The influence of environmental and individual factors on the growth intentions of SMMEs in the Free State

by

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ABSTRACT

Growth intentions are the entrepreneur's goals or aspirations for the growth path she or he would like the venture to follow. However, an entrepreneur's intention to grow his or her business is shaped and influenced by two main forces: internal factors, such as an individual's behaviour and attitudes, and the external environment. These two main forces can either facilitate or hinder the growth intentions of SMMEs. Given the importance of growth in SMMEs, it is crucial that entrepreneurs have an intention to grow their businesses. The intention to grow is viewed as a commendable attribute in SMMEs and should therefore be encouraged. Yet, despite the gains of growth to an SMME, some entrepreneurs do not want to grow their businesses, thus defeating the goals of job creation and poverty alleviation in South Africa. Thus, it becomes crucial to investigate the influence of the environment and the influence of the entrepreneur's individual characteristics on the growth intentions of SMMEs.

This research study seeks to investigate the influence of environmental and individual factors on the growth intentions of SMME entrepreneurs in the Free State Province of South Africa. This study was an empirical survey via a quantitative research method. Data were obtained by means of a structured questionnaire distributed to the selected sample within the target population. Data were collected in two municipalities of the Free State: the Mangaung Metro Municipality, and the Thabo Mofutsanyana District Municipality. A purposive and snowball sampling method was used to distribute the questionnaires and 354 entrepreneurs completed the questionnaires. The quantitative data were analysed with IBM SPSS version 25 and SmartPLS version 3.2.8, in line with the objectives of the study. The statistical analyses included descriptive and inferential statistics, as well as partial least-square structural equation modelling (PLS-SEM).

The main findings of the study were that none of the chosen environmental factors influenced growth intentions and only one individual factor – *locus of control* – influenced growth intentions significantly (0.112; p=0.023 [one-tailed]; 95% BBCI [0.023 to 0.207]). In addition, the theory of planned behaviour was found to be a good predictor of the growth intentions of SMME entrepreneurs as its antecedents, namely *attitude towards growth, subjective norms*, and *perceived behavioural control* were all statistically significant and influential towards growth intentions. Furthermore, the main reason why SMME entrepreneurs choose to grow their venture is *excitement* (0.382; p= 0.000 [one-tailed]; 95% BBCI [0.281 to 0.473]); while

the main reasons why they would not want to grow their business was *lack of market demand* (-0.076, p =0.048 [one-tailed]; 95% BBCI [-0.154 to -0.008]), and *not my strategic choice to grow the business* (-0.169, p= 0.001 [one-tailed]; 95% BBCI [-0.261 to -0.087]).

The study concluded that both environmental (*no market demand, subjective norms*) and individual factors (*locus of control, excitement, not my strategic choice, attitude* and *perceived behavioural control*) greatly influence the growth intentions of SMME entrepreneurs in the Free State. It was recommended that the government, state-owned enterprises, policymakers and educational institutions focus on assisting SMME entrepreneurs to access relevant markets via online platforms, preferential procurement and trade fairs. In addition, the government, via the Department of Small Business Development, should educate entrepreneurs about the provincial and national benefits of pursuing growth in their ventures. In summary, this study made vital contributions to the development of SMMEs in the Free State Province.

Keywords: Growth intentions, SMMEs, environmental factor, individual factor, theory of planned behaviour, behavioural reasoning theory, Free State Province and South Africa.

DECLARATION

I, Ekaete Elsie Benedict, declare that the thesis "*The influence of environmental and individual factors on the growth intentions of SMMEs in the Free State"* herewith submitted to the University of the Free State for the degree Philosophiae Doctor Commercii (PhD – Business Management) is my independent and original work. To the best of my knowledge, I have not submitted this thesis before, in part or in full for a qualification at another institution of higher education.

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ATB	Attitude toward the Behaviour
BEE	Black Economic Empowerment
BRT	Behavioural Reasoning Theory
CFA	Confirmatory Factor Analysis
CIPC	Companies and Intellectual Property Commission
CR	Composite Reliability
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
EBSCO	Elton B. Stephens Co.
EEM	Entrepreneurial Event Model
EFC	Entrepreneurial Factor conditions
FS	Free State
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GEM	Global Entrepreneurship Monitor
GI	Growth Intentions
HTMT	Heterotrait-Monotrait Ratio
IBM	International Business Machines
IT	Institutional Theory
MMM	Mangaung Metropolitan Municipality
NES	National Expert Survey
PBC	Perceived Behavioural Control
PLS	Partial Least Square
PPPFA	Preferential Procurement Policy Framework Act
ROA	Return on Assets
ROI	Return on Investments
SEDA	Small Enterprise Development Agency

SADC	Southern African Development Community
SEM	Structural Equation Modelling
SMME	Small, Medium and Micro Enterprise
SN	Subjective Norm
SPSS	Statistical Package for Social Sciences
SOE	State-Owned Enterprise
TMDM	Thabo Mofutsanyane District Municipality
TPB	Theory of Planned Behaviour
TT	Trait Theory
UFS	University of the Free State
VAT	Value Added Tax
WEF	World Economic Forum
4IR	Fourth Industrial Revolution

CHAPTER 1

INTRODUCTION TO THE STUDY

The engine of economic growth is not better inputs, but rather an environment in which entrepreneurial opportunities can be capitalised upon.
(Holcombe, 1998)

1.1 INTRODUCTION

Over the past two decades, scholars and researchers (Holcombe, 1998; Wennekers and Thurik, 1999; Acs and Varga, 2005; Friis, Karlsson and Paulsson, 2006; Valliere and Peterson, 2009, Naudé, 2011) have linked entrepreneurship to the economic growth and development of both developed and developing economies. This has led to the belief among politicians and policy-makers of different countries that entrepreneurship is the answer to their struggling economies and declining economic growth rates (Spencer and Gómez, 2004; Henrekson, 2007; Nystrom and (CESIS), 2008). As a result, different countries, as well as world organisations such as the Organisation for Economic Co-operation and Development [OECD], the European Union, the World Bank and the United Nations, have enacted and established policies and regulations that could encourage the practice of entrepreneurship in their different countries, and worldwide (Minniti, 2008; Naudé, 2011; OECD, 2004, 2018).

The official demise of apartheid in South Africa in the early 1990s subsequently led to the first democratically elected government in 1994. The new government led by the African National Congress [ANC] in line with the economic belief of the early nineties, proceeded to identify entrepreneurship as the medium for reviving an economy that was hindered by international sanctions, and which had legally and systematically prevented certain people from [engaging in] viable economic activities due to their race. As a developing country or an emerging economy (O'Neill, 2012; IMF, 2017) that faces the dual challenges of high rates of unemployment (27.2%) and high levels of poverty (Herrington *et al.*, 2011; StatsSA, 2018), interest in economic growth is of high importance to the South African government. Thus, it set about to enact laws and regulations that could facilitate the establishment of businesses,

especially Small, Medium and Micro Enterprises (SMMEs) by the ordinary citizenry to combat the dual challenges of unemployment and poverty. Moreover, the government has recognised the importance of this segment of business activity, so much so that a Ministry of Small Business Development was established in early 2014.

The establishment of SMMEs by the ordinary citizenry is of utmost importance because the public and private sectors of the country is unable to absorb the current labour force productively.[1] Therefore, it becomes vital for people to consider alternative means of employment such as self-employment or entrepreneurship (Luiz and Mariotti, 2011; Nieuwenhuizen, 2019). However, entrepreneurship does not seem to be a desirable career choice among South Africans. According to Herrington, Kew and Kew. (2010), most South Africans would prefer to be employed rather than start a business, or embark on a career as an entrepreneur. Herrington *et al.* (2010) attribute this mentality to a sense of entitlement and the prevailing belief in the society that it is better to find a job in order to be secure, rather than create one's own employment. As a result, the citizenry expects the government, big businesses or others to create jobs.

Currently, the creation of jobs in South Africa by either the government, private sector or individuals, is proving to be a challenge. Despite the commitment of the national and provincial government to bolster and support the SMME sector, through favourable legislation and financial assistance, SMMEs are not creating as many jobs as was envisaged and are therefore not meeting the nation's unemployment and poverty reduction expectations (Benedict and Venter, 2010). With one of the highest unemployment rates in the world at 27.2% (StatsSA, 2018) the creation and sustainability of SMMEs in South Africa become crucial.

The two main reasons given for the lack of job creation in South Africa are the high failure rate of small businesses and the lack of growth in small businesses (Van Aardt, Van Aardt, Bezuidenhout and Mumba., 2010; Nieman, 2014). Herrington, Kew and Kew. (2015) state that the failure rate of small businesses remains high when compared to the rate of business start-ups and exceeds the rate of established businesses; thus, resulting in a net loss of small business activity and, consequently, a loss in jobs. It is estimated that 60% to 75% of SMMEs fail within three and a half years of their existence (Fatoki and Garwe, 2010; Van Scheers, 2011). When SMMEs fail or do not grow, the economic growth and development of a region can be affected

[1] The labour force comprises all persons who are employed plus all persons who are unemployed (StatsSA, 2018).

negatively (Nieuwenhuizen, 2014). A lack of growth means that the small business remains 'small' and does not employ more people. This 'small' position makes the firm easily susceptible to economic downturns and problems.

Taking the above into consideration, the scope of this study will focus on the lack of growth in SMMEs. The study would explore what factors cause SMMEs not to grow and how the adverse effects of those factors can be mitigated. Gupta, Guha and Krisnaswami (2013) state that there is a lack of literature on factors that influence and determine the growth of SMMEs and encourage scholars and researchers to explore this aspect of SMME development.

Over the years, researchers (Fogel, Hawk, Morck and Yeung 2006; Nieman, 2014; Swanepoel, 2014) have identified some factors that contribute to the lack of growth in SMMEs. Notable among these factors are the external business environment in which the business operates in, and the individual characteristics of the entrepreneur. The external business environment consists of the economic environment, the political and legal systems, financial systems and institutions (Fogel *et al.,* 2006). Fogel *et al.* (2006) state that the possibility of an individual becoming an entrepreneur would depend on the economic environment, he/she, finds himself/herself in. They explain that this economic environment can either facilitate the prospect of becoming an entrepreneur or impede the prospect of becoming an entrepreneur. Several factors determine the nature of any economic environment. These factors include rules and regulations, the quality of government, the availability of education, and the ambient culture. These factors are what North (1990) and Scott (2001) term 'institutional environmental factors'. This point of view is supported by Shane, Locke and Collins (2003), who declare that the nature and quality of institutions in a country will determine whether or not individuals will pursue entrepreneurial activities. Furthermore, the environment in which a business operates (for example its social setting, formal or informal structure of the business, country origin and its culture) does affect not only the establishment of the business but also the growth of the business (Gupta *et al.,* 2013).

Many barriers hamper the growth of SMMEs. Gupta *et al*. (2013) state that these barriers can be of two main types, namely institutional and financial barriers. They explain institutional barriers to include the SMMEs' interaction with government, taxation, government support and issues related to legalising the business, while financial barriers refer to the lack of financial resources that SMMEs may need. Furthermore, institutional environmental factors have been blamed for South Africa's low levels of entrepreneurial activity. Institutional environmental

factors include regulative (government policies, law and regulations); normative (values, norms and cultural beliefs); and cognitive (education) elements (Scott, 2001; Sine and David, 2010). According to Herrington and Kew (2018), the main inhibitors of entrepreneurial activities in South Africa are collectively institutional factors. To determine these factors, an assessment of South Africa's entrepreneurial environment was conducted via the National Expert Survey (NES) for the Global Entrepreneurship Monitor (GEM) Report 2017/18. The NES consist of 36 key experts or informants in a particular country. These experts were asked to assess the entrepreneurship ecosystem of their country by expressing their views on twelve important factors which can either encourage or hamper entrepreneurial development and activity in their country.

Table 1.1: Summary of experts' assessment of the entrepreneurial environment

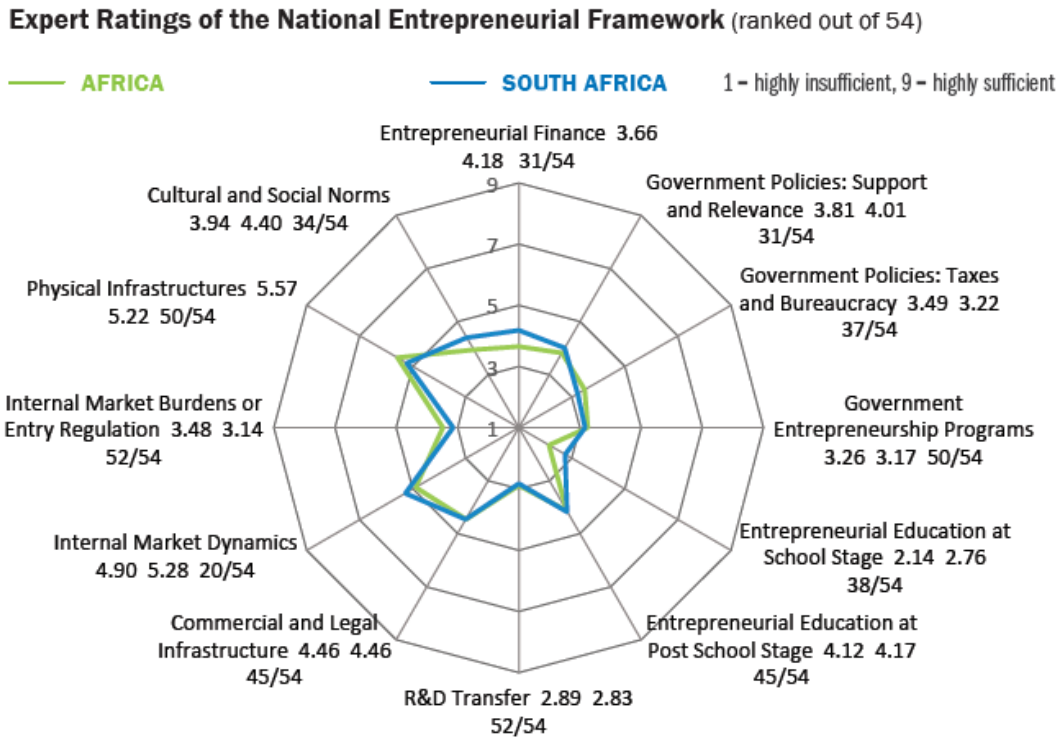
Entrepreneurial Factor Conditions (EFC)	**Weighted average score 2017**	**Efficiency-driven economies (average) 2017**
Internal market dynamics	5.3	5.1
Access to physical infrastructure & services	5.2	6.3
Access to professional & commercial infrastructure	4.5	4.7
Cultural and social norms	4.4	4.6
Financial environment and support	4.2	4.1
Entrepreneurship education: Vocational, professional & tertiary-level entrepreneurship education	4.2	4.8
Concrete government policies: entrepreneurship priority & support	4.0	4.0
Government policies: taxes, bureaucracy	**3.2**	3.5
Government entrepreneurship programmes	**3.2**	4.0
Internal market burdens	**3.1**	4.0
Entrepreneurship education: primary & secondary level	**2.8**	3.0
Research and development transfer	**2.8**	3.6

Source: adapted from Herrington and Kew (2018). Global Entrepreneurship Monitor, South Africa Report 2017/18, p. 41.

To assess the Entrepreneurial Factor Conditions (EFCs), the NES experts were interviewed using both semi-structured and structured questionnaires. The result of the assessment is summarised in Table 1.1 above. The table is structured according to descending weighted averages – from the highest score to the lowest score. Entrepreneurial factors about which the

experts feel more positive about receive high scores, while factors that the experts feel negative about receive low scores. Using a Likert scale of one to nine, a score of one is regarded as highly insufficient, while a score of nine is regarded as highly sufficient. As a result, a mean score of 4.5 is regarded as the average score. The assessment revealed that the most negative reviews cluster around the areas of research and development transfer, government entrepreneurship programmes, primary and secondary level entrepreneurship education, and government policies. These EFCs received less than average scores from the experts. In addition, the assessment also revealed that these lowly scored EFCs are not peculiar to South Africa. Efficiency-driven countries in the survey on average also scored less than 4.5, though slightly higher than South Africa.

Figure 1.1: Expert ratings of the National Entrepreneurial Framework



Source: Singer, Herrington and Menipaz (eds.) (2018). Global Entrepreneurship Monitor, Global Report 2017/18, p. 90.

Figure 1.1 above illustrates the experts' ratings of South Africa's national entrepreneurial environment and ecosystem compared to other GEM countries. In summary, the experts regard South Africa's entrepreneurial environment to be mediocre or average, but not significantly

worse off when compared to other efficiency-driven countries or all the 54 countries that participate in the GEM survey (Herrington and Kew, 2018).

Therefore, to increase South Africa's entrepreneurship levels, researchers (Simrie, Herrington, Kew and Turton, 2011; Herrington and Kew, 2018; Nieuwenhuizen, 2019) suggests the creation of an institutional environment and a stable politico-legal environment that is conducive to encourage high growth business ventures. Furthermore, they explain that for the government to stimulate economic growth through entrepreneurship, it must provide the right combination of policies and incentives, as well as reliable infrastructure to attract individuals to become entrepreneurs.

Thus, one of the objectives of this study is to assess the influence of the external environment factors on the growth intentions of SMMEs in the Free State Province in order to contribute to the knowledge base of entrepreneurship in an emerging economy and to contribute to the development of growth intentions and capabilities in SMMEs.

1.2 THEORETICAL BACKGROUND

The field of entrepreneurship has been studied in diverse disciplines ranging from social anthropology to organisational theory and mathematical economics. The focus areas of these studies have likewise been varied, including personality, opportunity, motivation, environment, organisation, coordination, policy and finance (Henrekson, 2007). In the twentieth century, research on the question of why people choose to engage in entrepreneurship had been based predominantly on the disciplines of psychology and sociology (Douglas and Shepherd, 2002). This led to entrepreneurship research in the 1970s and 1980s to focus on the characteristics of the entrepreneur, and the attempts to explain entrepreneurship through the psychological traits and personality profiles of the entrepreneur, as well as motivational theories and processes (Segal, Borgia and Schoenfeld, 2005; Veciana and Urbano, 2008). As at the time, these research studies often ignored or did not consider the role of the environment in the entrepreneurial process (Sine and David, 2010).

The theoretical foundation for this study is based on four behavioural theories. The first is one of the most common psychological concepts used to explain why individuals would choose to engage in entrepreneurship – the theory of planned behaviour (TPB) (Ajzen, 1991; Yang, 2013;

Kautonen, Van Gelderen and Fink, 2015). Icek Ajzen proposed the theory of planned behaviour in the mid-1980s. The theory assumes that *intention* is a significant predictor of behaviour. Also, it further assumes that behavioural intention is a function of attitude towards the behaviour, subjective norms, and perceived behavioural control (Ajzen, 1991). Since Ajzen's proposition, researchers and scholars have used the TPB to predict entrepreneurial intentions such as the intention to start a business or the intention to grow a business (Pistrui, 2002; Wiklund and Shepherd, 2003; Kolvereid and Isaksen, 2006; Yang, 2013). The growth of SMMEs is important, because SMMEs that expand their operations may create more jobs and contribute to the economic growth of an area (Fatoki and Garwe, 2010; Nieman and Struwig, 2019). Moreover, the growth of a firm is usually regarded as a measure of entrepreneurial success, and a vital element that contributes to the survival of the business and as such is a commendable goal to be pursued by business firms (Manolova, Brush, Edelman and Shaver, 2012). Thus, another objective of this study is to assess the influence of individual factors (as possessed by the entrepreneur) on the growth intention of SMMEs in the Free State.

As entrepreneurship evolved, the environment in which it is practised became more complicated due to increasing globalisation and economic instability. Thus, the focus areas of entrepreneurship research shifted again. The early 1990s saw the rise of the use of economics, political science, anthropology and the management disciplines to explain the phenomena of entrepreneurship. As a result, research focus areas became the environments in which business takes place in and subsequently, the institutions that control how business is conducted in those environments. This development led to the adoption of the institutional approach in entrepreneurship research; thus, the second theory upon which this study is built is the institutional theory (IT).

The Institutional theory is a social behavioural theory which argues that the role of the environment is of crucial importance in the decision of an individual to create a company or start a business (Veciana and Urbano, 2008; Alvarez, Urbano, Coduras and Ruiz-Navarro, 2011). This is because the environment shapes the economy of any country and thus, affects the dynamics of entrepreneurship within that country. Furthermore, the environment is marked by interdependencies between economic development and institutions that affect other characteristics, such as quality of governance, access to capital and other resources, and the perceptions of entrepreneurs (Acs, Desai and Hessels, 2008). In addition, Arasti, Pasvishe and Motavaseli (2012) state that the environment is a crucial element in entrepreneurship and that

the intentions of an entrepreneur are affected by events that occur in the environment. They further explain that the events occurring in the environment could either facilitate or impede the intentions of the entrepreneur.

Another factor that could encourage or discourage entrepreneurs' intentions to grow their businesses is 'personal choice.' Nieman (2014) reports that some entrepreneurs simply choose not to grow their business, as they perceive the intention to grow too risky. Such entrepreneurs think that growth will yield negative outcomes for their business. There are two perspectives to the concept of 'personal choice'. Firstly, there is the individual characteristic or trait perspective and secondly, there is a reasoning perspective. According to some researchers (Lau and Busenitz, 2001; Welter, 2001; Zhou and De Wit, 2009; Širec and Močnik, 2010), personality traits or individual characteristics of entrepreneurs will determine whether they would choose to grow their business. These individual characteristics include the entrepreneur's attitude towards risk, need for achievement, locus of control and sense of confidence (self-efficacy) that he/she can implement growth strategies in the business. Therefore, the trait theory (TT) is the third theory upon which this study is based.

Other researchers such as Westaby (2005) state that there are many 'reasons' why some entrepreneurs would choose not to grow their businesses. These reasons influence the attitudes, behaviour and intentions of the entrepreneur. Thus, the fourth theory upon which this study is based on is the behavioural reasoning theory (BRT), which hypothesises that reasons influence attitudes, behaviours and intentions, because they serve as a basis through which individuals rationalise and justify their actions (Westaby, 2005; Gupta and Arora, 2017).

Given the above discussion, the theoretical framework of this study will encompass the four theories, namely the theory of planned behaviour (TPB), institutional theory (IT), trait theory (TT) and the behavioural reasoning theory (BRT).

1.3 PROBLEM STATEMENT

Presently in South Africa, the public and private sectors of the economy cannot absorb the current labour force productively; hence the need for individuals to explore alternative means of employment such as self-employment or entrepreneurship. Since 1994, the government has bolstered and supported the SMME sector so that it can grow and create employment for the

citizens. Unfortunately, SMMEs do not create as many jobs as was expected and therefore does not solve the country's high rate of unemployment (Benedict and Venter, 2010), which currently stands at 27.2% (StatsSA, 2018). The two main reasons given for the inability of SMMEs to create more job opportunities are firstly, the high rate of failure among small businesses, and secondly, the lack of growth in small businesses (Nieman, 2014; Herrington *et al.*, 2015).

For this study, the focus was on the lack of growth in SMMEs. This is because a lack of growth means that the small business remains 'small' and does not employ more people, and this 'small' position makes the firm easily susceptible to economic downturns and problems and may eventually lead to the failure of the business. The growth of SMMEs is essential, because it may increase the sustainability and survival rate of the business as well as create more jobs and contribute to the economic development of a region (Capelleras and Hoxha, 2010; Fatoki and Garwe, 2010).

Given the importance of growth in SMMEs, it is crucial that entrepreneurs have an intention to grow their businesses, as well as an intention to increase their sales, market share, number of employees and number of assets. The intention to grow is viewed as a commendable attribute in SMMEs and should therefore be encouraged (Manolova *et al.*, 2012). According to Dutta and Thornhill (2008), growth intentions are "the entrepreneur's goals or aspirations for the growth trajectory she or he would like the venture to follow". However, an entrepreneur's intention to grow his or her business is shaped and influenced by two main forces: internal factors, such as an individual's behaviour and attitudes, and the external environment (Liao, Welsch and Pistrui, 2001). Thus, it becomes crucial to investigate the influence of the environment and the influence of the entrepreneur's individual characteristics on the growth intentions of SMMEs.

