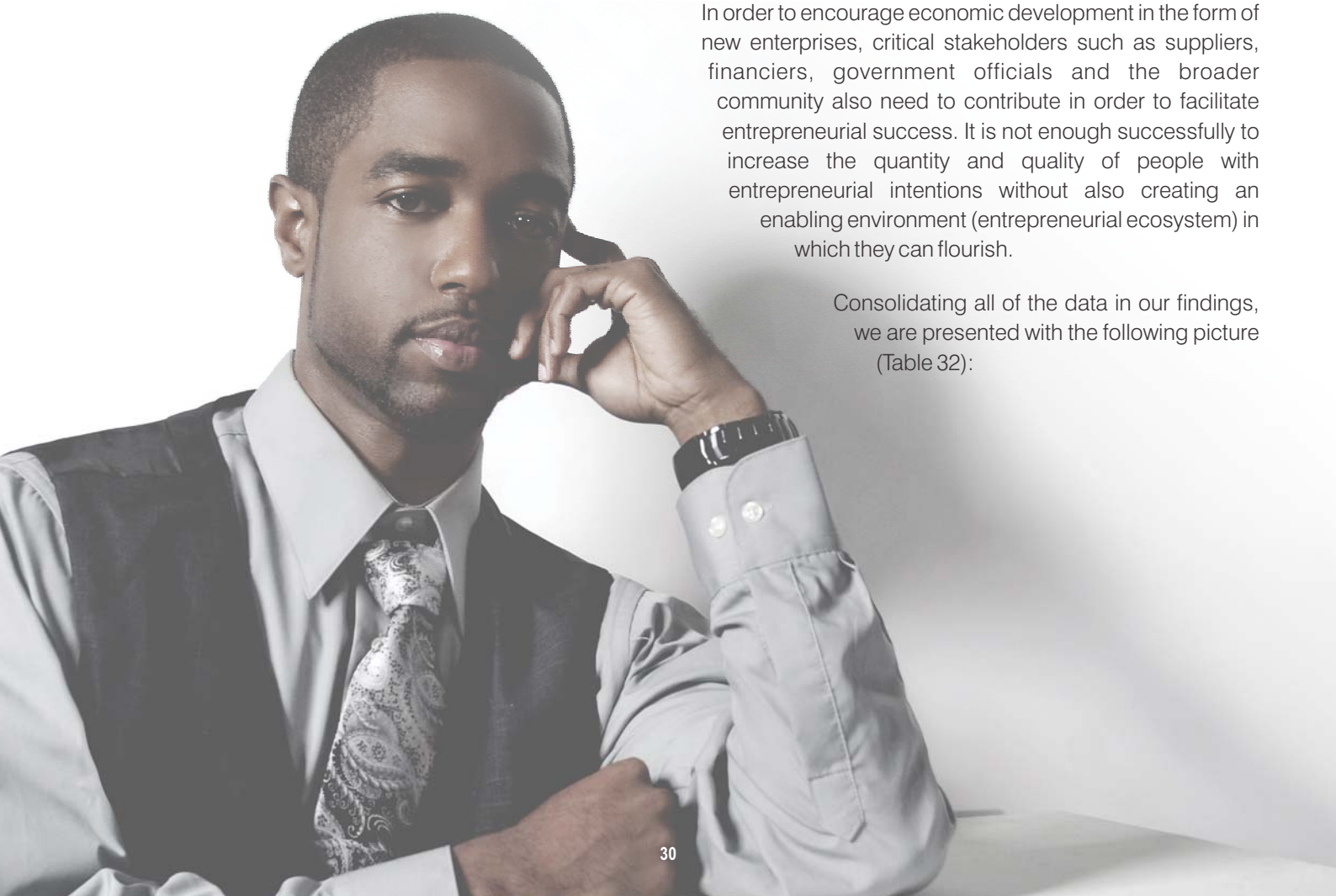
4.1 Discussion and conclusion

As noted previously, GEM research has shown that individuals who are confident that they possess the skills to start a business were 4 to 6 times more likely to engage in entrepreneurial activity whilst those who saw good business opportunities in their area were 3 times more likely to be involved in entrepreneurial activity. Many GEM teams around the world determine the percentage of potential entrepreneurs as those who perceive there to be good opportunities for starting a business in the next 6 to 12 months AND who believe that they have the required skills. This is in line with the widely accepted model of entrepreneurial intentions which states that desirability (individuals' definitions of success, desire for autonomy and independence, desire for remuneration, etc. and the extent to which they perceive entrepreneurial behaviour as being a credible path to achieving these goals) and feasibility (individuals' belief in their ability to perform the required business functions) are key factors, which influence potential entrepreneurs.