1.4 PURPOSE OF THE STUDY

Given the background of the study and the problem statement, the main purpose of this study was to assess the influence of the environmental and individual factors on the growth intentions of SMMEs in the Free State Province of South Africa.

1.5 AIM AND OBJECTIVES

In order to contribute to the knowledge base of entrepreneurship in an emerging economy, and to contribute to the development of growth intentions, the primary, theoretical and empirical objectives of the study were as follows:

1.5.1 Primary objective

The primary objective of this study was to assess the influence of the environmental factors and the individual factors on the growth intentions of SMME entrepreneurs in the Free State.

1.5.2 Secondary Objectives

In order to achieve the primary objective, the following secondary objectives were envisaged:

Theoretical objectives

- To review theoretical concepts on the theory of planned behaviour, behavioural reasoning theory, institutional theory and trait theory.
- To examine the literature on business environmental factors and individual factors that could influence the growth intentions of entrepreneurs.

Empirical objectives

- To assess the validity of using the theory of planned behaviour to predict the growth intentions of SMME entrepreneurs in the Free State.
- To identify the reason(s) that influence SMME entrepreneurs' attitude towards growth.
- To identify the reason(s) that would influence SMME entrepreneurs' attitude against growth.
- To assess the influence of environmental factors on SMME entrepreneurs' attitude towards growth intentions.
- To assess the influence of individual factors on SMME entrepreneurs' attitude towards growth intentions.
- To offer recommendations regarding the growth intentions of SMMEs in an emerging economy, such as South Africa.

1.6 HYPOTHESES

The following hypotheses were tested to achieve the aim of the study. Each hypothesis is linked to the theories upon which the study is based. The hypotheses were as follows:

1.6.1 The theory of planned behaviour (TPB)

The antecedents of the TPB were hypothesised to have a significant positive influence on growth intentions. Thus:

$H0_1$: *Attitude towards growth influences growth intentions negatively*

Ha_1: *Attitude towards growth influences growth intentions positively*

$H0_2$: *Subjective norms influence growth intentions negatively*

Ha_2: *Subjective norms influence growth intentions positively*

$H0_3$: *Perceived behavioural control influences growth intentions negatively*

Ha_3: *Perceived behavioural control influences growth intentions positively*

1.6.2 Behavioural reasoning theory (BRT)

The factors related to the BRT were separated into two categories, namely, reasons for growth and reasons against growth.

The BRT factors related to reasons for growth were hypothesised to have a significant positive influence on attitude towards growth. Thus:

$H0_4$: *Excitement influences attitude towards growth negatively*

Ha_4: *Excitement influences attitude towards growth positively*

$H0_5$: *Increased earnings influence attitude towards growth negatively*

Ha_5: *Increased earnings influence attitude towards growth positively*

$H0_6$: *Increased competitiveness influences attitude towards growth negatively*

Ha_6: *Increased competitiveness influences attitude towards growth positively*

$H0_7$: *Improved customer service influences attitude towards growth negatively*

Ha_7: *Improved customer service influences attitude towards growth positively*

$H0_8$: *Following a strategic choice to grow influences attitude towards growth negatively*

Ha_8: *Following a strategic choice to grow influences attitude towards growth positively*

$H0_9$: *Exploiting vacant capacity influences attitude towards growth negatively*

Ha_9: *Exploiting vacant capacity influences attitude towards growth positively*

The BRT factors associated with reasons against growth were hypothesised to have a negative effect on attitude towards growth. Thus:

$H0_{10}$: *Too much work and effort influence attitude towards growth positively*

Ha_{10}: *Too much work and effort influence attitude towards growth negatively*

$H0_{11}$: *Not a strategic choice to grow influences attitude towards growth positively*

Ha_{11}: *Not a strategic choice to grow influences attitude towards growth negatively*

$H0_{12}$: *Lack of resources influences attitude towards growth positively*

Ha_{12}: *Lack of resources influences attitude towards growth negatively*

$H0_{13}$: *Lack of self-efficacy influences attitude towards growth positively*

Ha_{13}: *Lack of self-efficacy influences attitude towards growth negatively*

$H0_{14}$: *No market demand influences attitude towards growth positively*

Ha_{14}: *No market demand influences attitude towards growth negatively*

1.6.3 Institutional Theory (IT)

The factors of the institutional environment were hypothesised to have a significant negative influence on attitude towards growth. Thus:

H0$_{15}$: *Tax requirements influence attitude towards growth positively*

Ha$_{15}$: *Tax requirements influence attitude towards growth negatively*

H0$_{16}$: *Labour laws influence attitude towards growth positively*

Ha$_{16}$: *Labour laws influence attitude towards growth negatively*

H0$_{17}$: *Lack of adequate infrastructure influences attitude towards growth positively*

Ha$_{17}$: *Lack of adequate infrastructure influences attitude towards growth negatively*

H0$_{18}$: *Difficulty in accessing finance influences attitude towards growth positively*

Ha$_{18}$: *Difficulty in accessing finance influences attitude towards growth negatively*

H0$_{19}$: *Corruption influences attitude towards growth positively*

Ha$_{19}$: *Corruption influences attitude towards growth negatively*

1.6.4 Trait theory or Individual Characteristics (TT)

The individual characteristics linked to the Trait theory were hypothesised to have a positive influence on growth intentions. Thus:

H0$_{20}$: *Need for achievement influences growth intentions negatively*

Ha$_{20}$: *Need for achievement influences growth intentions positively*

H0$_{21}$: *Risk-taking propensity influences growth intentions negatively*

Ha$_{21}$: *Risk-taking propensity influences growth intentions positively*

H0$_{22}$: *Need for autonomy influences growth intentions negatively*

Ha$_{22}$: *Need for autonomy influences growth intentions positively*

H0$_{23}$: *Locus of control influences growth intentions negatively*

Ha$_{23}$: *Locus of control influences growth intentions positively*

1.7 RESEARCH METHODOLOGY

The research methodology of the study was divided into two phases. The first phase dealt with the theoretical aspect of the study via a literature review, while the second phase focused on the empirical aspect of the study.

1.7.1 Phase one: Literature review

The main aim of this study was to investigate the influence of environmental and individual factors on the growth intentions of SMMEs. To accomplish this aim, a theoretical foundation for the study was conducted via a literature review to gain a better understanding of the factors that affect growth intentions. The literature review consists of three chapters. The first literature chapter examined the theoretical foundation of the study and its relationship to entrepreneurship. The second literature chapter provided an overview of the environmental and individual factors that affect the growth intentions of entrepreneurs. The last literature chapter discussed the conceptual model of the study. Furthermore, the literature study made use of secondary data sources, such as local and international peer-reviewed articles in academic journals, conference proceedings, business and entrepreneurship textbooks, research documents, unpublished dissertations and Acts of Parliament. In addition, literature was also obtained through reputable Internet databases such as Google Scholar, Emerald and EBSCO Host.

1.7.2 Phase two: Empirical Study

The empirical study was undertaken by demarcating the research design, population, sampling technique, data collection method and data analysis. The research study was a survey, which required the collection of data on the environmental and individual factors that influence the growth intentions of SMMEs in the Free State Province. The empirical research was conducted via self-administered and fieldworker-assisted questionnaires to entrepreneurs in two district municipalities of the Free State.

- **Research Design**

The composition of the empirical study was quantitative by nature. Quantitative research is research that places heavy emphasis on using formalised standard questions and predetermined response options in questionnaires or surveys administered to large numbers of respondents (Hair, Bush and Ortinau, 2000). As a quantitative study, the research involved the use of questionnaires, numerical measurements and statistical analyses of measurements to examine the social phenomena being investigated (Hair, Bush and Ortinau, 2000; Lancaster, 2005). Thus, the empirical research was conducted through self-administered or fieldworker-assisted questionnaires to SMME entrepreneurs in the Free State Province.

- **Pre-test**

A pre-test was conducted to ensure that the data collection instrument and the data analysis procedures chosen would help to achieve the research objectives. This was necessary to detect weaknesses and errors in the design of the questionnaire, as well as identify areas that may require revision and correction. The questionnaire was pre-tested among a sample of ten SMME entrepreneurs. Problematic items that were misunderstood by the respondents or confused respondents were eliminated or restructured (Blumberg, Cooper and Schindler, 2011).

- **Population**

The nature of this study warranted the use of a target population. According to Sekaran and Bougie (2016) population or target population ‘refers to the entire group of people, companies, respondents, events or things of interest that the researcher wishes to investigate by making inferences’. Thus, the target and study population comprised all SMME entrepreneurs in two municipalities of the Free State Province, namely the Mangaung Metropolitan Municipality (MMM), which comprises Bloemfontein, Botshabelo and Thaba Nchu, and the Thabo

Mofutsanyane District Municipality (TMDM), which comprises the towns of Bethlehem, Harrismith, Kestell and Qwaqwa in the eastern part of the province. These two regions of the Free State Province were chosen due to the convenience of their location to the two campuses of the University of the Free State (UFS), as well as the strategic importance of the two regions (see further discussion in Chapter 5).

- **Sampling technique**

The determination of an appropriate sample size depends on the study population. A sample is a subset or subgroup of the population from which a researcher can draw conclusions that can be generalised to the population of interest (Sekaran and Bougie, 2016). According to the Small Enterprise Development Agency, there are 114 584 registered SMMEs in the Free State Province (SEDA, 2018). The size of this population suggests that the determination of a sample size would be appropriate. A sample size of 538 was recommended for the study by the Raosoft sample size calculator (Roasoft Inc., 2004) (see further discussion in Chapter 5).

- **Data Collection Method**

This study utilised primary data collection techniques using self-administered or fieldworker-assisted questionnaires. Questionnaires (in hardcopy format) were distributed to entrepreneurs at their business premises. They could complete the questionnaire on their own or be assisted by a fieldworker, if necessary, who asked them the questions in the questionnaire and recorded the entrepreneurs' answers. The 'drop-and-pick-up-later' strategy was used. Thus, ample time was allocated for the completion of the questionnaires, whereupon they were collected from the premises of the entrepreneur at a set date. In the case of fieldworker-assisted questionnaires, the collection was immediate upon completion of the questionnaire. In total, 700 questionnaires were issued; 411 were returned, but only 354 questionnaires were considered for analysis because they were completed correctly. Therefore, the total response rate of the questionnaires was 50.5%. Moreover, the valid questionnaires represented 65.7% of the required sample size.

- **Data Analysis**

Data from the questionnaires were computer processed and statistically analysed using the IBM Statistical Package of Social Sciences (SPSS) 25. Answers to questions that refer to the demographic profiles of the respondents were usually categorical variables and continuous variables. Categorical variables were analysed using descriptive statistics such as frequencies and cross-tabulations, while continuous variables were analysed by other forms of descriptive statistics such as means and standard deviations (Pallant, 2010).

Since growth intention and attitude are not directly observable variables, the empirical analysis for the measurement of this variable was based on structural equation models (SEM) (Fisher, Maritz and Lobo, 2014). This modelling technique allows the incorporation of variables not directly observable (latent variables or constructs) into a research model (Kline, 2011). To test the research model, a variance-based SEM technique of partial least squares (PLS) was utilised via the SmartPLS version 3.2.8. The PLS-SEM is usually used to analyse interaction effects between latent variables (Henseler and Chin, 2010), which will be suitable for this study, as it will attempt to measure the effects of the environmental and individual characteristics on the growth intentions of SMME entrepreneurs.

1.8 ANALYSIS AND CLARIFICATION OF OPERATIONAL CONCEPTS

For this study, the following definitions of concepts were used to enable better understanding, evaluation and analysis of the topic.

1.8.1 Entrepreneur

An entrepreneur is described as "a person who relentlessly pursues an opportunity, in either a new or an existing business, to create value while assuming both the risk and reward for his or her efforts" (Longenecker, Petty, Palich, Hoy, Radipere and Phillips 2017). Scarborough and Cornwall (2016) define an entrepreneur to be a person "who creates new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them".

1.8.2 Entrepreneurship

According to Nieuwenhuizen (2019), "entrepreneurship is the emergence and growth of new businesses to make profits". It can also be described as "the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market – creating value for themselves and society".

1.8.3 Entrepreneurial venture

Wickham (2016) defines an entrepreneurial venture as a business whose principal objectives are profitability and growth. Three characteristics differentiate the entrepreneurial venture from the small business, namely innovation, the potential for growth, and strategic objectives. Due to these three characteristics, entrepreneurial ventures are more likely to create employment than small businesses (Nieuwenhuizen, 2019).

1.8.4 Environmental factors

Environmental factors are factors in the external business environment that could affect the survival and growth capabilities of the small business (Liao *et al.*, 2001; Welter, 2001).

1.8.5 Growth

Growth refers to an expansion or increase in size, number, sales, resources, employment or operations in an entity or organisation (Brush, Ceru and Blackburn 2009; Wickham, 2016; Nieman and Struwig, 2019). The increase can be financial, strategic, structural or organisational (Wickham, 2016).

1.8.6 Growth intention

Growth intention is defined as the "entrepreneur's goals or aspirations for the growth trajectory she or he would like the venture to follow "(Dutta and Thornhill, 2008). It also refers to "a state of mind directing a person's attention, experience and behaviour towards a specific object or method of behaving" (Bird, 1992).

1.8.7 Individual factors

Individual factors refer to the personality traits and individual characteristics entrepreneurs are expected to possess in order to succeed in their entrepreneurial endeavours (Botha, 2019).

1.8.8 Small business/ enterprise

The *South African National Small Enterprise Act, Revised Schedule 1 of 2019* defines a small business or enterprise as " a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy…and classified as a [very

small] micro, a small or a medium enterprise…" (NSEA, 2019). In addition, a small business can be defined as "a business with growth potential that is small compared to large organisations in an industry, has geographically localised operations, is financed by only a few individuals, and has a small management team" (Longenecker *et al.*, 2017).

1.8.9 Small business owner/manager

A small business owner or manager is an individual who "establishes and manages their businesses for the principal purpose of furthering personal goals and ensuring security". Other times, the small business manager is the individual who runs the small business on behalf of the owners (Nieuwenhuizen, 2019).

1.8.10 Small, medium and micro enterprises (SMMEs)

SMME is an abbreviation that stands for Small, Medium and Microenterprise. In South Africa, this includes business firms, small businesses, companies or entrepreneurial ventures whose total annual turnover is less than or equal to R220 million and who employ a maximum of two hundred and fifty people (NSEA, 2019).

Therefore, for the purpose of this study, a distinction would not be made between an entrepreneurial venture and a small business, since they can all be categorised as SMMEs. Also, the entrepreneur who starts the entrepreneurial venture and the small business owner/manager who owns or manages the small business would also not be differentiated. These terms may be used interchangeably in the study. This is because most entrepreneurial ventures are small-sized businesses.

1.9 LAYOUT OF THE STUDY

This study consists of seven chapters, excluding the list of references and appendices. The chapters comprise a literature review, empirical analysis, and the conclusion section of the study. The chapters were structured as follows:

Table 1.2: Layout of the Study

CHAPTERS	TITLE	AIM OF CHAPTER
1	Introduction	To introduce the background of the research, the research problem, the purpose of the study and the aim and objectives.
2	The theoretical foundation of growth intentions	To examine the theoretical foundation of growth intentions and its relationship to entrepreneurship: Theory of Planned Behaviour, Growth Intentions, Behavioural Reasoning Theory, Trait Theory, and Institutional Theory.
3	Environmental and individual factors	To provide an overview of the current external environment in South Africa and the individual characteristics of entrepreneurs and their influence on entrepreneurship.
4	Conceptual model development	To establish the relationship between environmental and individual factors on the growth intentions of SMMEs.
5	Research methodology	To detail the sampling procedure, research design and organisation of the collection instruments, as well as the methods for data collection and analysis.
6	Results	To present the analysis and interpretation of the data.
7	Findings, Conclusion, and Recommendations	To present an overview of the complete study, by incorporating the conclusions on the results of the study. Recommendations to relevant stakeholders were discussed. The limitations to the study were highlighted, and areas for future research about institutions and individual factors were stated.

1.10 CHAPTER SUMMARY

This chapter provided a general background to the study and mapped the general outlay of the research. The chapter discussed the research problem, namely the lack of growth in SMMEs. Entrepreneurs start businesses, but these business ventures remain small and employ only a few people. In addition, the primary and secondary objectives of the study were set. The primary objective was to assess the influence of the environmental factors and the individual factors on the growth intentions of SMME entrepreneurs in the Free State. Five sets of hypotheses were generated to determine which factors influence the growth intentions of SMMEs in the Free State. These hypotheses were linked to the environmental and behavioural theories upon which the study is based. In addition, the theoretical background of the study briefly discussed the influence of the environmental and individual factors on growth intentions in SMMEs and the research methodology outlined the theoretical and empirical aspects of the study. Furthermore, the chapter analysed and clarified certain operational concepts that were used or referred to during the study. Lastly, the chapter layout of the study was presented.

In the next chapter, the literature review on growth and growth intentions and the foundational theories upon which the study is built on were presented.

CHAPTER 2

THEORETICAL FOUNDATION OF GROWTH INTENTIONS

It is self-evident that if entrepreneurs do not intend to grow their businesses, their businesses are less likely to grow. Achieving growth is difficult and demands effort, and if the effort is not there, growth is less likely to materialise. But are the chances of business growth any greater for entrepreneurs who intend to grow their business?
(Levie and Autio, 2013)

2.1 INTRODUCTION

This study was conducted within the context of the small business sector in South Africa. According to the *National Small Enterprise Amendment Act of 2019*, the small business sector in South Africa is classified into small, medium or micro enterprises (SMMEs), which satisfy specific criteria concerning the number of total full-time employees and amount of total annual turnover as depicted in Table 2.1 (NSEA, 2019). The Revised Schedule 1 of the amended Act of 2019 defines a small business as:

> *A separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises …* (NSEA, 2019).

The Act goes on to explain that a small business organisation refers to, any entity:

> *managed by one owner or more predominantly carried on in any sector or subsector of the economy…and classified as a [very small] micro, a small or a medium enterprise…* (NSEA, 2019).

Table 2.1: Classification of SMMEs in South Africa

Classification	Max. No. of Employees*	Total Annual Turnover (R)
Micro	0 - 10	R≤ 20m
Small	11 - 50	R17m to ≤ R80m
Medium	51 - 250	R35m to ≤ R220m

**Maximum number of full-time paid employees (including the owner(s)*

Source: Adapted from the National Small Enterprise Amendment Act 2019, (NSEA, 2019).

South Africa needs businesses that grow as growing businesses could make a positive contribution to job creation in developing countries. With a high rate of unemployment (27.2%), and a high rate of joblessness (43%) among youths between the ages of 18 to 29 years, the creation of jobs is of crucial importance. The situation is complicated by joblessness among university graduates (7%) and matriculants (27%). Thus, the South African government's focus is on creating jobs via the SMME sector and encouraging growth within SMMEs (Nieman and Struwig, 2019).

The main aim of this chapter is to examine and discuss the theoretical foundation of the study and its relation to entrepreneurship. Thus, in this chapter, the concepts of growth and growth intentions of SMME entrepreneurs will be introduced. In addition, the main theories upon which entrepreneurial growth intentions is based – behavioural reasoning theory (BRT) and the theory of planned behaviour (TPB) – will also be introduced. Furthermore, the chapter presents two other theories that are related to the growth intentions of entrepreneurs, namely: trait theory (TT), and the institutional theory (IT). These theories and concepts are discussed in the subsequent sections of the chapter.

2.2 THE CONCEPT OF GROWTH

In the last two decades, the growth of micro-, small and medium enterprises (SMMEs) have been considered of crucial benefit to both developed and developing economies in the world. This situation has created an interest among researchers in the management and entrepreneurship fields to embark on research about the growth potential and growth intentions of SMMEs (Swanepoel, 2014; Rankhumise and Venter, 2016). Governments actively seek the growth of SMMEs in their countries because, unlike government departments, parastatals and big corporations, SMMEs create jobs and provide job opportunities not only for the well-

trained and educated workforce, but also for the semi-skilled and sometimes unskilled members of the society. In developing countries, the growth of SMMEs is often considered as the answer to unemployment (Mthimkhulu and Aziakpono, 2015). Thus, in South Africa, the small medium and microenterprises sector is reputed to form 97.5% of all businesses and accounts for 35% of gross domestic product (GDP). Furthermore, the sector is believed to employ 55% of all formal private-sector employees and contribute 43% of the total value of salaries and wages paid in the country (Nieuwenhuizen, 2014). Despite the positive economic contribution SMMEs can add to the development of a country, it has been discovered that not all entrepreneurs are interested in growing their business (Wiklund, Davidsson and Delmar, 2003; Brush, Ceru and Blackburn, 2009). This is because some entrepreneurs perceive that growth may present favourable or unfavourable consequences to a business (Machado, 2016).

The concept of growth bears different meanings in different fields and disciplines. In economic theory, growth is regarded to be 'a natural phenomenon that occurs until profit is maximised' (Verheul and Van Mil, 2011), while in entrepreneurship theory, growth is regarded as a deliberate choice or decision by the individual entrepreneur (Kolvereid and Bullvag, 1996; Wiklund and Shepherd, 2003; Verheul and Van Mil, 2011). According to Bulanova, Isaken and Kolvereid (2016), business growth connotes different meanings to different stakeholders. The entrepreneur may associate growth with increased personal wealth. The local community may view business growth as an opportunity to enhance economic activities and employment in the community, while the government may associate business growth to an increase in tax revenues. To researchers in entrepreneurship, growth is often regarded as a vital indicator to gauge the performance of a business and is often viewed to be the epitome of business success. Evidence of growth in a business enterprise usually concerning an increase in sales, operations, resources or employment, is regarded to mean that a business is doing well (Brush *et al*., 2009; Bulanova *et al*., 2016; Wickham, 2016; Nieman and Struwig, 2019).

The growth of SMMEs is regarded as a complex phenomenon as there are several definitions of the concept (Morrison, Breen and Ali, 2003; Fatoki and Garwe, 2010; Machado, 2016). As far back as 1955, more than half a century ago, Penrose (1955),[2] in her pioneering study on 'firm growth', referred to 'growth' as a "continuous on-going process within a business that

[2] Older sources of Penrose (1955) were used because they were the only possible source desired data on the subject.

could result in the expansion of the business in size, increase in output and an increase in employees". Since then, researchers have put forward several definitions of the phenomenon.

According to Swanepoel (2014), growth is "the building of a sustainable business with a positive cash flow and expansion possibilities." Janse van Rensburg (2016) defines growth as "the increase of profitability". To Wickham (2016), growth is "a dynamic process" which "involves development and change within the organisation, and changes in the way in which the organisation interacts with its environment". According to Brush *et al.* (2009), growth occurs when a business expands geographically, adds more establishments, targets new markets and customers, adds products or services, or merges with and acquires other businesses. Lebrasseur, Blanco and Dodge (2006) define growth in a firm as " the rate of increase in sales volume or the rate of increase in the number of employees experienced by the firm", while Davidsson, Achtenhagen and Naldi (2005), define growth as an "increase in amount – output, export and sales".

From the various definitions of growth mentioned, some standard features can be noted – that growth involves an increase in sales volume, an increase in the number of employees, an increase in profitability, the addition of new products and services, geographical expansion, and a move into new markets. These key features of the term 'growth' are important for describing, identifying and selecting the growth variables of which the research theme would focus on. To understand the concept of growth in a business organisation better, it is necessary to know the types of growth that could occur in a business organisation.

2.2.1 Types of growth

Wickham (2016) identifies four main types of growth that are prevalent in any organisation, namely, financial growth, strategic growth, structural growth, and organisational growth. According to Wickham (2016), these four types of growth are all interrelated, because they are dependent one another; thus, emphasising one type while overlooking the other could lead to a crisis in the business, or the eventual failure of the business.

2.2.1.1 Financial growth

Financial growth is an essential measure of the success of a business venture. It is concerned with increases in turnover, the costs and investment needed to achieve that turnover, and the

resulting profits. It is also concerned with increases in the businesses' assets and the increase in the value of the business. Furthermore, it measures the additional value that the business creates that is available to be distributed to its stakeholders. The financial status of an entrepreneurial firm can be deduced from its financial records and reports such as the balance sheet, the profit-and-loss account and the ratio analysis. These reports can provide the entrepreneur, manager, investors and revenue authorities with vital information about the financial standing of the business and assist management in decision-making (Wickham, 2016). The main drawback of using financial records and accounting-based measures such as Return on investments [ROI] and Return on assets [ROA] is that data can be influenced heavily by decisions about the owner-managers' compensation and industry margins, as well as a host of other factors (Liao *et al.,* 2001; Ambroise *et al.,* 2013). In addition, using profits as an estimate of growth can be challenging, as most SMMEs are not willing to disclose their profit levels.

2.2.1.2 Strategic Growth

Strategic growth is concerned with the way the business interacts with its environment by developing its capabilities to exploit its existence in the marketplace. In other words, it explains how a business draws resources from the environment, adds value to them, and distributes the new value created to its customers and other stakeholders. To achieve strategic growth, the business would have to exploit opportunities in the environment effectively and use the tangible and intangible assets it has acquired to create sustainable competitive advantages. Forms in which a business could achieve strategic growth and gain competitive advantage include business expansion, cost leadership in pricing, increase in output or sales, a superior distribution process, technological innovation, excellent customer relationship, and efficient knowledge advantages (Wickham, 2016).

2.2.1.3 Structural growth

Every organisation has a distinctive structure that defines the nature of its hierarchy. Organisational hierarchy determines the way communications, power structures and managerial roles are displayed and carried out in the organisation. Some of these structures are formal and clear, while others are informal and not noticeable. Nevertheless, it is the responsibility of the entrepreneur to understand all these structures and to learn to manage them effectively. Therefore, structural growth refers to the changes in the way the business organises its internal systems, such as managerial roles and responsibilities, reporting relationships,

communication links and resource control systems. The factors that influence the structural growth of a business include the organisation's size, the operational technology it uses to create value, the strategy it has adopted, the environment in which the business is situated [creates opportunities and poses threats], and the manner in which power, control and politics are conducted within the business (Wickham, 2016).

2.2.1.4 Organisational growth

When a small business starts, the entrepreneur and one or two other employees usually staff it. During this stage of the business, the entrepreneur probably makes the most of the decisions and conducts the majority of the business's activities, with possibly little delegation to the other employees. As the business grows, it may employ more people, who eventually take on some of the business activities, thus freeing up the entrepreneur to focus more on decision-making. If growth continues, it may become necessary for the entrepreneur to set up a management team to support him or her with decision-making. The members of this management team may eventually evolve into leaders and heads of divergent functions and departments in the business, thereby creating an opportunity for the entrepreneur's role to evolve into that of the chief executive or the managing director. Therefore, organisational growth relates to the changes in the organisation's processes, culture and attitudes as it grows and develops. It is also concerned with the changes that must take place in the entrepreneur's role and leadership style as the business moves from being a 'small' firm to a 'large' firm (Wickham, 2016).

2.2.2 Measurement of growth

Measuring the growth of a business firm can be a complicated process, as there are several different ways to measure growth (Fatoki and Garwe, 2010; Machado, 2016). The conventional technique used is a quantifiable method from an accounting or marketing perspective, which uses specific characteristics to identify firms that are growing. Thus, the measurement of growth is based on various variables such as sales volume, profits, value added, innovation, market domination or market share, product leadership, new products, net assets or the number of employees (Nieman, 2014; Machado, 2016). The choice of the growth indicator used depends on the empirical question and available data (Nieman, 2014; Mthimkhulu and Aziakpono, 2016). Lebrasseur *et al*., (2006) and Fatoki (2013) measured growth in SMEs using increase in the employment levels of the SMEs as an indicator of growth, while Khan, Biswas

Dev and Ahmed (2009) measured growth using multiple variables, grouping them into three main categories, namely resource aggregation, market expansion and technology improvement. Širec and Močnik (2010), and Neneh and Van Zyl (2014) measured growth in SMMEs using an increase in the number of employees, sales and assets.

According to Nieman and Struwig (2019), the measurements and dimensions of growth include expansion of operations, new premises, greater profitability, an increase in personnel, greater influence in labour market, and a general increase in the resources of the business. Fatoki (2013) states that "growth can be either measured by looking backwards at accounting and employment data or by looking forward at the expectations of the owners – such as an increase in the number of employees and turnover". In addition, Machado (2016) states that growth in SMEs can be measured through variations in size or diversity, such as sales, employment, technologies, products, markets and sectoral indexes. In addition, Lavadera (2012) reports that various indicators used to measure growth include market share, asset size, quantity of output, profits, number of employees and sales. Furthermore, Hoy, McDougall and Dsouza (1992) state that growth measures range "from increases in venture capital and market share to growth in sales revenue, accounting-based return on investment [ROI] and return on assets [ROA], and number of employees".

High-growth firms contribute to the creation of jobs by alleviating poverty in the society, decreasing social ills such as crime, and encouraging social stability in the community through the creation of wealth, equity and participation in the economic development of an area (Nieman and Struwig, 2019). Thus, there is no doubt that measuring the growth of a firm is an important task. Nevertheless, some of these growth measures have been said to be unreliable, invalid and meaningless (Liao *et al.*, 2001). For instance, one main drawback of these measures is that sales growth is presumed to be monotonic. This means that it could always increase and not decrease, or always decrease and not increase, which is not always the case. With new business ventures, sales volume could vary, with an increase in one period and a decrease in the subsequent period. In addition, the use of growth averages does not always capture the complex process of growth patterns successfully across periods and therefore does not reflect the firm's current growth. In addition, accounting-based measures such as ROI and ROA could be affected and misrepresented by data that have been influenced by decisions about the owner-manager's compensation and industry margins (Liao *et al.*, 2001). Furthermore, some

entrepreneurs are not forthcoming about the actual financial status or sales figures of their business.

Because of these drawbacks, not all researchers use financial indicators to measure business growth or performance, due to the diverse nature of entrepreneurship. Entrepreneurs nowadays consider other indicators to define their success beyond the current traditional indicators. Davidsson (2008) suggests utilising learning, satisfaction, imitation and retaliation as reliable measurements. Chandler and Hanks (1993), McLaughlin, (2012), Arend (2014) and Owoseni (2018) have used performance measures relative to competitors as a reliable measurement. In addition, the satisfaction of the entrepreneur with the business has been adopted as a reliable measurement of growth or success (Berthelot, 2008; McLaughlin, 2012; Owoseni, 2018).

Table 2.2 shows the indicators that completed empirical studies have used to measure growth, performance or success in business firms.

Table 2.2: Growth indicators and measures

Indicators	Author(s)
Employment levels or Number of employees	(Lebrasseur, Blanco and Dodge, 2006; Širec and Močnik, 2010; Machirori and Fatoki, 2013; Neneh and Van Zyl, 2014; Mthimkhulu and Aziakpono, 2016)
Sales Growth	(Širec and Močnik, 2010; Ambroise *et al.*, 2013; Neneh and Van Zyl, 2014)
Asset Growth	(Širec and Močnik, 2010; Neneh and Van Zyl, 2014)
Financial Growth or performance	(McLaughlin, 2012; Owoseni, 2018)
Relative Growth or performance	(Chandler and Hanks, 1993; McLaughlin, 2012; Arend, 2014; Owoseni, 2018)
Satisfaction with growth or performance	(Berthelot, 2008; McLaughlin, 2012; Owoseni, 2018)

Source: Author's creation, 2018.

2.3 GROWTH INTENTIONS

Intentions are believed to be the single best predictor of any planned behaviour. Thus, the intention to grow a business or not to grow is considered a deliberate and conscious decision made by entrepreneurs (Kolvereid and Bullvag, 1996; Wiklund *et al*., 2003; Verheul and Van Mil, 2011; Manolova *et al.*, 2012). According to Wickham (2016), the intention to grow, or the potential for growth is often used as a distinguishing measure or factor between entrepreneurial

ventures and small businesses as it is generally believed that entrepreneurial ventures actively seek opportunities to grow and expand the business while the traditional small business prefers to remain small or maintain its status quo.

Bird (1992) defines growth intentions as "a state of mind directing a person's attention, experience, and behaviour toward a specific object or method of behaving". In addition, Dutta and Thornhill (2008) define growth intentions as "being the entrepreneur's goals or aspirations for the growth trajectory she or he would like the venture to follow". For this study, a combination of these definitions will be adopted. Thus, growth intentions will mean the state of mind that directs the entrepreneur's thoughts, goals or aspirations to behave in a specific manner – in this case, to pursue growth opportunities and implement a growth plan for his or her business.

Intentions are important, because they have been confirmed to be the best predictor of planned behaviour (Ajzen, 1991). Thus, the intention to grow a business is considered an essential characteristic of entrepreneurial behaviour and a vital element in understanding venture development and growth. In addition, studies conducted to measure the growth intentions of business owners at different stages in the entrepreneurial process confirm that growth intentions do affect the subsequent growth of a business (Levie and Autio, 2013). Thus, growth intentions have been verified to be a key predictor of actual business growth (Wiklund and Shepherd, 2003; Zampetakis, Bakatsaki, Kafetsios and Moustakis, 2016). Furthermore, according to Levie and Autio (2013), "growth intentions matter", because previous studies conducted to measure growth intentions revealed "that the proportion of entrepreneurs with growth intentions in the population is a more significant predictor of economic growth than general start-up rates or self-employment rates"; thus, suggesting that the "quality" of entrepreneurship is more important than the "quantity" of entrepreneurship.

The decision to grow or not to grow is a challenge that every entrepreneur faces in the process of operating the business. Studies that have been conducted in the past have proven that not every small business aspires to grow or has growth as one of its business objectives (Wiklund, Davidsson and Delmar, 2003). Some businesses want to remain small and have no intention of growing. According to Nieman (2014), there are several reasons for this perception and anti-growth behaviour. Some entrepreneurs or business owners could perceive the intention to grow as too risky, because they fear that rapid growth or expanding their business operations could increase the chances for their business to fail. Furthermore, some business owners are afraid,

thinking that they could lose control of their business if they grow or expand their operations. As a result, they choose to remain small (Janse van Rensburg, 2016).

In addition, some entrepreneurs may seek growth for their businesses, but because of certain barriers such as economic factors, social factors, personality factors and cultural factors, they are hindered from achieving growth, as they decide not to aspire or pursue growth opportunities (Dhliwayo *et al.*, 2017). Urban (2015) states that this may seem to be the case for survivalist entrepreneurs or microenterprises, which, even though they possess entrepreneurial characteristics, have their ability to grow or create employment hampered because of their lack of skills, business knowledge and other resources. Therefore, the ability to grow or create jobs is increased if a business is a small-scale or a medium-scale enterprise (Botha, 2019).

Storey (2016) explains that not all business owners pursue a growth objective. He classifies businesses into three main categories, namely trundlers, failures and flyers. 'Trundlers' are the businesses that survive but do not add significant value to the creation of jobs. 'Failures' connote businesses that go out of existence or businesses that terminate their transactions, while 'Flyers' describe businesses that grow and contribute to the creation of jobs. In South Africa, it is reputed that less than 4% of SMMEs in the start-up phase actually contribute to job creation, as entrepreneurs are more likely to create employment for themselves rather than for other people at this stage (Herrington *et al.*, 2010). In addition, Mthimkhulu and Aziakpono (2016) have discovered that South African firms that are younger than six years create more jobs than the average firm does.

Penrose (1955) states that pursuing growth in a firm depends on human motivation – usually the quest of the entrepreneur's search for profits. This opinion is supported by Nieman (2019), who states that the intention to grow is embedded in the entrepreneur's mindset. Mindset is defined as "a fixed mental attitude or disposition that predetermines a person's responses to and interpretations of situations" (Dictionary.com, 2018). According to Machado (2016), intentions vary according to individuals, as each has a different cognitive style, and a cognitive style is well-known also to influence growth intentions (Dutta and Thornhill, 2008). Therefore, some entrepreneurs may pursue growth, while others may not, or decide to pursue other goals such as autonomy, lifestyle or prestige (Swanepoel, 2014; Urban, 2015; Janse van Rensburg, 2016). Another factor that has been found to influence growth intentions is the entrepreneur's perceptions about the institutional environment – tax burdens, high levels of bureaucracy,

increased government rules and laws, complex regulations, and excessive administrative burdens (Capelleras and Hoxha, 2010).

Researchers (Levie and Autio, 2013) attest that entrepreneurs that do not intend to grow their business are less likely to grow. Hence, having the intention to grow or choosing to grow one's business could lead to actual growth. This means that without intention, the entrepreneur is less likely to undertake action that could lead to growth of the business. Therefore, one of the objectives of this study will be to understand and explain why some SMMEs would choose to grow and why some would choose not to grow. This study will also attempt to discover to what extent or degree certain factors influence the growth intentions of SMME entrepreneurs.

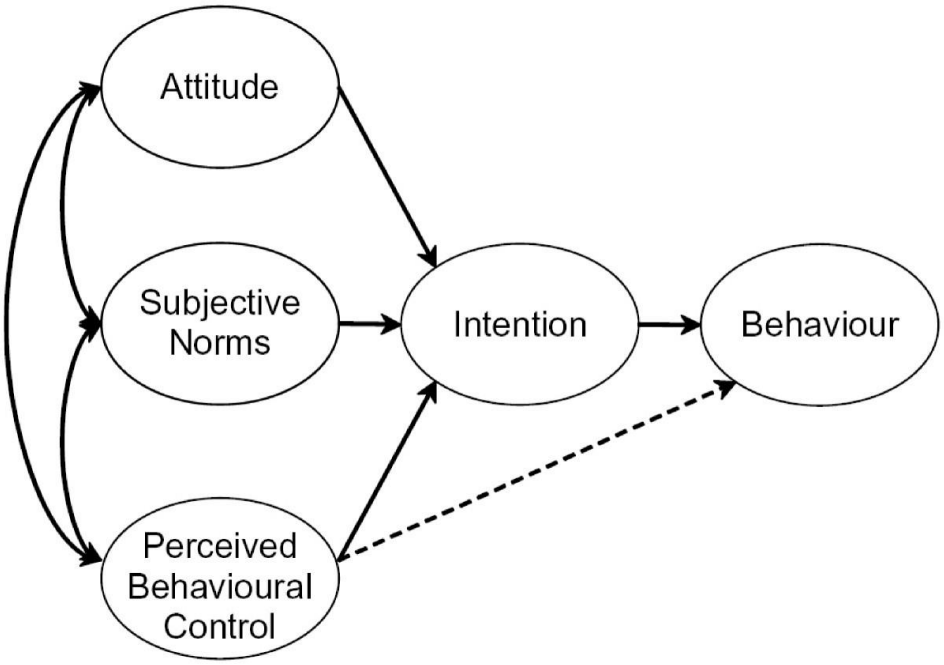
2.4 APPROACHES TO UNDERSTANDING GROWTH INTENTIONS OF SMME ENTREPRENEURS

Based on the literature that explains growth and growth intentions, four diverse theories were identified. In this section, these theories are discussed. The first theory is the theory of planned behaviour [TPB]; the second theory is the behavioural reasoning theory (BRT); and the third theory is the trait theory (TT); while the fourth theory will be the institutional theory (IT). These theories, which form the foundation of the theoretical framework of this study, are expounded in the sections below.

2.4.1 The Theory of Planned Behaviour (TPB)

Proposed by Icek Ajzen in the mid-1980s, the theory of planned behaviour (TPB) explains the link between the belief of an individual and the resulting behaviour of that belief (Ajzen, 1991). The TPB is a derivative of Fishbein and Ajzen's (1975), Theory of Reasoned Action (TRA) and is one of the most widely used models to predict human behaviour in a social context. The main focus of the TPB is the *intention* of an individual to perform a particular behaviour (Fishbein and Ajzen, 1975; Ajzen, 1985, 2011). Ajzen (1991) asserts that intention is made up of three elements, which are independent of each other, namely the *attitude towards the behaviour (ATB), subjective norm (SN),* and *perceived behavioural control (PBC)*.

Figure 2.2: Theory of planned behaviour



Source: Ajzen (1991) p. 182

Figure 2.1 above illustrates Ajzen's theory of planned behaviour (Ajzen, 1991). The model shows that behaviour is a consequence of intention, and attitude, subjective norms and perceived behavioural control all influence intention. Thus, concerning this study, the act of growing one's business (i.e. behaviour) depends on the intention of the entrepreneur to grow the business (i.e. the readiness or willingness of the entrepreneur to engage in activities that would promote growth). This intention, in turn, is influenced by firstly, the attitude toward the behaviour (i.e. the entrepreneur's evaluation of performing the behaviour. Does he/she consider the outcome positive or negative?). Secondly, the intention to grow is influenced by subjective norms, which is the entrepreneur's perception or belief that people who are important to him/her would want them to grow the business. Thirdly, growth intention is influenced by perceived behavioural control, which is the entrepreneur's perception of how easy or difficult he/she can engage in activities that would promote growth in the business.

2.4.1.1 Criticism of the TPB

Despite its popularity and influence in the study of predictive behaviour, the TPB is not without its critics. Some researchers do not accept that the model is an adequate explanation of human social behaviour. They argue that the TPB may only partially assist in determining intention, but not entirely, as it is too 'logical', or focuses on rational reasoning and does not take into consideration irrational, unconscious and unreasonable behaviour of individuals (Barber, 2011;

Sniehotta, Presseau and Araújo-Soares, 2014). Also, some researchers (Wegner, 2002; Holton, 2004) do not consider consciousness (or being rational at all times) as a causal agent of behaviour, but hold the view that human behaviour is caused by implicit attitudes and other unconscious mental processes (Ajzen, 2011).

Furthermore, the TPB has been criticised for being too simple in its explanation of a concept as complex as human behaviour. It is argued that the theory does not take into account the influence of other variables on behaviour (Holst and Iversen, 2011). Other criticisms of the TPB include that it may be prone to empirical falsification; it cannot explain individuals who form an intention but fail to act on the intention; it has got limited predictive validity (Sniehotta, Presseau and Araújo-Soares, 2014), and it excludes habits and emotions (Jokonya, 2017).

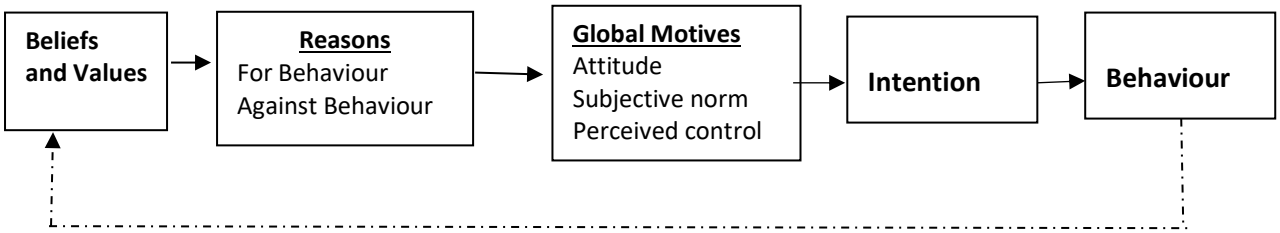
Nonetheless, criticism of the theory has not prevented most critics from accepting the theory's central assumption of basic reasoning action. The theory operates on the assumption that people are rational beings and will therefore use information that is available to them in a systematic way when making decisions (Yang, 2013). To mitigate some of the limitations of the theory, some researchers (Conner and Armitage, 1998; Holst and Iversen, 2011; Jokonya, 2017) advocate the extension of the model with the addition of variables that are relevant to, and may contribute to any particular study. Despite the criticisms of the TPB, it is used as one of the frameworks of this study, because to an extent, it does explain the complexities of human social behaviour in entrepreneurship, and its concepts do help in the understanding of specific behaviours in particular contexts.

In summary, the TPB holds that the more favourable the attitude toward the behaviour, the more positive subjective norm is, while the greater the perceived behavioural control, the stronger the intention to perform the behaviour in question would be. This theory and its determinants are explained in detail in Chapter 4, which describes the development of the conceptual model.

2.4.2 Behavioural Reasoning Theory (BRT)

The Behavioural Reasoning Theory (BRT) was proposed by Westaby (2005). The theory is based on the premise that "reasons serve as important linkages between people's beliefs, and global motives (e.g. attitudes, subjective norms, and perceived control), intentions, and behaviour". Just like the theory of planned behaviour, BRT is derived from the theory of reasoned action (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980), as well as the theory of planned behaviour itself (Westaby, 2005). BRT postulates that beliefs and values influence reasons, and reasons, in turn, influence attitudes, subjective norms and perceived control, which sequentially influence intention, and which ultimately lead to the performance of a particular behaviour. This logic is illustrated in Figure 2.2 below.

Figure 2.3: Behavioural Reasoning Theory



Source: Westaby (2005) p. 99.

Westaby (2005) defines 'reasons' as "the specific factors people use to explain their anticipated behaviour". He further posits that reasons can be divided into two broad sub-dimensions, namely: "reasons for" and "reasons against". Individuals use these two sub-dimensions to justify or defend their decision to engage in or not engage with a given behaviour (Westaby, 2005; Gupta and Arora, 2017).

In reference to this study, BRT assumes that an entrepreneur's personal beliefs and values will influence reasons. The entrepreneur would then form favourable (reasons for) or unfavourable evaluations (reasons against) towards a given action, which is the decision to grow a business. The reasons for or against growing the business would consequently affect the attitude, subjective norm and perceived control of the entrepreneur. This, in turn, would influence the intention of the entrepreneur to grow the business.

Reasons have been proven to influence the formation of attitude and thus are considered a dominant determinant of behaviour, such that, even if an entrepreneur holds a favourable belief towards growth, he or she may still be reluctant to pursue growth for his or her business due to

the ‘reasons-against’ growth (Gupta and Arora, 2017). The BRT will be discussed in depth in Chapter 4, which explains the development of the conceptual model.

2.4.3 The Trait Theory (TT)

The Trait or Psychological Theory is one of the classical and early approaches to entrepreneurship and is concerned with the study of human personality. The theory assumes that traits and personality characteristics of individuals are the distinguishing factor between those who become entrepreneurs and those who are not entrepreneurs, such as the general population. The theory has also been used to argue that there is a difference between entrepreneurs and small business owners or managers by stressing that merely establishing and running a business venture does not necessarily confer on one the status of an entrepreneur. This is because the theory assumes that there are specific inherent characteristics that some individuals possess that drive and propel them towards establishing a business by creating something new – through innovation and growth (Carland, Hoy, Boulton and Carland, 1984). Furthermore, personality traits have been studied by entrepreneurship researchers as a cause of new venture creation or the reason individuals get involved in entrepreneurial processes (Shane *et al*., 2003; Baum and Locke, 2004).

The psychological or trait theory arose out of the quest by researchers to find an acceptable definition of an entrepreneur. Cantillion in the 1700s and Mill in the 1800s offered the earliest definitions of an entrepreneur. They described the individual as “a rational decision maker who assumed the risk and provided management for the firm” (Carland *et al.*, 1984). This definition was further extended by Schumpeter (2011) in his 1934 paper on the theory of economic development. Schumpeter (2011) defined an entrepreneur as a person who is willing and able to convert a new idea or invention into a successful innovation through a series of creative destruction. On the one hand, he believed that innovation was the main characteristic of an entrepreneur differentiating him from the non-entrepreneur.

2.4.3.1 Criticism of the trait theory

The idea of defining the entrepreneur and the entrepreneurial process via the psychological or trait model has not been without criticism. Some researchers (Tropman and Morningstar, 1989; Shane *et al.*, 2003; Kozan, Öksoy and Özsoy, 2006) have expressed dissatisfaction with the existing trait model and state that traits and personality characteristics are not the only factors

that drive or propel individuals to become entrepreneurs. They argue that even if an individual has the inherent characteristics to become an entrepreneur, the realisation thereof will be affected by other factors beyond the control of the individual, such as the external environment and organisational factors.