If we apply this rationale to this study we find that **22.5 per cent of the surveyed youth can be considered potential entrepreneurs** (those who are both skilled and see opportunities).

Considering that the actual number of entrepreneurs in this survey (current and nascent) is 7.3 per cent, we find a shortfall between actual and potential. Of course, it cannot be assumed that this gap will ever be closed as many of those who perceive good opportunities and/or have the required skills to do so may simply not have a strong desire to become entrepreneurs and/or may find their current situation satisfactory.

Nevertheless, given the fact that there is a gap, it is important to determine whether the environment in which potential entrepreneurs operate is sufficiently enabling to maximise the chances that those with inherent entrepreneurial potential and who see opportunities will make the transition from potential to intentional to actual entrepreneurs. Furthermore, it is believed that interventions in the form of entrepreneurship education and skills-development programmes are important factors that might have a significant impact on entrepreneurial attitudes and aspirations, increasing the pool of potential entrepreneurs. According to the GEM Executive Report 2008, **countries with primarily efficiency-driven economies - such as South Africa - should begin to pay attention to creating positive attitudes towards entrepreneurship in order to develop their economies to the next phase.**



In order to encourage economic development in the form of new enterprises, critical stakeholders such as suppliers, financiers, government officials and the broader community also need to contribute in order to facilitate entrepreneurial success. It is not enough successfully to increase the quantity and quality of people with entrepreneurial intentions without also creating an enabling environment (entrepreneurial ecosystem) in which they can flourish.

Consolidating all of the data in our findings, we are presented with the following picture (Table 32):

Table 32: Summary of findings

Potential entrepreneurs: 22.5%	
Positives	**Negatives**
Personal desirability factors: • Having one's own business seen as most preferred means to earn a living • Business owner features highly in most respected professions • High level of status and respect for entrepreneurs • Fairly high exposure in the media for entrepreneurial success stories • Entrepreneurs' family and friends see their careers as respectable	**Personal desirability factors:** • Perceived barriers: Highest are lack of available funding, financial risk involved, difficulty in getting permits, lack of information on how to start up a business and lack of skills • Belief that most young adults who have started a business did so because they could not find a job • Belief that young entrepreneurs work too hard for too little money • Perceived opportunities are low relative to other efficiency-driven economies with similar economies to SA • Top symbols of success: having money in the bank, owning a large house, saving for the future • Role models are artists, family members and athletes (entrepreneurs did not feature strongly) • Entrepreneurs in local communities appear to be running survivalist-type businesses that would not make much money
Personal feasibility factors: • Belief that they are good at coming up with a business idea	**Personal feasibility factors:** • Belief that becoming an entrepreneur is challenging • Low percentage believe that they have the knowledge, skills and experience required to start a new business • Perceived lack of skills in most business functions • Cohort of 15–17-year-olds believe that they have "little" knowledge concerning procedures to start a business
Social norms: • Belief that women's roles are no longer traditional • Those successful at starting a new business have a high level of status and respect • Regularly see stories in the media about successful new businesses • Family and friends see entrepreneurship as respectable	**Social norms:** • Entrepreneurs were most motivated by family and friends, not other entrepreneurs, to pursue entrepreneurship • Most entrepreneurs get business advice from relatives, not other entrepreneurs
Entrepreneurial climate: • Business-studies option available at secondary school – taken by significant proportion of entrepreneurs in survey	**Entrepreneurial climate:** • Perceived barriers cited the most are lack of funding, financial risk and lack of access to information on how to start a business • Many entrepreneurs (90.9 per cent) never used a support programme for young entrepreneurs • Of the above-mentioned 90.9 per cent, 40 per cent did not use a program because they were not aware of any, with another 32 percent stating that it was because the programmes were too far away
Actual entrepreneurs (current & nascent): 7.3%	

4.2 Recommendations for increasing the entrepreneurial intentions and activity amongst young women and men in the Free State province

In order to increase the pool of young people with entrepreneurial intentions, it is necessary for entrepreneurship to become more desirable as a career choice and to become more feasible to the youth. This requires a strengthened focus in the areas mentioned below.