Despite these criticisms, the trait theory has not been entirely discarded by researchers (Kozan, Öksoy and Özsoy, 2006), who further argue that regardless of its faults, the trait theory has some merit in explaining the person of the entrepreneur and the entrepreneurial process. They suggest that the theory be amended and improved by taking into consideration the effects of the external business environment in instruments used in measuring entrepreneurial traits and characteristics. Resulting from this suggestion and for this study, the effects of the external environmental factors will also be taken into consideration to have a complete definition about who an entrepreneur is and to present a comprehensive description of the entrepreneurial process.

Different characteristics of entrepreneurs that could stem from their personality and traits include the following: Need for achievement, Risk-taking propensity, Need for Autonomy, and Locus of control. These individual characteristics are discussed in detail in Chapter 3, which describes the environmental and individual factors that affect the growth intentions of SMME entrepreneurs.

2.4.4 The Institutional Theory (IT)

Institutional theory evolved from multiple disciplines such as sociology, social psychology, law and organisational theory, to political science and economics. According to Rutherford (2001), the theory originates from the works of various economists and sociologists such as Thorstein Veblen, Wesley Mitchell, and John Commons. These esteemed scholars advocated that institutions affect and influence economic and social environments. Thus, institutional theory is concerned with the regulatory, social, and cultural influences that promote the survival and legitimacy of an organisation (Bruton, Ahlstrom and Li, 2010).

Institutions are part of the external business environment. In recent years, institutional theory has been applied to entrepreneurial research and has proven to be beneficial in explaining the forces that shape entrepreneurial success and firm growth (Bartlett and Bukvić, 2001;

Capelleras and Hoxha, 2010; Xheneti and Bartlett, 2012; Yukhanaev, Fallon, Baranchenko and Anisimova, 2015). Previously, organisational (or entrepreneurial) resources were thought to play a leading role in entrepreneurial success. While this is true, researchers (Bruton, Ahlstrom and Li, 2010) have also discovered that other issues such as culture, legal environment, tradition and history in an industry and economic incentives can also have an impact on a business venture and, in turn, determine entrepreneurial success; hence, the interest in the role of institutions in the business environment.

North (1990), an advocate of the institutional theory states, "institutions are the rules of the game in a society". They provide a structure that guides and regulates daily living and human relationships. North further explains that institutions affect the performance of economies and can define and limit the choices of individuals. According to Acs, Desai and Hessels (2008), institutions are important, because they determine economic behaviour and economic transactions, and they can affect the demand and supply of entrepreneurs, either directly or indirectly. In addition, Spencer and Gómez (2004) state that "a country's institutional environment is comprised of rules, social norms, and cognitive structures that guide, constrain, and liberate domestic economic activity". They also note that the institutional environment creates the framework for which transactions by firms can occur – by determining the risks and payoffs for different activities, alternative courses of action available and specifying the conditions under which firms hold legitimacy. Furthermore, Manolova *et al.*, (2008) assert that the institutional framework of a society comprises the fundamental political, social, and legal ground rules that establish the basis for production and distribution, and if organisations are to receive support and legitimacy, they must conform to the rules.

North (1990) identifies two main types of institutions, namely formal institutions and informal institutions. Formal institutions refer to rules devised by human beings, and informal institutions refer to conventions and codes of behaviour. Scott (2001) expands on these two main types of institutions by identifying three pillars that make up or support institutions, namely regulative systems, normative systems and cultural-cognitive systems. He propounds that regulative systems are the formal elements of institutions, while the normative systems and cultural-cognitive systems are the informal elements of institutions. The regulative systems consist of laws, regulations, government policies and sanctions that promote certain behaviours and restrict others (North, 1990; Scott, 2001). The normative systems include value and norms, and attest to an individual's morals, while the cultural-cognitive systems refer to the cognitive

structures and social knowledge shared by the people in a given country or region, such as their beliefs and the way they do things (Scott, 2001; Veciana and Urbano, 2008). According to Spencer and Gómez (2004), the cognitive system reflects the skills and knowledge possessed by people in a country, as well as the frameworks they use to categorise and evaluate information.

Researchers (Xheneti and Bartlett, 2012; Yukhanaev *et al.*, 2015) posit that formal institutions can influence the actions of the entrepreneur as well as the growth of a business. These influences could be positive, for example, facilitating the discovery of entrepreneurial opportunities in an environment; or negative, for example, creating barriers that could impede the development and growth of businesses (Bartlett and Bukvić, 2001; Cuervo, 2005; Alvarez *et al.*, 2011).

In summary, institutions can influence an individual's intention or choice to start or not start a business; to be or not to be an entrepreneur; or to grow or not to grow a business. The institutional theory and its influence on growth intentions are explained in detail in Chapter 3, which describes the environmental and individual factors that affect the growth intentions of SMME entrepreneurs.

2.5 DETERMINANTS OF GROWTH INTENTIONS

The intention to grow one's business does not occur in a vacuum. Many factors play a role in determining if an entrepreneur chooses to grow the business or not. Thus, several empirical research (Zhou and De Wit, 2009; Hashi and Krasniqi, 2011; Knockaert, Der Foo and Erikson, 2011; Verheul and Van Mil, 2011; Fatoki, 2013; Levie and Autio, 2013; Širec and Močnik, 2013) have been conducted over the years to identify the factors that are associated with growth intentions. These factors, commonly known as the determinants of growth intentions, can be classified into four broad categories, namely demographic characteristics determinants, individual characteristics determinants, organisational or business determinants and country or environmental determinants. Table 2.3 depicts examples of these determinants.

Table 2.3: Categories of determinants of growth intentions

Growth Intentions Determinants	Factors	Author(s)
Demographic characteristics determinants	Race, Age, Gender, Household income, Education, Cultural support, Work experience, Managerial experience, Family, Number of children	(Kolvereid, 1992; Welter, 2001; Lau and Busenitz, 2001; Edelman *et al.*, 2010; Karadeniz and Ozcam, 2010; Verheul and Van Mil, 2011; Manolova *et al.*, 2012; Levie and Autio, 2013; Neneh and Van Zyl, 2014; Zampetakis *et al.*, 2016; Machado, 2016; Puente *et al.*, 2017).
Individual characteristics determinants	Cognitive styles, Opportunity recognition, Risk attitude, Self-efficacy, Locus of control, Need for autonomy, Innovativeness, Motivation for starting the business, Achievement orientation, goal setting, tolerance of ambiguity	(Welter, 2001; Lau and Busenitz, 2001; Wiklund, Davidsson and Delmar, 2003; Karadeniz and Ozcam, 2010; Širec and Močnik, 2010, 2013; Knockaert *et al.*, 2011; Verheul and Van Mil, 2011; Ambroise *et al.*, 2013; Levie and Autio, 2013; Neneh and Van Zyl, 2014; Machado, 2016).
Organisational or business determinants	High technology, Exporting, Age of business, Size of business, Innovation, Internalisation, Organisational structure, Dynamic capability, Firm-specific resources.	(Zhou, De Wit and bv., 2009; Karadeniz and Ozcam, 2010; Levie and Autio, 2013).
Country or environmental determinants	Quality of institutions (weak vs strong), Government policies, Tax regulations, Finance sector, Physical Infrastructure, Political & Legal sector, Technological sector, Labour laws, Crime & corruption	(Liao, Welsch and Pistrui, 2001; Krasniqi, 2007; Khan, Biswas and Ahmed, 2009; Fatoki and Garwe, 2010; Doern, 2011; Estrin, Korosteleva and Mickiewicz, 2013; Levie and Autio, 2013; Neneh and Van Zyl, 2014; Aghion, Akcigit and Howitt, 2015; Yukhanaev *et al.*, 2015; Mthimkhulu and Aziakpono, 2015).

Source: Author's creation, 2018.

To achieve the objectives of this study, the focus and discussion would be on the demographic characteristic determinants, individual characteristic determinants and the environmental determinants.

2.5.1 Demographic Characteristic Determinants

Demographic determinants of growth refer to the socioeconomic characteristics of a population that affect growth intentions. These factors include gender, age, race, education, income level, managerial or work experience, to mention but a few. Individual determinants of growth intentions refer to the individual characteristics of entrepreneurs that influence their decisions to either grow their business or not. Individual determinants also include certain demographic factors, individual skills and psychological characteristics, such as personality traits (Karadeniz and Ozcam, 2010; Neneh and Van Zyl, 2014). To achieve the aim of this study, the researcher focused on the following individual determinants, namely gender, education, the age of the entrepreneur, and personality traits.

2.5.1.1 Gender

Several research studies (Welter, 2001; Karadeniz and Ozcam, 2010; Manolova *et al.,* 2012) identify gender as a significant determinant of growth intentions. Welter (2001) has found that male entrepreneurs are more inclined to grow their businesses than female entrepreneurs are. Likewise, the research of Rosa, Carter and Hamilton (1996), have established that male entrepreneurs are significantly more likely than female entrepreneurs to grow their business. According to Kelley *et al.,* (2017) fewer women participate in entrepreneurial activities compared to men in South Africa. These results are similar to the study of Herrington, Kew and Mwanga (2017) and Owoseni (2018), who have determined that males are more likely to engage in entrepreneurial activities than women in South Africa do. This could be due to the prevailing cultural systems and beliefs in South African society. Men are regarded as breadwinners, while the women tend to domestic affairs. In addition, women face more challenges than men, which makes it difficult for them to start a business. These challenges include possessing lower levels of education (in developing countries), lack of confidence, and difficulty in accessing finance (Herrington, Kew and Mwanga, 2017; Botha, 2019).

Furthermore, Puente, Cervilla, Gonzàlez and Auletta (2017) have determined that women are more likely to possess lower levels of growth intention. This result is supported by Kelley *et al.,* (2017), who report that globally, there is a wide gender gap, with growth expectations among females barely reaching 60% of the male level. These low levels of growth intentions in women have been attributed to the constraints women entrepreneurs face, such as greater domestic commitments, a lack of access to finance and other vital resources, women's aversion

to risk and having lower expectations in business generally when compared to men (Rosa, Carter and Hamilton, 1996).

Gender differences are not universal. Other studies (Kolvereid, 1992; Lau and Busenitz, 2001; Zampetakis *et al.,* 2016) did not find evidence of gender difference with respect to growth intention. They record that there are no significant differences between male and female entrepreneurs' ambition to grow their businesses. However, recent studies (Kelley *et al.,* 2017) show that the gender gap (i.e. ratio of women to men participating in entrepreneurship) has decreased by 5% within the last two years, and overall total female entrepreneurship activity rates (TEA) have increased by 10%.

2.5.1.2 Education

Education is considered an important demographic in entrepreneurship. Hisrich, Peters and Shepherd (2005) state that education helps entrepreneurs to cope with the problems they encounter in their daily endeavours. However, it is generally accepted that formal education is not necessary for starting a new venture, as can be seen from the success of entrepreneurs who dropped out of high school or tertiary institutions. Nevertheless, education provides the entrepreneur with a good background of knowledge, skills, competence and expertise, especially when it is related to the field of the new venture (Hisrich *et al*., 2005).

Several researchers (Kolvereid, 1992; Lau and Busenitz, 2001; Welter, 2001; Verheul and Van Mil, 2011; Levie and Autio, 2013; Neneh and Van Zyl, 2014) have investigated the relationship between growth ambition and educational levels. They state that entrepreneurs with higher levels of education are more likely to pursue growth in their business. In a study on immigrant entrepreneurs in South Africa, Fatoki (2013) has discovered that better-educated immigrants tend to establish firms that grow rapidly, compared to their less-educated compatriots; thus, supporting the argument that higher levels of education are a significant predictor for growth intention. This notion is supported further by Puente *et al.* (2017), whose research study on entrepreneurs in Venezuela found a positive and statistically significant relationship between educational levels higher than high school and growth intentions. In other words, the more educated the entrepreneur was, the higher the possibility of his or her growth intentions. Similarly, Karadeniz and Ozcam (2010) have found that education has a significant and positive influence on growth intentions, and intentions are higher when the entrepreneur is male and more educated.

Botha (2019) states that a high school education (matric) increases the possibility that an individual would get involved in entrepreneurial activities, while a tertiary education increases the possibility that the entrepreneurial activities the individual engages in would be durable. In conclusion, Levie and Autio (2013) state that although education does have a positive influence on growth intention, it is instead, a small one.

2.5.1.3 Age

Various studies have investigated the influence of age on the growth intentions of entrepreneurs (Welter, 2001; Zhou and De Wit, 2009; Levie and Autio, 2013). Some researchers (Puente *et al.*, 2017) maintain that age has a significantly positive influence on growth intention, while other researchers (Wiklund and Shepherd, 2003; Verheul and Van Mil, 2011) hold that age has a negative or no significant effect on growth intention, particularly among nascent entrepreneurs.

Some researchers have found that older entrepreneurs are more likely to realise growth than younger ones do (Welter, 2001), while other researchers (Levie and Autio, 2013) have found younger entrepreneurs to have higher levels of growth intention than older entrepreneurs have. Herrington and Kew (2016) have determined that entrepreneurs in their late twenties to early forties are more likely to engage in entrepreneurial activities, and that after the age of 54 participation in entrepreneurial activities tends to decrease. Verheul and Van Mil (2011) state that younger people are more enthusiastic about growth and attributes this to their naivety or inexperience, compared to older entrepreneurs who are more realistic about growth processes. Similarly, Puente *et al.* (2017) state that the probability of growth intentions marginally decreases the older the entrepreneur gets, i.e. entrepreneurs tend to become more risk aversive as they get older. This could be because younger entrepreneurs could work more extended hours and be more adventurous with taking risks.

2.5.1.4 Race

Race refers to a person's ethnicity (e.g. language and culture) and physical characteristics (e.g. skin colour). There are five major races in the world, namely Aborigine (Australoid), Asian (Mongoloid), Black (Negroid), Bushmen/Hottentots (Capoid), and White (Caucasoid) (Coon, 1966). Most research on intention using race has been on entrepreneurial intention and not necessarily on growth intention. Ramachandran and Shah's (1999) research conducted in four sub-Saharan African countries has found that businesses belonging to Asian and European entrepreneurs have a higher growth rate than businesses belonging to indigenous African

entrepreneurs. Racial and ethnic groups are not homogeneous and, as such, variations exist in their motivations, attitude and behaviour to operate a business (Masurel e*t al.*, 2002; Mamabolo, Benedict and Ndofor, 2016). However, Edelman *et al.* (2010) have found no significant differences between Black and White entrepreneurs concerning their motivations to start a business.

2.5.2 Individual Characteristics Determinants

Individual characteristics of entrepreneurs refer to their personality traits. These personality traits explain the psychological makeup, motivation, attitude, competencies and behaviours of individuals (Liao *et al.*, 2001; Zhou and De Wit, 2009). According to Wei and Ismail (2008), personality traits are usually studied in entrepreneurship in connotation with the performance of the business venture such as growth, profit margin or overall performance of the venture. In other words, personality traits are regarded as individual characteristics that define entrepreneurial success, and which entrepreneurs need to possess in order to start and manage a business venture successfully (Botha, 2019).

Researchers have identified numerous personality traits of individuals, but this study will only focus on the five characteristics that are highly recognised as potential predictors and influencers of entrepreneurship, growth intentions and business success. These characteristics are the need for achievement, locus of control, need for autonomy, and risk-taking propensity (Kolvereid, 1992; Liao *et al.*, 2001; Wei and Ismail, 2008; Khan *et al.*, 2013; Urban, 2015).

These characteristics are discussed in detail in Chapter 3 on environmental and individual factors.

2.5.3 Environmental Determinants

Environmental determinants of growth intentions refer to the factors in the external business environment that could affect the growth capabilities of an SMME (Liao *et al.*, 2001). Environmental factors are institutional factors that could affect the entrepreneur's perceptions and actions with regard to the growth of SMMEs. The institutional factors include economic factors, political and legal factors, and social factors. This includes labour markets and laws,

public policy, access to credit, financial markets, market infrastructure, technological developments, and networks and support from the family. (Liao *et al.*, 2001; Welter, 2001). The focus of the environmental determinants was on the economic, political and legal, and sociocultural factors.

2.5.3.1 Economic factors

Economic factors are those variables that determine the financial and fiscal system that exists in a country. The current state of any country's economy will affect the operations of SMMEs. In a growing economy, a business is more likely to pursue and achieve growth, while in an economic downturn or recession, pursuing and achieving growth could prove to be a challenge. Examples of economic factors include interest rates, foreign exchange rates, employee wages and salaries, employment promotion policies, inflation, taxes, government spending and business cycles (Pulaj and Kume, 2013; De Beer, 2015; Williams, 2016; Booysen, 2017).

The current economic environment of South Africa is considered unfavourable and not conducive to small-business growth. Some of the economic challenges SMMEs face include high levels of unemployment at 27.2% (StatsSA, 2018), high-interest rates at 10.25%, access to financing, compliance with tax requirements and inadequate supply of infrastructure (Herrington *et al.*, 2010; Schwab, 2017). These challenges are discussed in detail in Chapter 3.

2.5.3.2 Political and Legal factors

Gnyawali and Fogel (1994) state that "governments, both directly and indirectly affect the development of an environment that could support entrepreneurship". The political and legal factors determine the regulatory framework as set up by the government, within which an SMME can operate and function. This framework includes rules, legislation, regulations and court decisions that SMMEs have to comply with in other to remain in operation (Williams, 2016; Booysen, 2017). Most of the time, compliance with regulatory processes is done via institutions. North (1990) defines institutions as "the rules of the game in a society", or "humanly devised constraints that shape human interaction". Scott (2001) concurs and states that institutions constrain and regularise behaviour through regulatory processes such as rule-setting, monitoring and sanctioning activities. The study of how institutions do this is examined in the regulative dimension of institutional theory.

The regulative dimension of institutional theory consists of laws, regulations and government policies that promote certain behaviours and restrict others. Laws and regulations can specify

the responsibilities of entrepreneurs, assign property rights, and reduce the risks involved in starting a new business (Spencer and Gómez, 2004). Force, fear and expediency are the central ingredients of the regulatory dimension (Scott, 2001). Adherence or non-adherence by SMMEs to the laws, regulations and policies as set out by the government can attract either rewards or punishment in an attempt to influence future behaviour (Veciana and Urbano, 2008). Thus, entrepreneurs must take responsibility to educate themselves about the laws and regulations that could affect their business. Failure to be aware of regulations and potential risks could jeopardise the growth or existence of the SMME (Williams, 2016; Booysen, 2017).

In South Africa, government policies, as well as government support for SMMEs (i.e. the regulatory environment) have been identified as the main inhibitors of entrepreneurial activities (Herrington *et al.*, 2010). Minniti (2008) states in this regard that, "government policies mould institutional structures for entrepreneurial action, encouraging some activities and discouraging others. Therefore, government policy has the power to influence entrepreneurial activity". The common regulatory obstacles to business survival and growth cited by South-African business owners are compliance to tax requirements, labour laws, compliance to compulsory government policies such as the Broad-Based Black Economic Empowerment (BBBEE) initiative, and government support programmes (Herrington *et al.*, 2011; Schwab, 2011). Therefore, the above-mentioned variables would be used to explain the influence of the political and legal factor on the growth intentions of SMMEs.

2.5.3.3 Sociocultural factors

The sociocultural component of the macro-environment can be divided into two aspects: the demographic aspect and the cultural aspect. According to (Booysen, 2017) the demographic aspect "describes the nature and characteristics of a particular population or group", while the cultural aspect describes the "values, beliefs, languages and religions of the diverse people that influence the organisation". Thus the sociocultural component refers to the "demographic characteristics, general behaviour, attitudes, and beliefs of people in a particular society" (Williams, 2016) or the demands consumerism (through consumers' lifestyles, habits and values) make on the business organisation (Strydom, 2013). Culture, as practised in society, refers to the "system of values, beliefs and assumptions that influence activities and how things are done" (Cuervo, 2005).

Several variables make up the sociocultural component. According to De Beer (2015), the sociocultural variables include the size and composition of the population, geographic location,

development level of the market, changing awareness, healthier lifestyle and time. Booysen (2017) lists the sociocultural variables to be age, rates of migration, gender, race and education levels of the people an organisation employs and serves. In addition, the component includes variables such as attitudes, religion, behaviour, beliefs and languages of people in a specific society.

The changes in the attitude, behaviour and beliefs of people in a society not only affect the demand of goods and services but also affects the level of entrepreneurial activity, i.e. how people in the society view entrepreneurship. Is entrepreneurship admired and encouraged among the populace? Alternatively, is entrepreneurship disdained and abhorred by the populace? A people's culture and belief will determine their outlook towards entrepreneurship (Busenitz, Gómez and Spencer, 2000). In a society where people have a positive attitude towards entrepreneurship, entrepreneurial activity is more likely to be encouraged through the establishment of new firms (Fogel, 2001). As a result, institutions that can guide the establishment of such firms and bolster its existence and growth are also created, thereby creating a conducive environment where SMMEs can flourish (Gnyawali and Fogel, 1994). In such a society, values and social norms are likely to be high, and society members tend to respect them, thereby creating trust and resulting in an efficient and effective internal market operation. However, in a society where people have a negative attitude towards entrepreneurship, entrepreneurial activities are not likely to be encouraged. As a result, society will record low levels of entrepreneurial activities and institutions that could govern the entrepreneurial activities are more likely to be precarious and its weaknesses exploited (Gnyawali and Fogel, 1994). In such a society, norms will be low-level, and there will be little support for people to comply with the norms, thereby creating a society that lacks trust and results in opportunistic behaviours (Cuervo, 2005).

2.6 CONSTRAINTS AND BARRIERS TO GROWTH

Over the years, researchers have discovered that factors that constrain the growth capabilities of SMMEs often impede the job creation capacity of SMMEs. According to Zhou and De Wit (2009), SMMEs are more likely to face growth barriers compared to large businesses, because certain regulations enacted by the government or institutions (e.g. banks) may not be attained by SMMEs easily, thus discriminating against the growth of SMMEs. Hence, it is important to

identify the constraints and barriers to growth to know what interventions or possible solutions to put in place to overcome these impediments. Barriers are defined as "negative factors [internal or external] or conditions that deter, constrain or prevent the actual growth of a business". Barriers not only prevent growth, but also diminish the entrepreneur's desire to grow the business, or compromise the viability of growing the business (Doern, 2011; Storey, 2016).

The factors that constrain growth in SMMEs can be grouped into two main categories, namely personal or individual barriers and environmental and institutional barriers. Table 2.4 shows the categories of barriers to growth intentions.

Table 2. 4: Categories of barriers to growth intentions

Constraints and barriers to growth	**Factors**	**Author(s)**
Individual/personal barriers	Lack of entrepreneurial mindset, personal choice not to grow, lack of internal motivation, lack of self-efficacy, inadequate management competence and skills	(Mazzarol, 2005; Swanepoel, 2014; Bulanova, Isaken and Kolvereid, 2016)
Environmental/ Institutional barriers	**Financial barriers** – lack of access to capital, high cost of capital (interest rates and collateral requirements) **Economic barriers:** Lack of critical skills or experiences in the Labour market, inadequate infrastructure **Market-related barriers** – lack of demand for products and services, intense competition **Political & Legal (Regulatory) barriers** – High taxes, excessive regulations, weak institutions, lack of government support **Socio-cultural:** Crime, corruption, inadequate education, lack of access to networks	(Baumol W, 1990; Bartlett and Bukvić, 2001; Welter, 2001; Krasniqi, 2007; Zhou and De Wit, 2009; Fatoki and Garwe, 2010; Doern, 2011; Estrin, Korosteleva and Mickiewicz, 2013; Mthimkhulu and Aziakpono, 2015; Yukhanaev *et al.,* 2015)

Source: Author's creation, 2018.

2.6.1 Individual and personal barriers

According to Swanepoel (2014), the chief barrier to SMME growth is the entrepreneurs themselves. Swanepoel (2014) explains that some entrepreneurs lack the internal motivation, commitment, skills and knowledge to pursue growth. In addition, entrepreneurs could have feelings of inadequacy where they believe that they do not have the required skills or expertise to run or manage a 'big' business. These feelings of inadequacy or lack of belief that they are capable of carrying out the roles and tasks of implementing growth in their businesses may point to a lack of self-efficacy in the entrepreneur (Bandura, 1982). According to Drnovšek, Wincent and Cardon (2010), self-efficacy (SE) is a crucial determinant of small business growth. An entrepreneur who has a high degree of self-efficacy is more likely to pursue growth, be persistent through challenges, and not give up easily when conditions get tough (Shane *et al.*, 2003).

Another individual barrier to growth intentions is a lack of internal motivation. Shane *et al.* (2003) explain internal motivation as the "willingness to play the game" – the ability to pursue entrepreneurial and growth activities, gather resources and execute the necessary tasks to achieve growth objectives. Some entrepreneurs just do not have that willingness or internal motivation due to their personality traits (e.g. risk aversive) or perception of environmental threats. This attitude constrains their growth intentions. In addition, some entrepreneurs may choose to remain small to be their own boss, maintain their independence and not relinquish the ownership or control of their business through external equity investors. Such entrepreneurs may fear a takeover bid by larger competitors in future (Swanepoel, 2014).

2.6.2 Environmental and institutional barriers

Furthermore, external environmental factors also pose barriers such as lack of finance, no market demand growth, and increasing competition (Swanepoel, 2014). Fatoki and Garwe (2010) cite the business environment (both internal and external) as one of the main obstacles to the growth of new SMMEs in South Africa. Factors in the internal environment such as access to finance, management skills, location and networking, investment in information technology, and cost of production are critical factors that hamper growth in SMMEs. Factors in the external environment such as economic variables, crime and corruption, labour,

infrastructure and regulations also affect growth intentions (Doern, 2011; Estrin, Korosssteleva and Mickiewicz, 2013; Mthimkhulu and Aziakpono, 2015)

Research conducted by Mthimkhulu and Aziakpono (2015) has found crime, electricity and corruption to be top constraints of growth in SMMEs. They have further identified the transportation of goods and finance as additional constraints, with transportation of goods having a significant effect on growth, while access to finance has a limited effect on the growth of most SMMEs.

According to Bartlett and Bukvić (2001), institutional barriers such as legislative framework, corruption and bribery, external market position of a firm, financial barriers, internal organisational barriers, and social barriers (lack of support from local actors and agencies) all act as barriers to the growth intentions of entrepreneurs.

The effects and influence of the institutional environment are discussed further in Chapter 3 - Environmental and Individual Factors.

2.7 CHAPTER SUMMARY

This chapter outlined the theoretical foundation of the study by discussing the literature on entrepreneurship and growth intentions. Firstly, it defined the concept of growth by describing the different types of growth namely financial growth, strategic growth, structural growth and organisational growth. Secondly, the chapter explained how growth is measured. The different indicators used by researchers to measure growth and success in their business venture were presented. These indicators were employment levels and number of employees; sales and asset growth; financial growth or performance; relative growth or performance; and satisfaction with growth or performance.

Thirdly, the chapter described growth intentions and the approaches and theories upon which growth intentions in entrepreneurs are understood. The theories are the theory of planned behaviour, behavioural reasoning theory, institutional theory, and trait theory. These theories form the foundation of this study. They explain and give context to the argument on growth intentions and growth in SMMEs.

Furthermore, the chapter explained the determinants of growth intentions and discussed the constraints and barriers that impede the growth of SMMEs. The determinants included demographic characteristics, individual characteristics, organisational or business determinants, and country or environmental determinants. Likewise, the barriers to growth intentions included individual or personal barriers, and environmental or institutional barriers.

In the next chapter, environmental and individual factors that influence the growth intentions of SMME entrepreneurs are discussed.

CHAPTER 3

ENVIRONMENTAL AND INDIVIDUAL FACTORS

Business growth is affected through a variety of personal and environmental factors …
Growth intentions are related to personal perceptions of the business environment as well as the entrepreneur's abilities …
(Welter, 2001)

3.1 INTRODUCTION

Various researchers have credited different explanatory variables to growth intentions. The common variables put forth to explain why entrepreneurs would intend to grow their business have been the environment in which the business operates and individual characteristics or abilities of the entrepreneur (Welter, 2001; Levie and Autio, 2013). This chapter looks at the environmental and the individual factors that determine growth intentions. The chapter begins with the definition of environmental factors and individual characteristics. After that, the chapter gives an overview of the combined interactions of both, the environmental factors and the individual factors, and their influence on the growth intentions of SMEs.

3.2 THE BUSINESS ENVIRONMENT

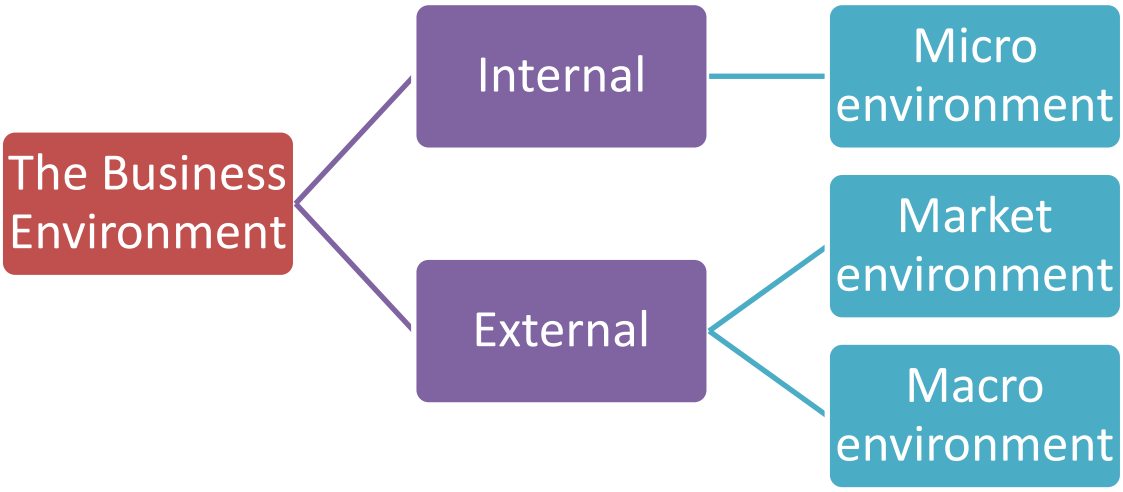
A business does not exist in isolation, but within an environment where it continuously interacts with elements such as people, events and other businesses around it (Botha, 2017). De Beer (2015) defines the business environment as "the total of all the factors and variables that influence the creation, growth and continued existence of the business either positively or negatively, thereby promoting or hindering the achievement of its objectives". According to Aterido, Hallward-Driemeier and Pages (2011), the business environment is the "set of factors, policies, and institutions that affect the performance of firms and economic growth". Thus, the business environment often determines the success or failure of the business (Botha, 2017). Therefore, understanding the environment within which SMMEs operate is of paramount

importance to entrepreneurs who have to monitor the changes within the environment continually and modify their operations to fit in with the changes (Rankhumise and Venter, 2016).

Various researchers have affirmed the importance of the business environment to the growth intentions of SMMEs. Welter (2001) states that the growth of a business is affected by a variety of environmental and personal factors because growth intentions are related to the entrepreneur's perceptions of the business environment as well as the entrepreneur's abilities. Širec and Močnik (2013) in agreement state that the aspirations of entrepreneurs are highly dependent on the impact of external environmental influences. In addition, Shane *et al.* (2003) state that entrepreneurship is not solely the result of human action, but that environmental factors also play a role; hence, the importance of investigating the influence of the external environmental factors on the growth intentions of SMMEs. Moreover, Gartner (1989) points out that research studies on entrepreneurial traits and characteristics should also "recognise the influence of environmental factors in moderating and mediating the effect of personality traits and characteristics on entrepreneurial behaviours".

Furthermore, the business environment can influence the efficiency of SMMEs. Roudaut (2006) states that manufacturing firms in the formal sector are technically more efficient than manufacturing firms in the informal sector. In his research, he discovered that the efficiency gap between the formal and informal firms was primarily as a result of the influence of the business environment, rather than the effect of management. According to researchers (Rankhumise and Venter, 2016; Botha, 2017), the business environment is classified into two main categories, namely the internal environment and the external environment. The internal business environment includes the micro-environment component, and the external environment includes the market environment and the macro-environmental components.

Figure 3.1: Summary of the business environment



Source: Booysen, K. (2017). The business environment. p. 37.

3.3 THE INTERNAL BUSINESS ENVIRONMENT

The internal business environment consists of the micro-environment, which is the business itself. It is also referred to as the decision-making environment, because decisions regarding the processes and operations of the business are made within this environment. Thus, the micro-environment is defined as "the factors in an organisation's immediate area of operations that affect its performance and decision-making freedom" (Botha, 2017). De Beer (2015) defines the micro-environment as "the total of all factors and variables which occur internally in the business and which are influenced, either directly or indirectly, by management decisions". These decisions can invariably influence or affect the growth and continuous existence of the business (Botha, 2017).

The micro-environment is made up of several factors, which include the vision and mission of the business, its goals and objectives, its strengths and weaknesses, production means of the business (capital, natural resources and labour), and the functions or departments (marketing, finance, human resources, general management, purchasing, operations, public relations and administrative) within the business. These factors are believed to be under the control of the entrepreneur; therefore, it is important that the entrepreneur makes the right decisions concerning the use of these factors (Booysen, 2017; Botha, 2017). Even though decisions made

in the micro-environment are within the control of the entrepreneur, the decisions do not take place in isolation. The entrepreneur must be aware of the happenings in the external environment and understand its influence on the micro-environment. Ultimately, the entrepreneur should understand how the external environment affects the micro-environment (Booysen, 2017). To fulfil the objectives of this study, the discussion focused on the external environment and its elements.

3.4 THE EXTERNAL BUSINESS ENVIRONMENT

The external environment consists of the market environment and the macro-environment, which are environments outside the business, meaning that they are beyond the control of the entrepreneur. It is generally considered a dynamic environment, where the rate of environmental change can be very fast (Williams, 2016). The market environment, also known as the task environment, is the environment that directly surrounds the micro-environment, being the business. The market environment is unique to each business and directly affects the way the business carries out its daily operations (Williams, 2016). Rankhumise and Venter (2016) define the market environment as "the sum total of all the factors which exist externally, and which can positively or negatively influence the growth and existence of the enterprise". The market environment is made up of several external factors, namely customers, competitors, distributors, suppliers and the labour force (Booysen, 2017).

According to Rankhumise and Venter (2016), the macro-environment "refers to the broad environment encompassing factors that can influence the business and its marketing initiatives negatively or positively". The macro-environment is also called the general environment. The entrepreneur has no control over the factors in the macro-environment because they occur outside the business, but any changes in any of the factors are most likely to affect the survival, performance or growth of the business (Rankhumise and Venter, 2016; Williams, 2016).

The macro-environment consists of six main factors that can affect a business, namely political factors, economic factors, sociocultural factors, technological factors, ecological or physical factors and legal factors [PESTEL] (Rankhumise and Venter, 2016; Booysen, 2017). According to researchers (Liao *et al*., 2001; Spencer and Gómez, 2004), the external environment includes the institutional environment, which refers to the rules, cognitive

structures and social norms in a country that can either facilitate or constrain economic activities. The institutional environment can also influence the actions of entrepreneurs and the development of SMMEs by creating barriers that could hinder the growth of small businesses (Xheneti and Bartlett, 2012; Yukhanaev *et al.*, 2015); thus, the importance of establishing and developing institutional frameworks that are conducive to the development and growth of SMMEs (Manolova *et al.*, 2008; Schwab, 2017).

3.4.1 South Africa's Institutional Environment

Institutional environmental factors have been blamed for South Africa's low levels of entrepreneurial activity. Herrington and Kew (2018) conducted a study that involved the assessment of South Africa's entrepreneurial environment by certain leading business experts. The result of that assessment showed that the main inhibitors of entrepreneurial activity in South Africa were entrepreneurship education, research and development transfer, financial environment and support, the regulatory environment and government policies, and government support for entrepreneurship programmes; thus, institutional environmental factors.

The institutional environment of a country comprises rules, social norms and cognitive structures that guide, constrain or liberate domestic economic activity. It also sets the framework for market transactions by defining the alternative courses of action open to SMMEs, dictating the risks and payoffs for different activities, and specifying the conditions under which small businesses hold legitimacy (Spencer and Gómez, 2004). Furthermore, Manolova *et al.* (2008) assert that the institutional environment of a society comprises the fundamental political, social, and legal ground rules that establish the basis for production and distribution, and if organisations are to receive support and legitimacy, they must conform to the rules.

Institutions are made up of three interrelated systems, namely regulative systems, normative systems, and cultural-cognitive systems (Scott, 2001). Institutions restrain and control behaviour through rules, granting or withholding permission, and monitoring activities. Effective and efficient institutions include regulative systems that consist of laws, regulations and government policies that promote certain behaviours and restrict others. Laws and regulations can specify the responsibilities of SMME owners, assign property rights, and

reduce the risks involved in starting a new business. In situations where the formal institutional environment of a country is ineffective and inefficient, institutional voids are created. These voids, in turn, create instability and unpredictability in the business environment and result in having a negative impact on SMMEs, such as corruption and crime (Estrin, Korosssteleva and Mickiewicz, 2013; Mthimkhulu and Aziakpono, 2015; Yukhanaev *et al.*, 2015).

The World Bank (2018) *Doing Business Report* ranks South Africa in 82nd position out of 190 countries on the ease of doing business. This places South Africa in the sixth position in Africa, behind Mauritius (25th), Rwanda (41st), Morocco (69th), Kenya (80th), and Botswana (81st). This means that the regulatory environments of the countries mentioned earlier are perceived to be more business-friendly compared to South Africa. For this study, the regulatory aspect of the institutional environment is utilised to explain the influence of environmental factors on the growth intentions of SMMEs.

3.4.2 The Global Competitiveness Report and Index

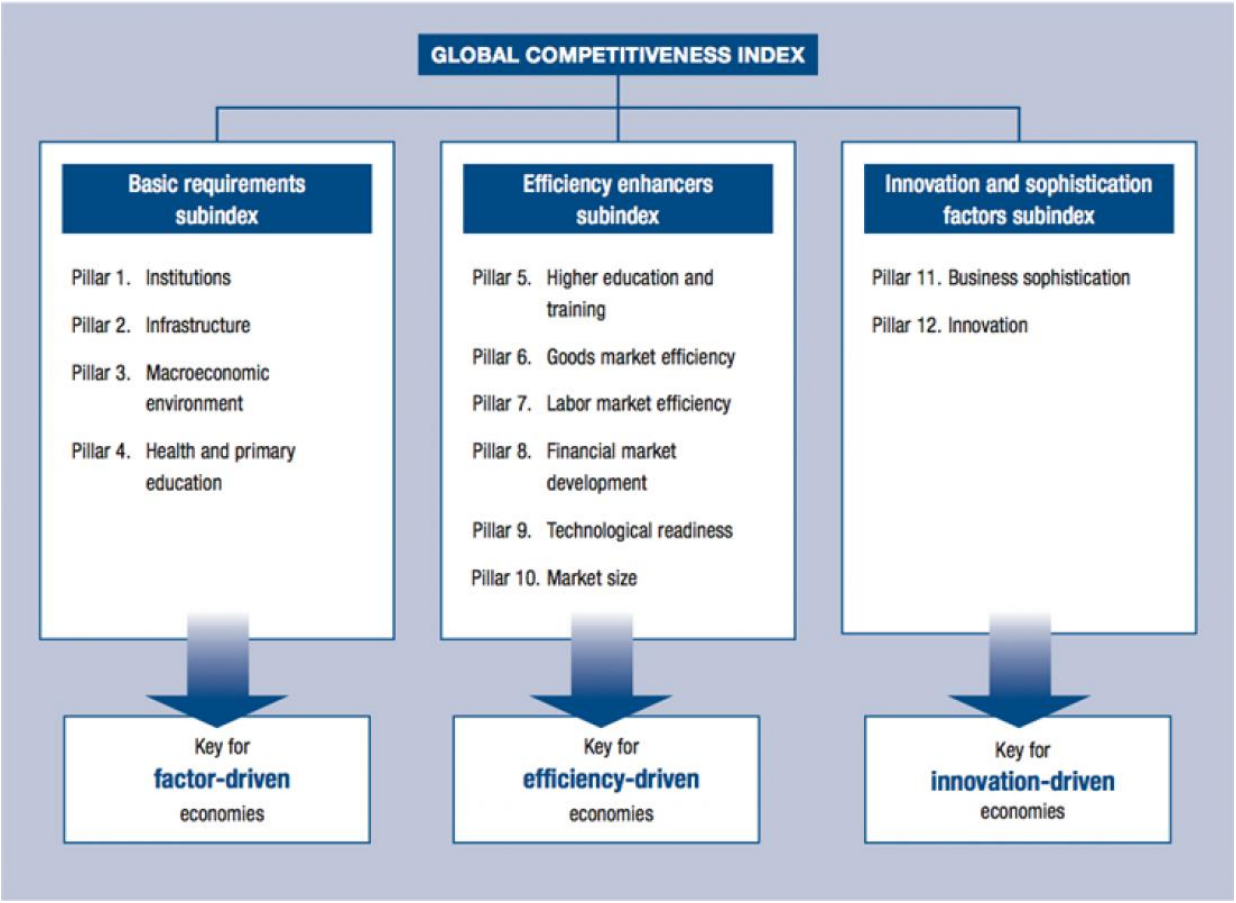
To assess the influence of environmental factors on SMMEs, some researchers (Neneh, 2011; Yüksel, 2012) have utilised the PESTEL model, while others (Agboli and Ukaegbu, 2006; Ishengoma and Kappel, 2011; Džafić, 2014) have used indicators from the Global Competitiveness Report (GCR) by the World Economic Forum (WEF) or the Doing Business Report compiled by the World Bank. This study adopts the indicators as stipulated by the Global Competitiveness Report, because it measures the national competitiveness of 137 economies using a set of indicators that include the prevailing institutions in each country, policies and factors that determine the level of productivity (Schwab, 2017). In addition, the GCR's form of measurement takes the elements as defined by the institutional theory, such as institutions, labour market efficiency, infrastructure, and taxes into account.

For over 40 years, the GCR has measured the competitiveness of economies around the world. Competitiveness is defined as "the set of institutions, policies, and factors that determine the level of productivity of an economy" (Schwab, 2017). The prevailing level of productivity in any given country determines the level of prosperity that the country can attain. Each country's level is then ranked from the lowest to the highest, representing the global competitiveness index (GCI) of the country. The GCI constitutes 114 indicators that describe the type of productivity and prosperity that would be prevalent in any given country. These indicators are

categorised into twelve broad pillars, namely "institutions, macro-economic environment, infrastructure, macro-economic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation".

The GCI is computed from statistical data obtained from world-renowned organisations such as the World Bank, the World Health Organisation (WHO), the United Nations (UN), the International Monetary Fund (IMF), and the World Economic Forum's Executive Opinion Survey (Schwab, 2017). The framework used to calculate the individual index of specific countries is depicted in Figure 3.2.

Figure 3.2: The Global Competitiveness Index (GCI) framework



Source: Schwab, K (Ed.) (2017). The Global Competitiveness Report 2017–2018. Geneva: World Economic Forum (WEF), p. 12.

The WEF and GEM classify South Africa as an efficiency-driven economy because of South Africa's current economic development phase. According to Schwab (2017) and Turton and Herrington (2013), an efficiency-driven economy is characterised by a strong focus on "higher

education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness and market size to enhance its economic capabilities" (see Figure 3.2).

Table 3. 1: Global Competitiveness Index 2017–2018 rankings and 2016–2017 comparisons

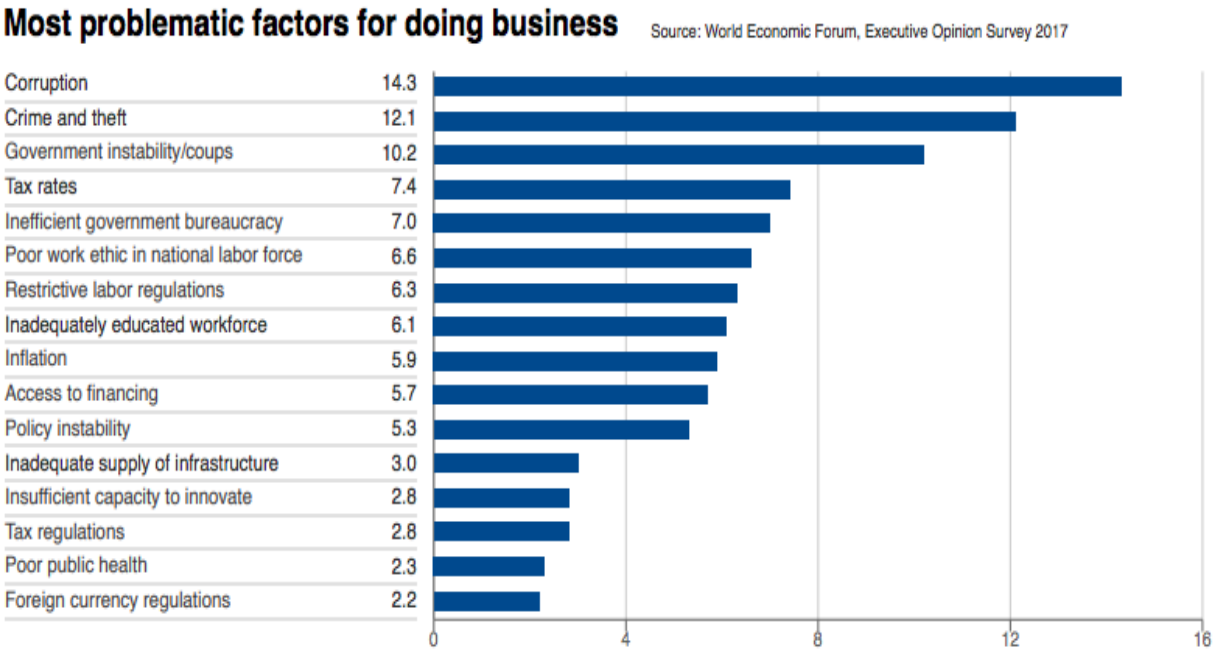
	GCI 2017-2018		GCI 2016-2017		Observation	Comment
Country	**Rank** (out of 137)	**Score** (1-7)	**Rank** (out of 138)	**Score** (1-7)		
South Africa	61	4.32	47	4.47	Fell fourteen places	Efficiency-driven economy. Third place GCI in Africa
Switzerland	1	5.86	1	5.81	Constant	Innovation-driven economy. First place GCI in the World.
Mauritius	45	4.52	45	4.49	Constant	Efficiency-driven economy. First place GCI in Africa.
Rwanda	58	4.35	52	4.41	Fell six places	Efficiency-driven economy. Second place GCI in Africa.

Source: Compiled from Schwab, K (ed.) (2017). The Global Competitiveness Report 2017–2018. Geneva: World Economic Forum (WEF). p. 13.

Table 3.1 shows the global competitiveness index of South Africa for the years 2017–2018 and 2016–2017. As an efficiency driven economy, South Africa's GCI is ranked among the top 100 economies in the world. In the 2017-2018 Global Competitiveness Report, South Africa's GCI was ranked 61st in the world. Fourteen places down from the previous year (ranked 47 in 2016–2017 GCR). Switzerland, an innovation-driven economy, was ranked first in the world. Mauritius was the highest-ranked African country in 45th place, followed by Rwanda (ranked second in Africa) in 58th position. This means that Mauritius and Rwanda have a more favourable business environment in which entrepreneurs could conduct business compared to South Africa.