- **Introduction of entrepreneurship** education as a compulsory subject in primary and secondary schools is important to inculcate a positive attitude towards entrepreneurship and self-employment as a viable future career choice. This is important as formal employment is seen as the career path of choice whilst self-employment is often seen as a last resort.

- Although business studies form part of the secondary-school curriculum as an elective, it is taught neither widely nor effectively enough. This situation must be addressed as participation in a business-studies class was shown to have a positive effect on entrepreneurial attitudes, aspirations and perceptions of feasibility.

- To strengthen this aspect further, **business studies should include a stronger focus on entrepreneurship as a life skill to foster problem-solving skills and self- confidence** that will benefit any young person whether he or she starts a traditional for-profit business, a social enterprise or simply becomes a more desirable employee by having been educated with an enterprising mind-set, skills and attitudes.

- **A "local hero" model could be promoted** at school-level by identifying successful entrepreneurs in local communities who are willing to share their experiences in the classroom. Ideally, local role models with whom learners can identify, in terms of background and demographics, should be sought. Successful female entrepreneurs should be identified in addition to successful male business owners.

- Furthermore, local role models who can provide internships, coaching and mentorship programmes would be valuable so that young potential entrepreneurs can see first-hand how much perseverance is required to start and sustain a business. More importantly, it must always be emphasised that the personal sense of achievement gained from determination and hard work far exceeds the material assets which are gained as a result.

- Organisations and the **media should also ensure that they highlight the tough but rewarding journeys which successful entrepreneurs have followed** so that potential entrepreneurs can learn from the obstacles that these entrepreneurs faced and overcame on their path to success.

- The media, with its tendency to focus on "overnight" success stories and the lavish lifestyles of "tenderpreneurs", should also play a more constructive role in the reality of entrepreneurship, which is not a quick-win overnight but the result of determination and hard work.

- **Training in Information and Communication Technology (ICT) could be incorporated into the secondary-school curriculum.** This should be pursued to educate young people about using the internet as a tool rather than simply a site for social interactions. The Internet, particularly in areas where entrepreneurial role models and mentors are lacking, is a good source of up-to-date information, potential business ideas and exposure to the world of business.

- **Making entrepreneurship a more desirable and feasible choice for young people will only be worthwhile if an entrepreneurial ecosystem is created** in which young people can be supported to develop enterprising mind-sets and entrepreneurial skills and competencies and in which they can ultimately access business support and finance to enable them to both start a business and to flourish as an entrepreneur. To make this a reality, educational institutions, including secondary schools, must start seeing themselves as entrepreneurial academic institutions. They must partner with the both the private sector and local government to create opportunities for youths to practice entrepreneurship from an early age.

- **Consideration should be given to setting up a national mentorship fund** managed by competent and experienced people with a proven track record in small-business support and development. Highly efficient micro-finance structures, where lending institutions are able to manage the risk of default and provide small loans to a number of small-scale entrepreneurs (especially micro and entry-level entrepreneurs), must be established.

- The **provision of finance for start-up businesses must be coupled with continuous mentorship, training and access to support services.** This is an essential step in promoting the sustainability of small businesses as many entrepreneurs in new businesses – particularly the youth – lack the skills and experience required for business growth and survival.

- **Government support programmes and initiatives must effectively target their markets as research has shown that many entrepreneurs are unaware of the programmes available.** Government agencies tend to be concentrated in urban areas and particularly in Gauteng province. As the need for these programmes is often more critical in less-developed provinces, government must ensure that these provinces are not side-lined.

Reference

Awogbenle, A.C.; Iwuamadi, K.C. 2010. "Youth unemployment: Entrepreneurship development programme as an intervention mechanism", in African Journal of Business Management, Vol. 4, No. 6, pp. 831–835.

Azjen, I. 1991. The Theory of Planned Behavior. Organizational behavior and human decision processes , 179–211.

Basu, A.; Virick, M. 2008. Assessing entrepreneurial intentions amongst students: A comparative study (San Jose State University).

Beulens, B.; Izquierdo, E. 2008. Competing models of entrepreneurial intentions: The influence of entrepreneurial self-efficacy and attitudes, paper presented at Internationalizing Entrepreneurship Education and Training Conference, Oxford, Ohio.