Though South Africa was ranked 61st in the world, it is still one of the most competitive and innovative countries (39th) on the continent. South Africa's descent in the rankings has been attributed to the problematic factors and challenges investors and business people encounter when conducting business in the country (see Figure 3.3). The opinions of business leaders on the quality of the institutions and business environment in the country are also used to determine the competitive index of the country. Thus, recent political upheavals, continuous rise in unemployment levels, corruption and a general lack of trust in most government agencies have eroded the confidence of investors and business leaders in the attractiveness of the South African business environment.

Figure 3.3: Most problematic factors for doing business in South Africa



Source: Schwab, K (Ed.) (2017). The Global Competitiveness Report 2017–2018. Geneva: World Economic Forum (WEF). p. 268.

An attractive business environment is a region that attracts investments and fosters the establishment, growth and profitability of SMMEs, while creating jobs, reducing poverty and growing the economy (Agboli and Ukaegbu, 2006). Figure 3.3 shows the most problematic factors for doing business in South Africa in 2017–2018. Corruption, crime and theft, and government instability were the top three most problematic factors for doing business in South Africa. Other factors were tax rates, inefficient government bureaucracy, restrictive labour regulations, access to finance and inadequate supply to infrastructure. All these factors constitute the regulatory factors of the institutional environment (Gnyawali and Fogel, 1994).

Hence, for the purpose of this study, the focus would be on the factors of the regulatory system of the institutional environment, namely tax regulations, labour, infrastructure, access to finance and corruption.

3.4.3 Tax Regulations

High taxes is one of the elements in the external environment that usually contributes to the failure of SMMEs (Van Aardt *et al.,* 2010) and compliance to tax requirements is perceived to be one of the limiting factors to the growth of SMMEs in South Africa. The South African Revenue Service (SARS) levies and administers most taxes in South Africa. The process SMMEs had to go through a few years ago to pay their taxes were criticised for being too burdensome. The criticism related to the Rand value of the taxes paid by SMMEs, in addition to the time and cost required to complete the essential documentation to register as a taxpayer and file tax returns. These criticism and complaints about the tax system led to the government instituting a new tax system in 2009, known as 'Turnover Tax' for SMMEs, which would lower the time and cost of submitting tax returns (Habberton and Notcutt, 2013; Venter, 2015a).

Table 3. 2: Turnover tax rates for SMMEs

Taxable income	**Rate of tax**
R0 – R335 000	0% of taxable turnover
R335 001 – R500 000	1% of taxable turnover above R335 000
R500 000 – R750 000	R1650 + 2% of taxable turnover above R500 000
R750 001 and above	R6650 + 3% of taxable turnover above R750 000

Source: Jacobs, H. (2019a) Legal obligations and legislation affecting entrepreneurs. p. 175.

The new system replaced income tax, provisional tax, capital gains tax, secondary tax on companies and value-added tax (VAT). Turnover tax is available to SMMEs with a turnover up to R1-million a year. It is believed that under the new system, compliance to tax obligations by SMMEs should be easier as SMMEs would only need to submit two interim returns and a final return for assessment (Venter, 2015a; Jacobs, 2019a). Moreover, the government has made paying taxes easier and quicker through the provision of electronic filing services (e-filing). This is also supposed to translate to cheaper costs for SMMEs.

However, this seems not to be the case. Tax rates and tax regulations feature on the list of the most problematic factors for doing business in South Africa 2017-2018 by the World Economic Forum's *Global Competitiveness Report* (Schwab, 2017). Similarly, the 2017 World Bank Report of *Doing Business in South Africa* indicates that though the new tax system is favourable towards SMMEs, the administrative burden of complying with payments is getting worse. Businesses, in general, perceive the tax rates and regulations to be difficult. South Africa now ranks 51st out of 190 countries, down nineteen places at 32nd in 2013. Businesses on average still need to make seven payments a year, spend 203 hours a year filing, preparing and paying taxes and pay total taxes amounting to 28.8% of their profit (The World Bank, 2017).

3.4.4 Labour Laws

It is widely reported that South African labour laws are not conducive to SMMEs, as the country is ranked the worst in the world (137th out of 137 countries) with regard to cooperation in labour-employer relations. It is also ranked among the worst in the world (125th out of 137 countries) in respect of its hiring and firing practices (Schwab, 2017). According to the World Economic Forum *Global Competitiveness Report, 2017-2018*, restrictive labour regulations are ranked among the top seven second-most problematic factors for doing business in the country. The report also ranks South Africa among the lowest 50 in the world (93rd out of 137 countries) with regard to labour market efficiency. This is because labour legislation unnecessarily favours the interests of employees rather than balancing worker protection against employment restrictions (Schwab, 2017).

Proponents against certain aspects of the labour law argue that the laws are applied universally without any distinction made between large listed companies and small start-up entrepreneurial ventures. This approach is often burdensome and hinders the growth of SMMEs (Endeavor SA, 2009). For instance, the Department of Labour requires new businesses that will employ people to register as employers with the Department and to contribute to the Unemployment Insurance and Compensation Fund (Jacobs, 2019a). Furthermore, to grow and develop, SMMEs need to employ suitably skilled and suitably motivated labour. However, SMMEs are battling to do so, as South Africa suffers from a dearth of qualified personnel (Schwab, 2017). In situations where skilled labour is available, SMMEs are unable to hire them because they are deemed too expensive. Also, South African labour laws are deemed too stringent, as labour

can only be hired at a cost and within the confines of the labour regulations such as the Employment and Minimum Wage Regulations (Fatoki and Garwe, 2010).

3.4.5 Infrastructure

Infrastructures are physical resources such as buildings, equipment, roads, water, communication facilities and electric systems needed by SMMEs for the smooth operation of entrepreneurial and economic activities (Jacobs, 2019b). According to Obokoh and Goldman (2016), infrastructure in most sub-Saharan African countries is weak or non-existent due to lack of proper planning, lack of funds, and poor maintenance. An inadequate supply of infrastructure is a major impediment to the productivity and growth of SMMEs (Khan, Biswas, and Ahmed, 2009; Cissokho and Seck, 2013). Without adequate infrastructures such as good roads, manufacturing plants or industrial areas in any given region, the free movement of goods and human resources is hampered, thereby hampering economic gains in that region (Obokoh and Goldman, 2016).

According to Cissokho and Seck (2013), one vital infrastructure that affects the productivity and growth of SMMEs is electricity supply. They report that poor electricity supply in Senegal resulted in frequent power outages, which affected economic activities negatively, especially in the manufacturing and industrial sectors. Inadequate electricity supply is also a problem SMMEs in South Africa are facing. As demand exceeds supply, frequent power outages, commonly referred to as "load-shedding" occur (Fatoki and Garwe, 2010). To mitigate the effects of "load-shedding", SMMEs have invested in power generating plants and equipment of their own. This self-provision of power affects the profits and wealth creation of the small business and, to an extent, compromises their competitiveness and chances of survival (Obokoh and Goldman, 2016).

Inadequate supply of infrastructure is listed as one of the most problematic factors for doing business in South Africa as "load-shedding" is affecting the productivity of small businesses negatively (Schwab, 2017). In their research on the performance of SMMEs in Nigeria, Obokoh and Goldman (2016) have determined that "there is a significant relationship between the state of infrastructure and the operational costs of SMMEs". In other words, the operational costs of SMMEs would increase whenever the state of infrastructure worsens.

3.4.6 Access to Finance and Interest rates

Finance is one of the five vital resources entrepreneurs need (the other resources being personal, physical, information and human resources) to enable them to start, run and sustain a business, but accessing this resource can be a difficult task for most entrepreneurs (Jacobs, 2019b). Lack of financial resources and the high cost of finance are some of the major reasons why most SMMEs fail (Bartlett and Bukvić, 2001; Krasniqi, 2007; Fatoki and Garwe, 2010). Accessing financial resources for small businesses can be challenging, because most entrepreneurs do not have the resources to self-fund their ventures, and even if they do, it may not be sufficient; hence, limiting the scope, size and growth potential of the business (Venter, 2015b).

South Africa has a variety of conventional providers of funds to SMMEs such as banks (commercial, investment, mutual saving, and cooperative) but unfortunately, most entrepreneurs cannot access these funds because of unemployment and poverty. Without a stable source of income and hailing from a rich socio-economic background, most potential entrepreneurs do not have the required collateral to access funds from the banks. As a result, the government has set up initiatives such as the Small Enterprise Finance Agency (SEFA), the National Youth Development Agency (NYDA), the National Empowerment Corporation (NEC), and Youth Entrepreneurship Fund (YEF) through which entrepreneurs can access much-needed funds for the establishment, operation and growth of their businesses (Venter, 2015b; Jacobs, 2019b). Nevertheless, access to financing is listed as one of the most problematic factors of doing business in South Africa (Schwab, 2017). Fatoki and Garwe (2010) note that less than 3% of SMMEs in South Africa can access any form of financing from banks and less than 30% of applications for credit by newly established SMMEs are approved. Sometimes, when SMMEs eventually access funds, the interest rates may be high, thus affecting the profits of the business.

The Banking Association of South Africa describes interest rates as,

> *the amount charged, expressed as a percentage of the total or outstanding loan amount (principal), by the lender to the borrower for the use of assets. Assets borrowed can include cash, consumer goods or large assets such as vehicles or property.* (Banking Association South Africa, 2018)

In other words, interest is the price paid for the use of money, or simply, the cost of borrowing money. It is usually stated as a percentage of the amount of money borrowed rather than as a rand amount. The higher the interest rate, the more expensive it becomes for an SMME to use borrowed money to run the operations of the business (Van Aardt *et al.*, 2010; McConnell, Brue and Flynn, 2012).

In the last 20 years from 1998 until 2018, the average interest rate in South Africa has been 12.67%. The highest recorded interest rate was 23.99% in June 1998, and the lowest recorded interest rate was 5% in July 2012. Since January 2018, the South African Reserve Bank (SARB) has kept interest rates steady at 6.75% (Trading Economics, 2018). High interests on loans and compressed repayment terms have been cited as one of the external reasons for the failure of SMMEs. High interest rates increase the costs and risks to a small business. If the business has a low-risk profile, it can negotiate a lower interest rate with some lending institutions, but if the business is perceived to have a high-risk profile, lending institutions may only lend it money with high interest rates. In addition, an SMME may also negotiate compressed repayment terms by prolonging the number of months it has to pay back the loan to have more cash flow at its disposal, but this may result in the SMME paying more interest in the long run (Van Aardt *et al.*, 2010).

3.4.7 Corruption

Opportunistic behaviour is defined as the practice of "taking advantage of situations in order to gain money or power, without thinking about whether those actions are right or wrong" (*Collins Dictionary*, 2018). This type of behaviour has been blamed for giving rise to bribery and corruption. Inasmuch as culture determines what is acceptable in a particular place, the same act displayed in another region in the business world may be deemed an unethical business practice. For instance, the giving of gifts to potential business partners is acceptable in some countries, but in other countries, the same gesture may be perceived as a bribe and an attempt to influence the business process (Booysen, 2017).

Corruption was ranked as the most problematic factor for doing business in South Africa by the *Global Competitiveness Report 2017–2018*. This was closely followed by crime and theft. (Schwab, 2017). Again, corruption was the principal factor cited in the World Bank's *Doing Business Report 2018* which caused South Africa to fall from the 74th most investor-friendly

country in 2016 to the 82nd most investor-friendly country in 2017 among 190 countries (The World Bank, 2018). Corruption scandals involving government officials, state departments and state-owned enterprises (SOEs) such as the Department of Social Development, Eskom, South African Airways (SAA) and PRASA (Passenger Rail Agency of South Africa) have resulted in a lack of business confidence in South Africa by foreign investors – thus leading to an investment recession.

According to Anokhin and Schulze (2009), corruption affects the level of entrepreneurial activities and innovation in a country negatively. Driouchi and Gamar (2016) agree and state that corruption impedes entrepreneurial growth in a country. Furthermore, Ngunjiri (2010) has determined that corruption in Kenya creates an environment in which projects and infrastructure to meet basic needs are never completed. In addition, corruption limits SMMEs' access to government contracts and causes misallocation of funds.

Similarly, Nkpoyen, Bassey and Uyang (2014) report that widespread corruption in Nigeria has created an atmosphere where the rule of law is not observed, and unethical business practices thrive, to such an extent that authentic entrepreneurial development in both urban and rural communities is constrained. They also report that the necessary infrastructure needed for the development and sustainability of SMMEs is thwarted by corruption.

Corruption is not a problem that is unique to Africa, but a global challenge. According to Krasniqi (2007), corruption had a negative influence on the growth and development of small businesses in Kosova, because it made business transactions more costly and discouraged crucially needed domestic and international investments into the region. In Russia, corruption is one of the significant barriers to SMME growth (Yukhanaev *et al.,* 2015), and Estrin *et al*. (2013), in a global survey of the effects of institutions on growth aspirations in 42 countries, have found that corruption can influence the growth intention of entrepreneurs negatively.

3.5 INDIVIDUAL CHARACTERISTICS AND GROWTH INTENTIONS

It is often argued whether entrepreneurs are born or made. Van Aardt *et al.* (2010) state that there are certain individual characteristics that entrepreneurs are born with and certain characteristics entrepreneurs can learn. Researchers (Carland *et al.*, 1984) often argue that these

‘inborn characteristics’ are what differentiate entrepreneurs from non-entrepreneurs, or make one person succeed in business and the other person to fail.

Many reasons have been given for why researchers conduct studies on the traits and characteristics of entrepreneurs. According to Gartner (1989), studies on the traits and characteristics of entrepreneurs are important, because “an individual’s internal disposition would influence their behaviour”. Van Aardt *et al.* (2010) are of the opinion that it is important to study the characteristics of entrepreneurs to find out what kind of entrepreneur can manage the external environmental forces successfully.

Individual characteristics refer to the personal traits, features, attributes or qualities that distinguish one individual (in this case, the entrepreneur) from another individual (in this case, a person who does not aspire to be an entrepreneur) (Botha, 2019). Pollack *et al.* (2016) state that characteristics refer to an individual’s demographics (e.g. race, age, gender, education, experiences), competencies (e.g. expertise, technical skills, organisational skills), and traits (e.g. self-efficacy, vision, need for achievement, passion, tenacity, locus of control). According to Rankhumise and Venter (2016), the personal or individual characteristics of entrepreneurs complement and enhance the skills, expertise and aptitudes they possess. Therefore, having the right combination of these essential characteristics, skills, aptitudes and expertise has been proven to contribute to the success of entrepreneurs.

Ambroise *et al.* (2013) state that it is difficult to examine growth intentions independently without taking into consideration the factors that influence the behaviour of the entrepreneur such as “What does growth represent for him or her? Which goals does he or she look for while the firm grows? Which abilities does he or she implement to manage growth? Thus, the importance to examine and investigate the role of individual characteristics on the growth intentions of entrepreneurs.

Individuals possess many characteristics and traits, and no particular or single trait can determine an entrepreneur’s success; rather, an individual can be a successful entrepreneur if he or she possesses a certain number of traits or characteristics. Therefore, this study focused on the most common investigated constructs in entrepreneurial research that have been proven to influence growth intention and entrepreneurial orientation. These characteristics are the need for achievement, risk-taking propensity, need for autonomy, and locus of control (Kolvereid, 1992; Wei and Ismail, 2008; Khan *et al.*, 2013). The characteristics are discussed below.

3.5.1 Need for achievement

The need for achievement describes the entrepreneur's need and motivation to excel in his/her entrepreneurial endeavours (Botha, 2019). Proposed by McClelland (1961) in the early 1960s, the need for achievement is one of three motivators he identified and believed every individual possessed (the other two being the need for affiliation and the need for power). McClelland (1961) posited that individuals with a high need for achievement are more likely to have "a strong need to set and accomplish challenging goals", take calculated risks, "receive regular feedback on their performance" and prefer to work alone.

The need for achievement is one of the dominant psychological motivation factors within entrepreneurial studies because researchers (Shane *et al*., 2003; Wei and Ismail, 2008; Širec and Močnik, 2010; Khan *et al.*, 2013) have discovered that it is one of the major determinants of entrepreneurial orientation. The need for achievement is usually used to differentiate between individuals with entrepreneurial intentions and those without. It is often argued that individuals who have the intention to start their businesses are more likely to score higher with regard to achievement needs.

Individuals exhibit the need for achievement in various ways such as having the ability to set goals, being confident that they can achieve success, and having a well-defined measurement of that success (Booysen, 2014b). Researchers (Perry, Meredith and Cunnington, 1988; Lau and Busenitz, 2001; Levie and Autio, 2013; Neneh and Van Zyl, 2014) have found out that there is a definite link between the growth orientation of a small business entrepreneur and his/her need for achievement. Thus the need for achievement is considered an essential characteristic for entrepreneurs, as it is used to distinguish between those who are potential entrepreneurs and those who are not (Farouk, Ikram and Sami, 2014).

3.5.2 Risk taking propensity

Risk-taking propensity is another essential characteristic McClelland (1961) identified that distinguishes entrepreneurs from non-entrepreneurs. McClelland argues that individuals with high achievement needs would most likely be predisposed towards certain levels of risk. This is an important characteristic, because involvement in entrepreneurship requires conducting business in uncertain conditions. Širec and Močnik (2010) describe risk-taking as an

"individuals' disposition towards how much they will subject themselves to potential personal or financial loss or damage when confronted with uncertain circumstances or conditions". Urban (2015) states that becoming an entrepreneur is a risky endeavour, as the individual is faced with the unknown and has to decide how to manage the situations and challenges that he or she comes across. It is risky to start a business, as capital and finances have to be invested in the establishment, operation and growth of the business. Entrepreneurs are deemed to take calculated risks, which require of them to step out of their comfort zone and do things they do not usually do (Booysen, 2014b).

According to Booysen (2014b) and Botha (2019), taking risks involves more than the financial risk the entrepreneur incurs when he/she sets up the business. The entrepreneur could also experience physical and psychological risk, family and social risk, and career risk. Financial risk refers to a situation in which the business fails; hence, the entrepreneur loses the capital and other monies he or she had invested in the business. Physical and psychological risk refers to the feelings of inadequacy, stress or unhealthy mental or physical state the entrepreneur could suffer, should the business fail. In addition, family and social risk involves the sacrifices – in availability, money and time – the entrepreneur has to make concerning the relationships in his/her life. Pursuing entrepreneurial endeavours could place a strain on important relationships such as marriage, family and friends, and without proper management of these relationships, family and friends can withdraw their emotional support from the entrepreneur. Furthermore, the entrepreneur could suffer career risk as he/she is not involved in the formal employment sector and therefore is not guaranteed a stable source of income within a specified period.

Pursuing growth in a business venture is associated with high risk. Entrepreneurs who exhibit a moderate propensity towards risk are more likely to grow their business ventures; likewise, entrepreneurs who are not beset with a sense of fear to fail (Cassar, 2007; Verheul and Van Mil, 2011). Their findings are also supported by Levie and Autio (2013), who have determined that risk-taking propensity had a small but positive and robust effect on growth intentions. However, Neneh and Van Zyl (2014) did not find a significant relationship between risk-taking propensity and growth intentions.

3.5.3 Need for Autonomy

The need for autonomy refers to the entrepreneur's quest to be independent and do things "their way" (Booysen, 2014b). Entrepreneurs are generally profiled as people who prefer to set their own objectives and develop a work plan and guidelines on how they can achieve the set objectives. In addition, they are described as people who are creative, self-determined, autonomous, and refuse to accept the status quo. In addition, they are more likely to lead and direct themselves using their own judgement, rather than follow the direction of other people (Shane *et al.,* 2003; Širec and Močnik, 2010).

According to Shane *et al*. (2003), the entrepreneurial role generally requires independence, because the entrepreneur takes the initiative to pursue opportunities that were previously non-existent. In addition, the entrepreneur sets goals and is responsible for achieving them. Širec and Močnik (2010) state that having a need for autonomy requires the entrepreneur to be self-directed in the pursuance of purpose and opportunities. Thus, the need for autonomy is associated with risk orientation, the search for opportunities, and innovative behaviour. Furthermore, exhibiting this characteristic reveals an individual's inclination towards being free from the control and authority of others.

The need for autonomy or independence is regarded as an essential characteristic of entrepreneurs as it confers the desire to be one's own boss. It is argued that people with a high sense of autonomy are more likely to leave traditional forms of employment to start their own businesses as they do not like to be controlled by rules and regulations (Botha, 2019).

3.5.4 Locus of control

Another essential entrepreneurial characteristic, which researchers believe differentiates entrepreneurs from non-entrepreneurs, is locus of control. Urban (2015) describes locus of control as the "generalised belief about the amount of control individuals have over their own lives". Researchers (Širec and Močnik, 2010; Botha, 2019) state that the average entrepreneur is a person who likes to be in control, has a high degree of independence, and does not want to be told what to do by others.

There are two types of locus of control – internal and external locus of control. Internal locus of control is when individuals believe that they are in control of their destiny and can determine what happens to them or the outcome of any situation they find themselves in (Booysen, 2014b). Thus, individuals with a high locus of control are more likely to pursue entrepreneurial endeavours. because they believe that they can control the outcome (Rotter, 1966; Shane *et al.*, 2003; Širec and Močnik, 2010). As a result, researchers generally consider entrepreneurs to possess an internal locus of control.

External locus of control, on the other hand, is when individuals believe that they are not in control of their destinies, and their personal actions cannot influence the outcome of any situation they may find themselves in (Shane *et al.*, 2003). They attribute the happenings in their lives to luck, fate or chance. As a result, people with a high degree of external locus of control are less likely to pursue growth in their businesses (Zhou and De Wit, 2009).

Internal locus of control has been found to be significantly associated with the performance of a business. The more the entrepreneur believed that the realisation of the business goals were within his ability and influence, the better the performance of the business venture (Khan *et al.*, 2013).

In summary, it has been shown that entrepreneurs' individual characteristics stem from their personalities or traits, the things that motivate them and their attitude towards the entrepreneurial process. Characteristics that stem from personality or traits are those attributes and qualities that drive and push an individual towards starting a business by creating something new. These attributes include the need for achievement, the ability to take risks, the need for autonomy and having a high internal locus of control.

3.6 CHAPTER SUMMARY

Research that attempts to establish a causal relationship between psychological traits and entrepreneurial success have been criticised, as researchers claim that the research results are ambiguous, misleading or vague. Kozan *et al*. (2006) state that some researchers argue that the trait theory is deficient in two aspects; firstly, the assumption that any individual has the right qualities to be or not to be an entrepreneur. Secondly, the trait theory does not take into consideration the environment in which the entrepreneur operates. Gnyawali and Fogel (1994)

argue that of the two components, the environment is more important for the success of SMMEs. This may be due to the argument that, irrespective of the individual characteristics of the entrepreneur, the ultimate success of the business would depend on how conducive the conditions in the environment are. Is the environment conducive to the establishment and growth of SMMEs, or is the environment hostile towards the business (Fogel, 2001)? In other words, does the environment "provide incentives that make entrepreneurial activities possible," (Cuervo, 2005), thus bolstering the argument that the environment may hamper or encourage entrepreneurial activity?

Therefore, to cater for this deficiency, this research took into consideration the influence of both the individual characteristics and the external environment on the growth intentions of SMMEs.

CHAPTER 4

CONCEPTUAL MODEL DEVELOPMENT

Firm growth is a complex phenomenon. It cannot be explained by one particular dimension or one determinant
(Zhou and De Wit, 2009).

4.1 INTRODUCTION

This chapter will discuss the development of the conceptual model of the study. In Chapter 2, the theoretical foundation upon which this study is based, the theory of planned behaviour (TPB), behavioural reasoning theory (BRT), the trait theory (TT) and institutional theory (IT) were discussed. The discussion on TPB revealed that intention is a significant predictor of planned behaviour, and behavioural intention is a function of attitude towards the behaviour, subjective norms and perceived behavioural control (Ajzen, 1991). Also, the discussion on BRT showed that reasons connect and influence people's beliefs, global motives (i.e. attitudes, subjective norms, and perceived control), intentions and behaviour, as they assist individuals in justifying and defending their actions (Westaby, 2005).

In Chapter 3, environmental and individual factors – the two groups of factors investigated in this study – were discussed. The discussion revealed that environmental and individual factors do influence the growth intentions of SMMEs, either positively or negatively.

The main aim of this chapter is to integrate the theories and discussions in Chapters 2 and 3 to develop a conceptual model of the influence of environmental and individual factors on the growth intentions of entrepreneurs. To achieve this aim, environmental and individual factors that affect the growth intentions of entrepreneurs would be identified. Each of these factors would then be assessed to contextualise the constructs. After that, a literature review would be conducted to identify and establish the relationship between constructs and growth intentions. Lastly, before presenting the relationships between the factors, the behavioural reasoning

theory (BRT) and the theory of planned behaviour (TPB) will be overviewed as the foundation upon which the model is built.

4.2 THE DEVELOPMENT OF THE CONCEPTUAL MODEL

The conceptual framework of this study as depicted in Figure 4.1 is based on behavioural theories about entrepreneurial behaviour. According to Hair *et al.* (2016), a conceptual model is an excellent way to illustrate the hypothesised relationships between the independent and dependent variables. The *English Oxford Dictionary* (2018a), defines behaviour as "the way in which one acts or conducts oneself, especially towards others". This definition is further clarified by the dictionary stating that this would include firstly, "the way in which an animal or person behaves in response to a particular situation or stimulus" and secondly, the way in which a machine or natural phenomenon works or functions". For this study, the explanation that behaviour "is the way in which an animal or person behaves in response to a particular situation or stimulus" will be adopted as the definition of behaviour. Based on the TPB, the assumption is that "intention is a significant predictor of behaviour" (Ajzen, 1991; Kautonen *et al*., 2013). Thus, behaviour is considered a result, effect or consequence of intention. In other words, intention is the antecedent of behaviour.

Ajzen (2011) defines intention as "a person's readiness to perform a given behaviour". In entrepreneurial studies, this behaviour could be the intention to start a business venture in the future or, as in the case of this study, the intention to grow an already existing business. According to the TPB framework, intention is the function of three antecedents namely: attitude, subjective norm and perceived behavioural control (Ajzen, 1991). Prior studies on TPB in the entrepreneurship field by various researchers (Kolvereid and Bullvag, 1996; Liñán and Chen, 2009) reveal that these three antecedents explain 35%–45% of the variance in intentions. Thus, TPB postulates that intention links the three antecedents with behaviour (Kautonen *et al.*, 2013).

The conceptual framework and hypothesis of this study were formulated in the method and approach used by Westaby (2005) and Gupta and Arora (2017). In line with the theoretical proposition of Behavioural Reasoning Theory (BRT) and the Theory of Planned Behaviour (TPB) as illustrated in Figure 4.1, both Westaby (2005) and Ajzen (1991) hypothesise that

intentions are powerful predictors of behaviour. Past research using intention models such as the theory of reasoned action (Fishbein and Ajzen, 1975) and the theory of planned behaviour (Ajzen, 1991) purport that "intentions serve as the critical determinants of behaviour" (Westaby, 2005).

Figure 4.1 illustrates the conceptual model of the reasons why environmental and individual factors influence the growth intentions of entrepreneurs. In this section, each of the constructs illustrated in the diagram will be operationalised, and the inclusion of each construct in the model would be justified through a series of discussions. In addition, the relationship(s) between the different constructs in the model will be explained and hypothesised.

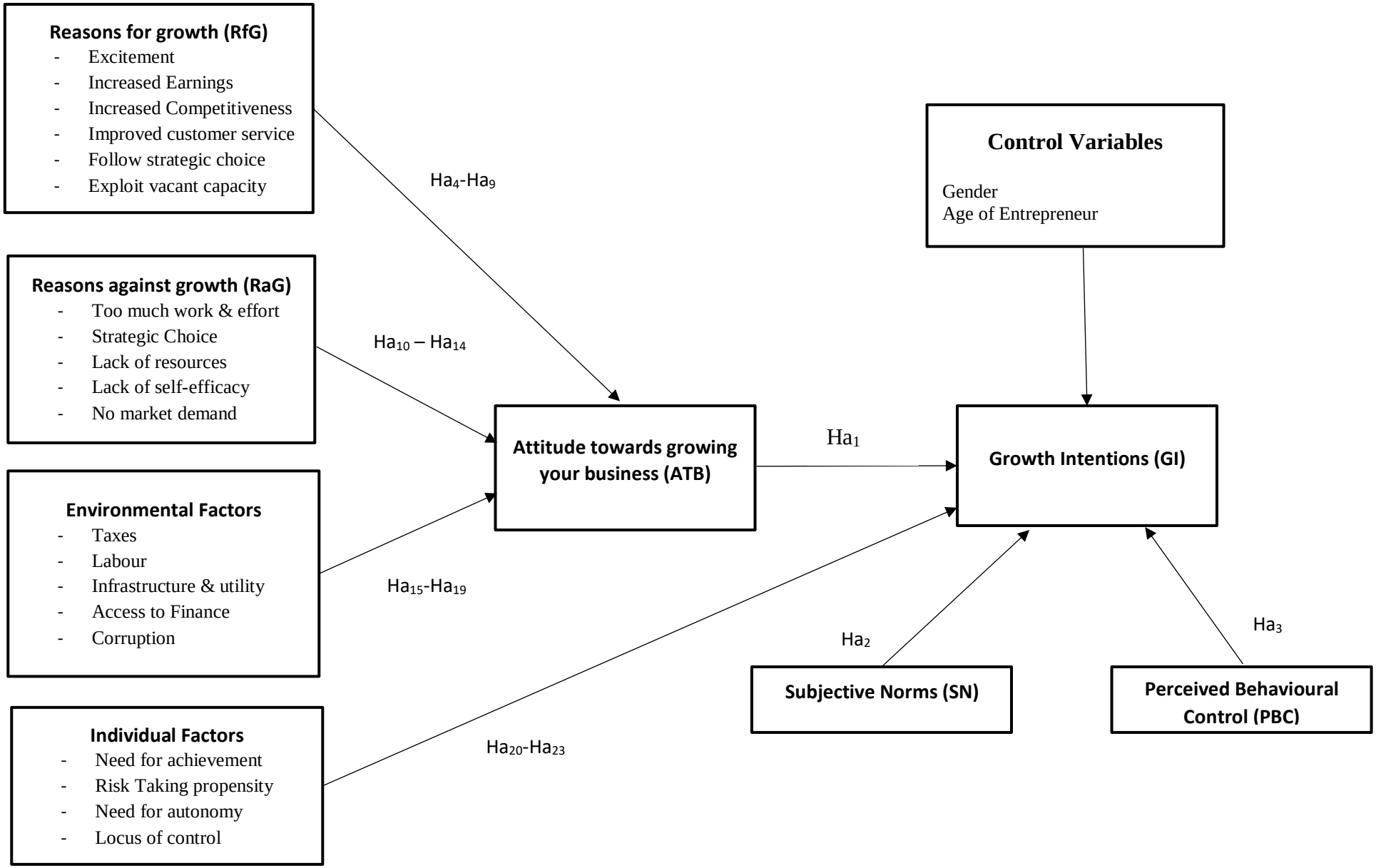


Figure 4.1: Conceptual model of the influence of environmental and individual factors on the growth intentions of SMMEs

4.2.1 The link between attitude towards growing a business and the intention to grow *(Theory of Planned Behaviour)*

The conceptual model in Figure 4.1 illustrates that, in this study, the attitude an entrepreneur has towards growing his or her business would influence their growth intentions. The model hypothesises that a positive attitude towards growth would influence growth intentions positively, while a negative attitude towards growth would influence growth intentions negatively. In establishing a connection between attitude towards growing a business and the intention to grow, this study adopts the Theory of Planned Behaviour (TPB) to explain the relationship.

As discussed earlier in Chapter 2, the TPB is a concept in Social Psychology that was proposed by Icek Ajzen in the mid-1980s to explain the link between the belief of an individual and the resulting behaviour of that belief (Ajzen, 1991). Introduced about three decades ago, and built on the Theory of Reasoned Action (TRA) by Fishbein and Ajzen (1975), the TPB has become one of the most widely used models for the prediction of human social behaviour. The main subject in the TPB is the *intention* of an individual to perform a particular behaviour (Fishbein and Ajzen, 1975; Ajzen, 1985, 2011). According to Ajzen (1991), the TPB proposes three determinants of intention which are conceptually independent of each other. The three determinants are firstly, the *attitude toward the behaviour (ATB)*; secondly, *subjective norm (SN)*; and thirdly, *perceived behavioural control (PBC).* These determinants are discussed below.

4.2.1.1 Attitude toward the behaviour (ATB)

Ajzen (1985, 1991) states that attitude toward the behaviour (ATB) refers to an "individual's positive or negative evaluation of performing a behaviour" or "the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question". The Cambridge English Dictionary defines attitude as "a feeling or opinion about something or someone, or a way of behaving". According to Ajzen (1991) and McNally *et al.* (2016), "attitudes are predictors of intentions to become an entrepreneur and those intentions, in turn, predict entrepreneurial behaviours". Attitudes are considered flexible and therefore can change over time, depending on the circumstances an individual experiences or is faced with (McNally *et al.,* 2016). Past studies in TPB (East, 1993; Mahmud and Osman, 2010) state that attitudes comprise of two elements, namely instrumental or cognitive dimension (which is based on knowledge or beliefs) and experiential or affective dimension (which is based on feelings).

In relation to this study, attitude would refer to the extent to which an entrepreneur perceives the idea of growing his or her business as a positive or a negative thing. This indicates that the ATB towards growth would be shaped by the entrepreneur's knowledge and beliefs about the advantages and disadvantages of effecting growth in his or her business. For example, if an entrepreneur believes that it is more gainful or beneficial to grow his or her business, he or she will likely pursue growth activities in the business (Kolvereid and Bullvag, 1996; Dutta and Thornhill, 2008; Douglas, 2013).

Research conducted by Capelleras and Hoxha (2010) on start-up firms has determined that entrepreneur's intentions to grow their business have a strong positive influence on the growth of the SME. This is similar to the findings of Kolvereid and Bullvag (1996), who have also found a positive relationship between growth intentions and achieved growth. Wiklund and Shepherd (2003) have also discovered that the growth aspirations of small business managers have a statistically significant influence on growth.

Wiklund *et al.* (2003) in their study on Swedish SMME managers' motivation to grow their businesses have found out that some SMME managers purposefully avoid growing their businesses because they anticipate that some of the outcomes of pursuing growth will be negative. Thus, such anticipated adverse outcome results in a negative attitude toward growing the business. Contrariwise, if SMME managers expect that some of the outcomes of pursuing growth would be positive, such as increasing profits, then the anticipated positive outcomes would lead to a positive attitude towards growing the business. Wiklund *et al*. (2003) have further identified eight factors that could be influenced by growth – positively or negatively. The factors are workload, work tasks, employee well-being, personal income, control, independence, survival of crises, and product/service quality. The results of the study revealed that employee well-being has the strongest correlation with attitude toward growth, while workload and work tasks are relatively unimportant.

Therefore, it was hypothesised that:

$H0_1$: *Attitude towards growth influences growth intentions negatively*

Ha_1: *Attitude towards growth influences growth intentions positively*

4.2.1.2 Subjective norms (SN)

Subjective norms refer to an 'individual's perceptions that people who are important to them think that they should, or should not perform certain behaviours (Ajzen and Fishbein, 1980). Subjective norms are informed by normative beliefs, which are concerned with the possibility that important referent individuals or groups to the entrepreneur such as their family members, friends, business partners and society at large, approve or disapprove of them engaging in certain forms of behaviour (Ajzen, 1991; Kautonen *et al*., 2015). In South African culture, the social philosophy of *Ubuntu* is practised among Black Africans. *Ubuntu* is regarded as a 'consciousness of an individual's natural desire to affirm other people and to work and act towards each other with the communal good in the forefront of their minds'. It is 'concerned about the development and maintenance of mutually affirming and enhancing relationships.' A Nguni word, '*Ubuntu*' is derived from the proverb "***Umuntu Ngumuntu Ngabantu"***, which translates "A person is a person because of others" (Nussbaum, 2003). Thus, the philosophy encompasses the belief that 'I am because we are'. This highlights the importance of cohesive in-groups, society and significant others in everyday life of an individual. Thus, *Ubuntu* may promote some form of collectivism where the consciousness of 'we' is stressed over the consciousness of 'I' (Nussbaum, 2003; Hofstede, 2011). This means that if significant people in the life of the entrepreneur such as his or her spouse, children, parents, friends or business partners believe that the entrepreneur should grow their business, then the entrepreneur's intentions to grow the business would increase. Conversely, if those same significant people believe that the entrepreneur should not grow the business, then the entrepreneur may not have the intention to do so. This argument shows that the social environment has an influence on individuals and that subjective norms can have a direct impact on the behavioural intention or personal attitudes of entrepreneurs (Ferreira *et al.*, 2012).

The relevance of SN in entrepreneurship has been mostly focused on its effect on entrepreneurial intentions or the decision an individual must make on becoming an entrepreneur or starting a new business venture. Most of these researches reported that SN has a positive significance in predicting entrepreneurial intention (Ajzen, 1991; Kolvereid and Isaksen, 2006; Chen and He, 2011; Ferreira *et al.*, 2012). In addition, Kautonen *et al.*'s (2015) research on Austrian and Finnish adults reveals that SN is the strongest predictor of EI out of the three antecedents of intentions. Likewise, Yang's (2013) research of college students in China collaborates the findings that a positive relationship exists between SN and EI. On the

contrary, research by Autio *et al.* (2001) conducted among MBA students in England shows that SN was the least significant predictor of EI.

A few researchers have investigated the relevance of SN on growth intentions. Krueger, Reilly and Carsrud (2000) and Bulanova *et al*. (2016) have likened SN in the TPB to the *perceived desirability* construct of the Entrepreneurial Event Model (EEM) of Shapero and Sokol (1982). They define perceived desirability as the "value systems formed by social and cultural factors such as family, peers, colleagues, mentors and culture". They state that people who subscribe to a social system that values entrepreneurship highly are more likely to engage in entrepreneurial activities. They also argue that growth aspiration, which refers to intentions in the "exploitation stage" of the entrepreneurial process, is more likely to increase in a social system that places a high value on business growth than a social system that does not. Thus, Bulanova *et al.* (2016) in their research on the growth aspirations of women entrepreneurs have determined that perceived growth desirability has a positive significance on the growth aspirations of women. Likewise, Shneor and Jenssen (2014) have also discovered that social norms (related to SN in the TPB and perceived desirability in EEM) have a direct positive effect on the entrepreneurial intentions of Norwegian students. In addition, other research (Krueger and Carsrud, 1993; Douglas, 2013) has also revealed that an individual's attitude towards business growth is related closely to the perceived desirability of business growth.

Thus, it is hypothesised that:

H0$_2$: *Subjective norms influence growth intentions negatively*

Ha$_2$: *Subjective norms influence growth intentions positively*

4.2.1.3 Perceived behavioural control (PBC)

Ajzen (1991) describes perceived behavioural control (PBC) as a person's perception of the ease or difficulty of performing a specific behaviour – in this case, to grow a business. The addition of PBC is the main differentiator between the theory of planned behaviour (TPB) and the theory of reasoned action (TRA) (Ajzen, 1985, 1991). PBC explains how competent an individual is to perform a specific task. It is determined by the control beliefs and perceived power of an individual. In conjunction with intention, PBC is considered to affect an individual's eventual behaviour as it involves the expectations of the individual and the actual situation that lead to the success of the behaviour (Autio *et al.*, 2001; Ajzen and Cote, 2008).

PBC is similar to Bandura's concept of perceived self-efficacy, which describes the judgements used to determine how well an individual can execute courses of action required to deal with prospective situations (Bandura, 1982). Also, it is comparable to Shapero and Sokol's (1982) concept of perceived feasibility, which refers to the confidence an individual has that he/she is capable of undertaking entrepreneurial activities.

In a research on Chinese students, Yang (2013) found out that PBC was positively associated with entrepreneurial education and entrepreneurial intention, as well as the other antecedents of the TPB. In addition, Yang's study revealed that PBC significantly increased the entrepreneurial intention of Chinese students. The results of Yang's study are in contrast with similar studies conducted in the West. For instance, Ferreira *et al.*'s (2012) study using secondary school students in Portugal has determined that PBC does not have a significant influence on EI.

Thus, it is hypothesised that:

H0$_3$: *Perceived behavioural control influences growth intentions negatively*

Ha$_3$: *Perceived behavioural control influences growth intentions positively*

4.2.2 The relationship between reasons and intentions *(Behavioural Reasoning Theory)*

In line with the theoretical proposition of Behavioural Reasoning Theory (BRT) and as illustrated in Figure 4.1, "reasons serve as important linkages between beliefs, global motives, intentions, and behaviour" (Westaby, 2005). Mercier and Sperber (2011) explain that 'reasoning' is a thought process that humans engage in to assist them in deciding by producing arguments to convince others (and even themselves), to arrive at a decision, even if it is not the best decision. This is because people would choose decisions for which they can argue or justify even if those decisions are not the best.

The decision to grow or not to grow is a challenge that every entrepreneur faces in the process of operating a business. Researchers (Wiklund *et al.,* 2003; Brush, Ceru and Blackburn, 2009) have discovered that not every small business aspires to grow or has growth as one of its business objectives. Some businesses want to remain small and have no intention of growing.

This is because they view growth as a phenomenon that may present favourable or unfavourable consequences to their business (Machado, 2016).

There are many reasons entrepreneurs may seek to pursue growth in their business or choose not to grow their business. Nieman and Struwig (2019) state that some entrepreneurs or business owners could perceive the intention to grow to be too risky because they fear that rapid growth or expanding their business operations could increase the chances for their business to fail. In addition, some business owners are afraid thinking that they could lose control of their business if they grow or expand their operations. Consequently, they choose to remain small (Janse van Rensburg, 2016). In addition, some entrepreneurs may seek growth for their businesses, but because of specific barriers in the external environment such as economic factors, social factors, cultural factors, and individual factors such as personality, they are restrained from achieving growth as they decide not to aspire or pursue growth opportunities (Dhliwayo *et al.*, 2017).

Wiklund *et al.* (2003) argue that a likely reason that some SMME managers choose not to grow their businesses is that they believe effecting growth would result in negative consequences. For example, they think that if an SMME chooses to expand in size, it may endanger its ability to offer its customers the type of quality products and services that they have become accustomed to continuously. Thus, such negative expectations concerning growth could result in a negative attitude toward growing the SMME. Alternatively, if the SMME manager views growing the business as an opportunity to achieve personal goals, for instance, the chance to make more money, such positive outcome of growth is likely to influence growth positively. In other words, positive expectations of growth are likely to increase growth intentions, and negative expectations of growth are likely to decrease the manager's intention to grow the business.

Furthermore, Wiklund *et al.* (2003) explain that the expected results of growth by SME managers may or may not be justifiable or legitimate. In their research, they evaluated eight variables that had been identified as 'consequences of growth' and could affect attitude towards growth. Possible negative consequences of growth include changes to workload, work tasks, employee well-being, control, and quality; while possible positive consequences of growth include personal income, survival of crises and independence.

These arguments support the assumption of BRT, which hypothesises that reasons influence global motives (i.e. attitudes, subjective norms and perceived behavioural control) and intentions because they serve as a basis through which individuals rationalise and justify their actions (Westaby, 2005; Gupta and Arora, 2017). According to Gupta and Arora (2017), reasons best explain intentions, because it takes into consideration context-specific factors such as conditions and events which may facilitate or constrain the decisions people make. For example, an entrepreneur might have a positive attitude towards growth but might still decide against growing the business because of the lack of financial resources.

To summarise, this study uses BRT in conjunction with TPB to explain entrepreneurs' intention to grow their business. BRT provides a sound theoretical framework upon which the growth intentions of SMMEs can be understood by studying the 'reasons for' and 'reasons against' at the same time in a single framework while TPB takes into consideration the effect of social and other external variables on individual behaviour (Allini *et al.*, 2017; Gupta and Arora, 2017).

4.2.3 The formation of reasons for growing a business versus the reasons against growing a business and attitude towards growing a business

In a study on women entrepreneurs in high growth firms, Bulanova *et al.* (2016) have found that not all entrepreneurs want to grow their business. Respondents who chose not to pursue growth in their business cited the following as reasons not to engage in growth: increased workload and founders age (e.g. too old); fear of reduced quality to customers, strategic choice, lack of capacity and no market demand for product or service.

For respondents who chose to pursue growth for their businesses, the following reasons were cited, namely personal reasons, business reasons and environmental reasons. Personal reasons included fun and excitement, and increased returns, while business reasons include increased sales or earnings (i.e., increased profits & value of firm), increased competitiveness, improvement of service to customers, following strategic choice and exploiting vacant capacity. Furthermore, environment reasons to grow the business include exploiting market potential and increasing employment. According to Bulanova *et al.* (2016), the most common reason for wanting to grow or not grow the business were business reasons. Furthermore,

reasons for wanting to grow or not to grow were primarily related to the desirability and feasibility of the business growth. Psychological factors such as a desire to keep full administrative and ownership control and the fear of heavier workload or decreased job satisfaction were the main reasons for entrepreneurs' reluctance to grow.

Thus, it is hypothesised that:

$H0_4$: *Excitement influences attitude towards growth negatively*

Ha_4: *Excitement influences attitude towards growth positively*

$H0_5$: *Increased earnings influence attitude towards growth negatively*

Ha_5: *Increased earnings influence attitude towards growth positively*

$H0_6$: *Increased competitiveness influences attitude towards growth negatively*

Ha_6: *Increased competitiveness influences attitude towards growth positively*

$H0_7$: *Improved customer service influences attitude towards growth negatively*

Ha_7: *Improved customer service influences attitude towards growth positively*

$H0_8$: *Following a strategic choice to grow influences attitude towards growth negatively*

Ha_8: *Following a strategic choice to grow influences attitude towards growth positively*

$H0_9$: *Exploiting vacant capacity influences attitude towards growth negatively*

Ha_9: *Exploiting vacant capacity influences attitude towards growth positively*

The BRT factors associated with reasons against growth were hypothesised to have a negative effect on attitude towards growth. Thus:

$H0_{10}$: *Too much work and effort influence attitude towards growth positively*

Ha_{10}: *Too much work and effort influence attitude towards growth negatively*

$H0_{11}$: *Not a strategic choice to grow influences attitude towards growth positively*

Ha_{11}: *Not a strategic choice to grow influences attitude towards growth negatively*

H0$_{12}$: *Lack of resources influences attitude towards growth positively*

Ha$_{12}$: *Lack of resources influences attitude towards growth negatively*

H0$_{13}$: *Lack of self-efficacy influences attitude towards growth positively*

Ha$_{13}$: *Lack of self-efficacy influences attitude towards growth negatively*

H0$_{14}$: *No market demand influences attitude towards growth positively*

Ha$_{14}$: *No market demand influences attitude towards growth negatively*

4.2.4 The linkage between the intention to grow and environmental and individual factors

Intentions are important because they have been confirmed to be the best predictor of planned behaviour (Ajzen, 1991). Thus, the intention to grow a business or not to grow is considered to be a deliberate and conscious decision made by entrepreneurs (Kolvereid and Bullvag, 1996; Wiklund *et al.*, 2003; Verheul and Van Mil, 2011; Manolova *et al.*, 2012). According to Wickham (2016), the intention to grow or the potential for growth is often used as a distinguishing measure between entrepreneurial ventures and small businesses as it is generally believed that entrepreneurial ventures actively seek opportunities to grow and expand the business while the traditional small business prefers to remain small or maintain its status quo.