Chen, C.C.; Green, P.G.; Crick, A. (n.d.). "Does entrepreneurial self-efficacy distinguish entrepreneurs from managers?", in Journal of Business Venturing, Vol. 13, No. 4, pp. 295–316.

Chigunta, F.; Schnurr, J.; James-Wilson, D.; Torres, V. 2005. Being "real" about youth entrepreneurship in Eastern and Southern Africa – Implications for adults, institutions and sector structures, SEED Working Paper, No. 72, International Labour Organisation.

Christensen, J.D.; Simpson, J. 2009. Youth entrepreneurship & the ILO, (Geneva: Small Enterprise Programme, Job Creation and Enterprise Development Department, International Labour Organisation).

Christensen, J.D.; Rezende, T. 2009. Supporting entrepreneurship education: A report on the global outreach of the ILO's Know About Business Programme, (Geneva, International Labour Office).

Cichello, P. 2005. Hindrances to self-employment activity: Evidence from the 2000 Khayelitsha/Mitchell's Plain Survey, CSSR Workign Paper, No. 131, (Centre for Social Science Research).

Drennan, J.;Saleh, M. 2008. Dynamics of entrepreneurship intentions of MBA Students: An Asian developing country perspective.

Endeavor. 2012. The state of entrepreneurship in South Africa: The key archetypes of an entrepreneurial culture (3rd edn.), White paper: Deliberations and key findings.

Guerrero, M.; Rialp, J.; Urbano, D. 2008. "The impact of desirability and feasibility on entrepreneurial intentions: A structural equation model",in International Entrepreneurship and Management Journal , pp. 35–40.

Herrington, M.;Kew, J.; Kew, P. 2011. Global entrepreneurship monitor (Cape Town, Graduate School of Business, University of Cape Town).

Herrington, M.; Kew, J.; Overmeyer, T.; Maas, B.; Maas, G. 2008. Western Cape status of the youth report (Cape Town:, Graduate School of Business, University of Cape Town).

Herrington, M.; Kew, J.; Simrie, M.; Turton, N. 2011. Global entrepreneurship monitor (Cape Town, Graduate School of Business, University of Cape Town).

International Labour Organization, The youth employment crisis: Time for action, International Labour Conference, 101st session 2012, International Labour Office, Geneva

Kelley, D.; Bosma, N.; Amoros, J.E. 2011. Global entrepreneurship monitor 2010 global report (London Global Entrepreneurship Research Association (GERA)).

Kennedy, J.; Drennan, J.; Renfrow, P.; Watson, B. 2003. Situational factors and entrepreneurial intentions. 16th Annual Conference of Small Enterprise Association of Australia and New Zealand .

Krueger, N.F. 1993. "The impact of prior entrepreneurial exposure on perceptions of new venture feasibility and desirability", in Entrepreneurship Theory and Practice, Vol. 18, No. 1, pp. 5–21.

Krueger, N.F.; Reilly, M.D.; Carsrud, A.L. 2000. "Competing models of business intentions", in Journal of Business Venturing, Vol. 15, No. 5/5, pp. 411–432.

Linan, F.; Rodriguez-Cohard, J.C.; Rueda-Cantuche, J.M. 2005. Factors affecting entrepreneurial intention levels, 45th Congress of the European Regional Science Association, Amsterdam.

Orford, J.; Wood, E.; Herrington, M. 2004. Global entrepreneurship monitor (Cape Town, Graduate School of Business, University of Cape Town).

Shapero, A. 1982. "Social dimensions of entrepreneurship' in C.A. Kent (ed.), The encyclopaedia of entrepreneurship, pp. 72–89. (Englewood Cliffs, NJ: Prentice-Hall).

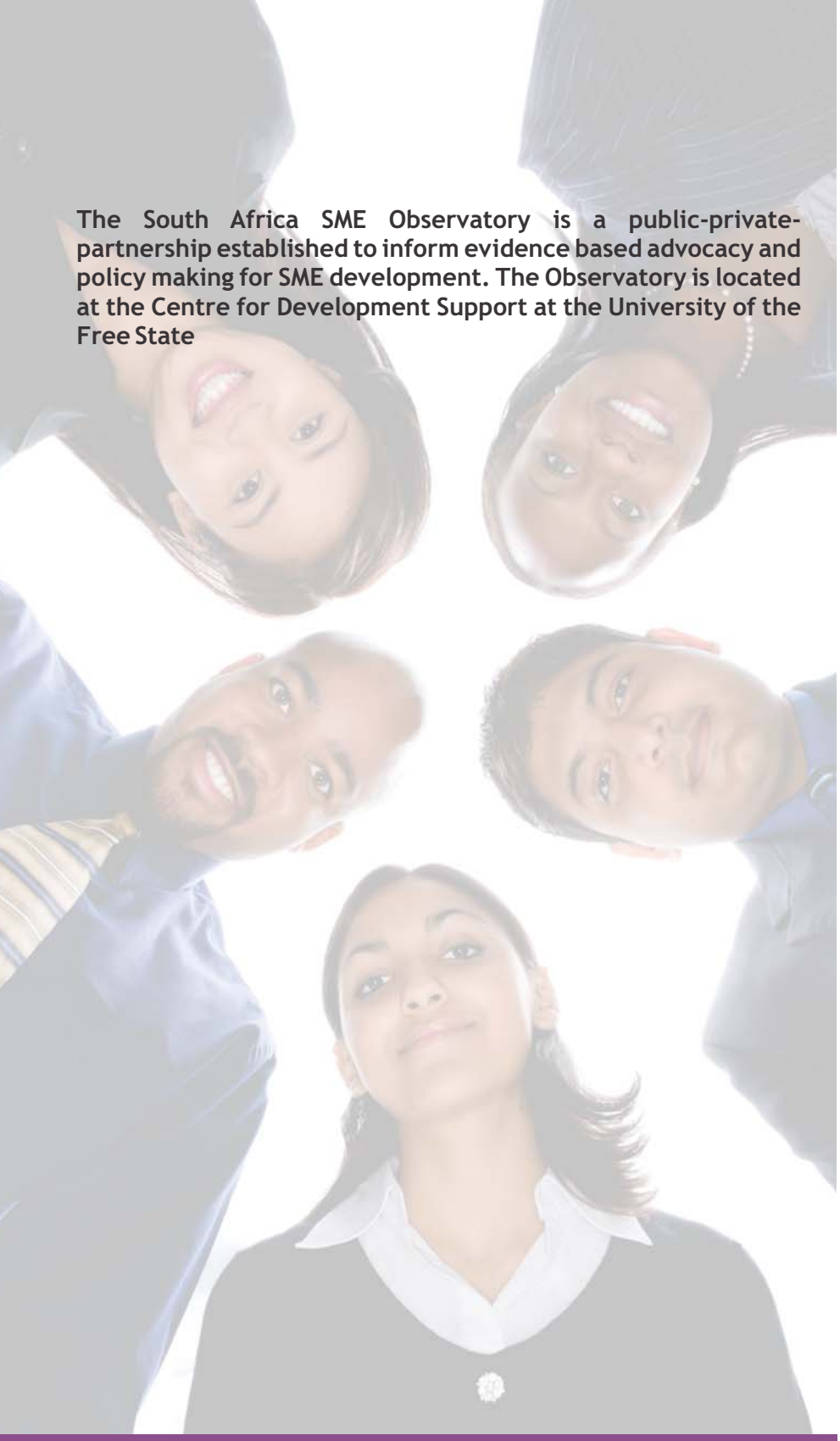
Statistics South Africa. Quarterly Labour Force Survey, Quarter 3 (July to September), 2012, Urban, B.; Van Vuuren, J.J.; Owen, R.H. 2007. "Antecedents to entrepreneurial intentions: Testing for measurement invariance for cultural values, attitudes and self-efficacy beliefs across ethnic groups", in SA Journal of Human Resource Management, Vol. 6, No. 1, pp. 1–9.

World Bank, development and the next generation, World development report 2007, World Bank

World Economic Forum. 2009. Educating the next wave of entrepreneurs - Unlocking entrepreneurial capabilities to meet the global challenges of the 21st century, A report of the Global Education Initiative (Switzerland, World Economic Forum).

Notes

Notes



The South Africa SME Observatory is a public-private-partnership established to inform evidence based advocacy and policy making for SME development. The Observatory is located at the Centre for Development Support at the University of the Free State

fs-sme@ilo.org

The Free State SME Development Initiative is a partnership between the Department for Economic Development, Tourism and Environmental Affairs (Detea) and the International Labour Organization (ILO) and is funded by the Flanders International Cooperation Agency (FICA).

FICA