Bird (1992) defines growth intentions as "a state of mind directing a person's attention, experience, and behaviour toward a specific object or method of behaving". In addition, Dutta and Thornhill (2008), define growth intentions as "being the entrepreneur's goals or aspirations for the growth trajectory she or he would like the venture to follow". For this study, a combination of these definitions was adopted. Thus, growth intentions will mean the state of mind that directs the entrepreneur's thoughts, goals or aspirations to behave in a particular manner – in this case, to pursue growth opportunities and implement a growth plan for his or her business.

It is assumed that intentions best describe the motivational factors that influence behaviour (Ajzen, 1991). Thus, the intention to grow a business is considered an essential characteristic

of entrepreneurial behaviour and a vital element in understanding venture development and growth. Also, studies conducted to measure the growth intentions of business owners at different stages in the entrepreneurial process confirmed that growth intentions do affect the subsequent growth of a business (Levie and Autio, 2013). Thus, growth intentions have been verified to be a key predictor of actual business growth and intentions may be used as alternate measures of actual growth (Kolvereid and Bullvag, 1996; Wiklund and Shepherd, 2003; Zampetakis *et al.*, 2016). Furthermore, according to Levie and Autio (2013), growth intentions matter, because previous studies conducted to measure growth intentions showed "that the proportion of entrepreneurs with growth intentions in the population is a more significant predictor of economic growth than general start-up rates or self-employment rates". This suggests that the 'quality' of entrepreneurship is more important than the 'quantity' of entrepreneurship.

Penrose (1955) states that pursuing growth in a firm depends on human motivation usually the quest or search of the entrepreneur's search for profits. This opinion is supported by Nieman and Struwig (2019), who state that the intention to grow should be embedded in the entrepreneur's mindset. The *English Oxford Dictionary* (2018b) defines 'Mindset' as "the established set of attitudes held by a person". It can also be defined as "a fixed mental attitude or disposition that predetermines a person's responses to and interpretations of situations." In other words, it refers to "the ideas and attitudes with which a person approaches a situation, especially when the situation is seen as being difficult to change or alter" (Dictionary.com, 2018).

According to Machado (2016), intentions vary from one individual to another, as each has a different cognitive style. Dutta and Thornhill (2008) state that cognitive style is well known also to influence growth intentions. Thus, some entrepreneurs may pursue growth, while others may not, but decide to pursue other goals such as autonomy, lifestyle or prestige (Swanepoel, 2014; Urban, 2015; Janse van Rensburg, 2016). Furthermore, personal traits and characteristics have been linked with the growth or performance of a firm (Wei and Ismail, 2008). Individual characteristics that have been recognised as highly associated with growth intentions include need for achievement, internal locus of control, risk-taking propensity, and need for autonomy (Kolvereid, 1992; Shane *et al*., 2003; Wei and Ismail, 2008; Širec and Močnik, 2010; Khan *et al.*, 2013).

Another factor that has been found to influence growth intentions is the entrepreneur's perceptions about the institutional environment. Tax burdens, high levels of bureaucracy, increased government rules and laws, complex regulations, and excessive administrative burdens can affect growth intentions (Capelleras and Hoxha, 2010). The typical business environment in Africa is considered to be stressful and corrupt, with obstacles that limit entrepreneurial activities and growth of SMMEs (Agboli and Ukaegbu, 2006; Bah and Fang, 2015; Akinyemi and Adejumo, 2018).

Therefore, with regard to the institutional environment, it is hypothesised that:

H0$_{15}$: *Tax requirements influence attitude towards growth positively*

Ha$_{15}$: *Tax requirements influence attitude towards growth negatively*

H0$_{16}$: *Labour laws influence attitude towards growth positively*

Ha$_{16}$: *Labour laws influence attitude towards growth negatively*

H0$_{17}$: *Lack of adequate infrastructure influences attitude towards growth positively*

Ha$_{17}$: *Lack of adequate infrastructure influences attitude towards growth negatively*

H0$_{18}$: *Difficulty in accessing finance influences attitude towards growth positively*

Ha$_{18}$: *Difficulty in accessing finance influences attitude towards growth negatively*

H0$_{19}$: *Corruption influences attitude towards growth positively*

Ha$_{19}$: *Corruption influences attitude towards growth negatively*

With regard to individual factors, it is thus hypothesised that:

H0$_{20}$: *Need for achievement influences growth intentions negatively*

Ha$_{20}$: *Need for achievement influences growth intentions positively*

H0$_{21}$: *Risk-taking propensity influences growth intentions negatively*

Ha$_{21}$: *Risk-taking propensity influences growth intentions positively*

H0$_{22}$: *Need for autonomy influences growth intentions negatively*

Ha$_{22}$: *Need for autonomy influences growth intentions positively*

H0$_{23}$: *Locus of control influences growth intentions negatively*

Ha$_{23}$: *Locus of control influences growth intentions positively*

4.3 CHAPTER SUMMARY

This chapter examined the development of the conceptual model for the study and the theories upon which the model is based were discussed. The literature review showed that environmental and individual factors influence growth intentions, and that these two main forces can either facilitate or hinder the growth intentions of SMMEs (Gupta *et al.,* 2013). Furthermore, the reasons for growth or reasons against growth influence growth intentions. These factors and reasons were assessed and contextualised to the constructs. Thereafter, the relationships and associations between the constructs were established.

Furthermore, the hypotheses for the study were established. Through the discussions of the model, five sets of hypotheses were postulated. These hypotheses were linked to each of the behavioural theories examined in this study. For each hypothesis, a null hypothesis (H0) and a corresponding alternative hypothesis (Ha) were generated. The three antecedents of the theory of planned behaviour were hypothesised to influence growth intentions positively. Thus, three sets of hypotheses were generated under the theory. The hypotheses were $H0_{1,}$ $Ha_{1,}$ $H0_{2,}$ $Ha_{2,}$ $H0_{3}$ and $Ha_{3.}$

The behavioural reasoning theory was divided into two categories, namely reasons for growth and reasons against growth. The reasons for growth category were hypothesised to influence attitude towards growth positively. This resulted in the generation of six sets of hypotheses to determine which reasons towards growth were significant. The generated hypotheses were $H0_{4,}$ $Ha_{4,}$ $H0_{5,}$ $Ha_{5,}$ $H0_{6,}$ $Ha_{6,}$ $H0_{7,}$ $Ha_{7,}$ $H0_{8,}$ $Ha_{8,}$ $H0_{9}$ and $Ha_{9.}$ Contrariwise, the reasons against growth were hypothesised to have a negative effect on attitude towards growth. Thus, the hypotheses were $H0_{10,}$ $Ha_{10,}$ $H0_{11,}$ $Ha_{11,}$ $H0_{12,}$ $Ha_{12,}$ $H0_{13,}$ $Ha_{13,}$ $H0_{14}$ and $Ha_{14.}$

The literature revealed that some institutional environmental factors could hamper the growth of SMMEs. Therefore, it was hypothesised that institutional environmental factors influence

attitude towards growth negatively. Five sets of hypotheses were generated to test this theory. The hypotheses were $H0_{15,}$ $Ha_{15:}$ $H0_{16}$ Ha_{16}, $H0_{17}$: Ha_{17}: $H0_{18,}$ $Ha_{18,}$ $H0_{19}$ and $Ha_{19.}$

Lastly, from the review of literature, it was found out that certain individual characteristics or traits could influence growth intentions. Thus, it was hypothesised that these characteristics influence growth intentions positively. The hypotheses were $H0_{20}$, Ha_{20}, $H0_{21}$, Ha_{21}, $H0_{22,}$ $Ha_{22,}$ $H0_{23}$ and Ha_{23}.

The next chapter discusses the methodology and research design of the study.

CHAPTER 5

RESEARCH METHODOLOGY

Research methodology signals to the reader how the research was conducted and what philosophical assumptions underpin the research
(Quinlan *et al*., 2019).

5.1 INTRODUCTION

The main aim of the study is to assess the influence of environmental and individual factors on the growth intentions of SMMEs in the Free State. Thus, the literature review in the previous chapters identified and explored several factors that which could affect the growth intentions of SMMEs, both in the environment and on individual level. The literature review showed that salient environmental factors in the South African context were tax rates and regulations, restrictive labour regulations, inadequate supply of infrastructure, access to finance, and corruption. In addition, the most important individual factors that were identified in the literature review were the need for autonomy, risk-taking propensity and locus of control. In addition, reasons for and against growing the business were highlighted.

The aim of this chapter is to describe the research methods used in the empirical study. The research methods will be discussed in four sections. In the first section, the research design that explains the way in which the empirical study was conducted will be outlined. The second section in the chapter describes and discusses the target population of the study and the sampling procedures that were used to determine the sample size. The third section of the chapter describes the survey instrument used to collect the data. In this section, information is presented on the measurement of each factor in the conceptual model that was empirically tested, and the pilot testing of the survey instrument. The fourth and last section of the chapter discusses the statistical approaches that were employed to analyse the data.

5.2 THE BUSINESS RESEARCH PROCESS

Blumberg, Cooper and Schindler (2011) describe the business research process as "the various decision stages involved in a research project and the relationship between those stages". The business research process consists of six phases, namely (1) identification of the problem statement or the management dilemma; (2) defining the research objectives; (3) choosing the research design; (4) sample selection; (5) data collection, analysis and the interpretation of the data; and (6) reporting of the research. These phases are depicted in Figure 5.1.

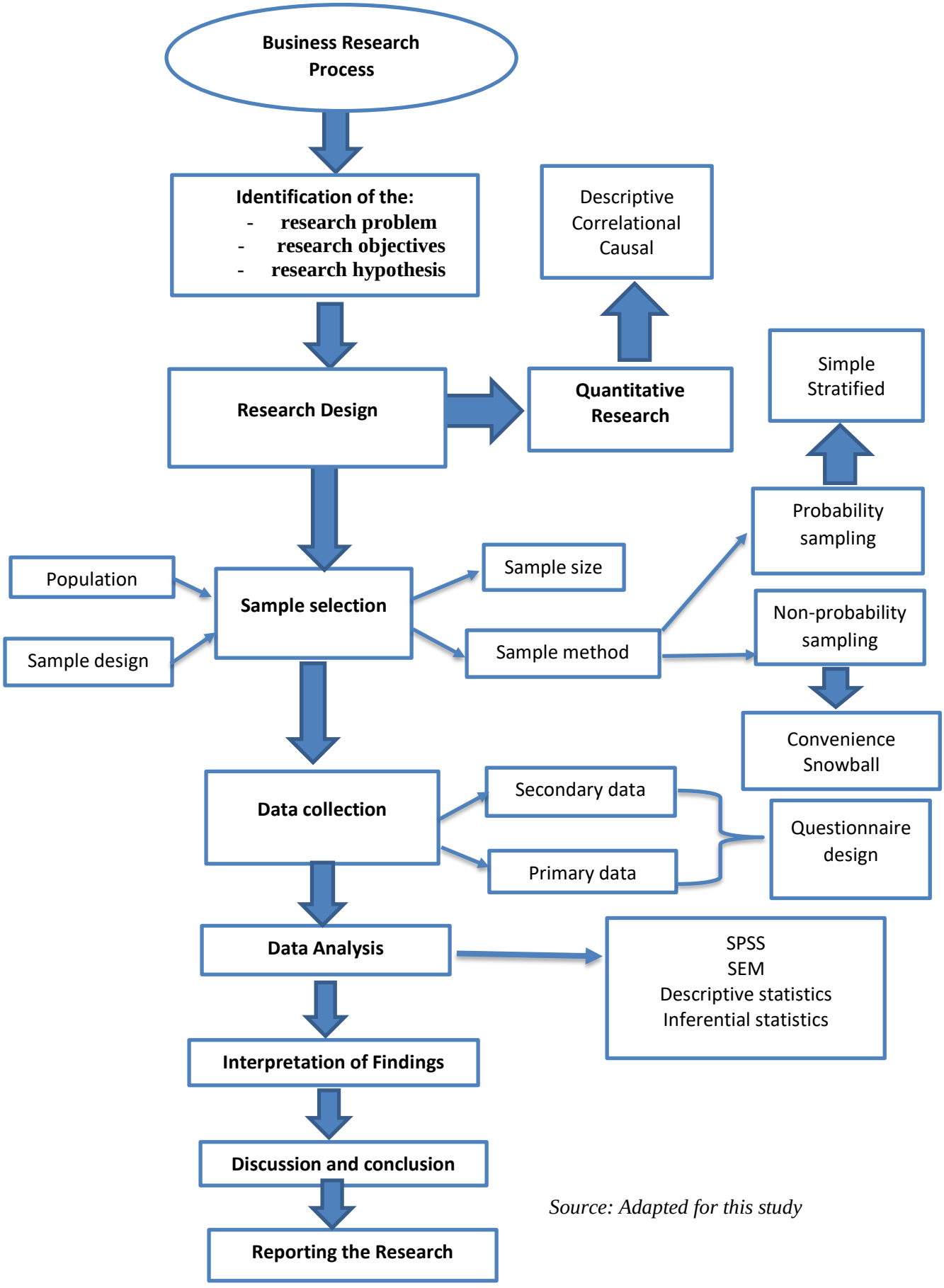
5.2.1 Phase 1: Problem statement

The first phase of the business research process is identifying the problem statement or the management dilemma. A problem statement focuses on the gap in the debate that the researcher wishes to solve through the research study (Bak, 2004). The problem statement should be clear, concise and unambiguous (Mouton, 2004). It should include both a statement of the research objective(s) and the research question(s) (Sekaran and Bougie, 2016).

The rationale for this study originates from the fact that South Africa has one of the highest unemployment rates in the world at 27.2% (StatsSA, 2018). Due to the high rate of unemployment, the government advocates and encourages the creation of SMMEs to serve as an alternative job provider. This is because the government sector cannot gainfully employ all the current labour force. Unfortunately, the SMME sector does not create as many jobs as was expected, and therefore does not reduce unemployment or poverty levels (Benedict and Venter, 2010). Researchers (Van Aardt *et al.,* 2010; Booysen, 2014a; Herrington *et al.,* 2015; Nieman and Struwig, 2019) give two main reasons for the lack of job creation in South Africa, namely, high failure rate of SMMEs and a lack of growth in those SMMEs that survive.

Of these two reasons, this study focuses on investigating the reasons why SMMEs do not grow in South Africa. The researcher chose this reason because a considerable amount of research has already been done on the reasons why SMMEs fail in South Africa, but not enough research has been done on the reasons why SMMEs do not grow and the factors that influence their growth intentions.

Figure 5.1: The phases in the business research process



Source: Adapted for this study

The scant research that has been completed on reasons affecting the growth of SMMEs has mostly used the Theory of Planned Behaviour (TPB) (Fatoki and Garwe, 2010; Neneh and Van Zyl, 2014). This study also uses the TPB, but goes further to incorporate three additional theories namely Behavioural Reasoning Theory (BRT), Trait Theory (TT) and Institutional Theory (IT). This is done to get a comprehensive view on the factors that affect the growth of SMMEs in South Africa with focus on the Free State Province.

Several studies have identified the factors that influence the growth of SMMEs. Two main factors are the external business environment and the individual traits of the entrepreneur (Liao *et al.*, 2001; Fogel *et al.*, 2006; Khan *et al*., 2009; Nieman, 2014; Swanepoel, 2014). Therefore, the growth intentions of SMMEs would be examined in the context of these two main factors, the external environment and individual characteristics.

The results from this study will assist SMME entrepreneurs to understand the factors that affect their growth and how best to overcome and mitigate the effects of these factors. Furthermore, the insights produced from this study will help policy makers in the government to encourage more entrepreneurs to grow their businesses, as well as create a conducive environment that will support the growth and survival of SMMEs.

5.2.2 Phase 2: Research Objectives

The research objective explains the purpose or why the study is being conducted (Sekaran and Bougie, 2016). The main purpose of this study is to examine the influence of the environmental and individual factors on the growth intentions of SMMEs in the Free State Province of South Africa.

The main objective was achieved through the following objectives:

Theoretical Objectives

- to review theoretical concepts on the TPB, BRT, TT and IT;
- to review the literature on business environmental factors and individual factors that could influence the growth intentions of entrepreneurs;

Empirical Objectives

- To assess the validity of using the TPB to predict the growth intentions of SMME entrepreneurs in the FS;
- To identify the reason(s) that influence SMME entrepreneurs' attitude towards growth;
- To identify the reason(s) that would influence SMME entrepreneurs' attitude against growth;
- To assess the influence of environmental factors on SMME entrepreneurs' attitude towards growth intensions;
- To assess the influence of individual factors on the growth intentions of SMMEs;
- To offer recommendations regarding the growth intentions of SMMEs in an emerging economy.

5.2.3 Phase 3: Research Methodology

According to Stokes (2011), research methodology refers to the philosophy, approach and general frame of reference the researcher will use to study, analyse and understand the research field and phenomena being investigated. Thus, methodology is concerned with issues such as, why certain data were collected; what data were collected; where the data were collected; when it was collected; how it was collected; and how it will be analysed. In this study, the research methodology used in identifying and investigating the factors that affect the growth of SMMEs involved the following: a literature review, a survey method (questionnaires, interviews and observations) and a sampling method.

A research methodology also includes a research design. Blumberg, Cooper and Schindler (2011) define research design as the blueprint for achieving the research objectives and research questions. Due to the availability of various research techniques, methods and sampling plans, selecting an appropriate research design could be complicated. An appropriate research design would be one that includes the methods, methodologies and theories that are relevant to the study. It will also include the sampling methods, mode of data collection, research schedule, budget, and writing up and presentation of the research findings (Stokes, 2011).

The research method selected for this study is explained below:

5.2.3.1 Quantitative Research

There are three main types of research methods, namely quantitative, qualitative and mixed research methods (Blumberg *et al.*, 2011). This study used the quantitative research method, because it is appropriate and relevant to the study. The research problem of identifying and assessing the factors that influence the growth of SMMEs in the Free State was conducted as a *positivist study* with elements of *deductive reasoning*. Theories relevant to the research problem were put forward. Hypotheses were created based on these theories and empirically assessed. Data were collected and analysed using quantitative statistical methods with the goal to deduce findings that can be generalised (Blumberg *et al*., 2011; Stokes, 2011; Sekaran and Bougie, 2016).

According to Hair, Bush and Ortinau (2008), quantitative research is research that places heavy emphasis on using formalised standard questions and predetermined response options in questionnaires or surveys administered to large numbers of respondents. The advantages of the quantitative approach are that it is often thought of as being more objective and scientific than qualitative research, because it places a high premium on objectivity and the reliability of findings and encourages replication. As a quantitative study, the research involved the use of questionnaires, and statistical analyses of measurements to examine the social phenomena are investigated (Hair *et al*., 2008; Lancaster, 2005).

5.2.3.2 Literature Review

The literature review was compiled from recent and classic theoretical information from business and entrepreneurship textbooks, research documents, unpublished dissertations, Acts of Parliament, Government White Papers and reputable databases on the Internet such as Google Scholar, Emerald and EBSCO Host. It also comprised empirical evidence on similar research conducted in South Africa and other parts of the world as documented in articles published in local and international peer-reviewed journals and conference proceedings. In summary, the literature review helped to identify the factors that could facilitate and hinder the growth of SMMEs in South Africa.

5.2.3.3 Empirical Research

The empirical research consisted of a survey of selected SMMEs in two district municipalities of the Free State Province. Quinlan *et al*. (2019) states that the survey research involves

obtaining data from a large number of respondents and geographically dispersed populations. With the survey strategy, the researcher aimed to produce generalisations about populations by collecting information from samples. A survey is often used to obtain series of information from respondents on attitudes and behaviours (Stokes, 2011) as was required in this study to realise the primary objective. Survey research methods include various sampling designs and techniques, the use of interviews and self-completion questionnaires, as well as often quantitative analyses (Thomas, 2004; Quinlan *et al*., 2019). With regard to this study, a sample of SMMEs was selected from the target population with a view to testing the significance of the factors mentioned in the review of the literature in influencing the growth of SMMEs.

5.2.4 Phase 4: Sample Selection

According to Sekaran and Bougie (2016), sampling is "the process of selecting the right individuals, objects, or events as representatives for an entire population". A sample is the subset of the population. It is usually selected by using either probability or nonprobability procedures. By studying the sample, the researcher can derive conclusions that can be generalised to the population (Hair *et al.*, 2016). In this section, the following concepts would be discussed: *population, sampling design* and the *sample size*.

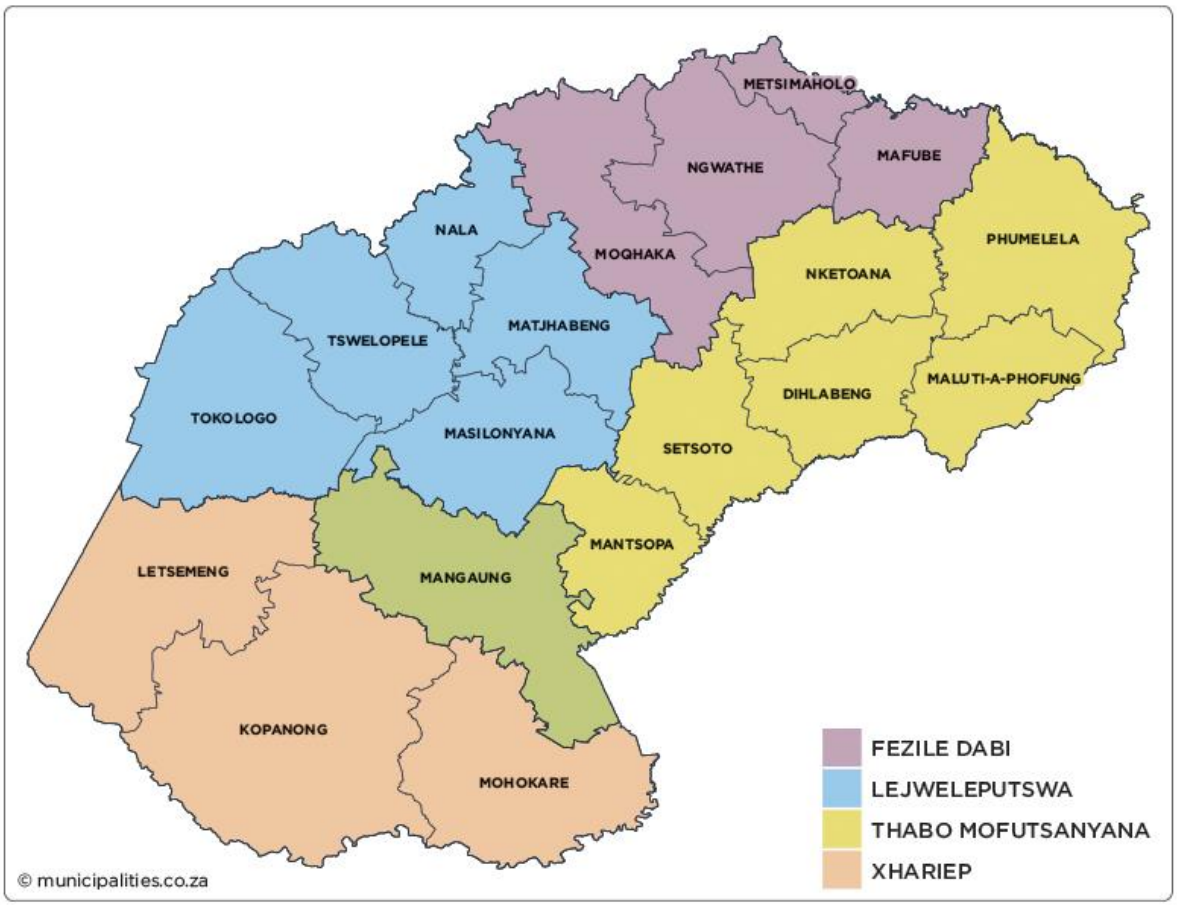
5.2.4.1 Population

The research population "refers to the entire group of people, events, or things of interest that the researcher wishes to investigate" (Sekaran and Bougie, 2016). Population is also referred to as the universe; thus, the population for this study would be all the SMMEs in South Africa. Hair *et al.* (2016) describe the target population as the "complete group of objects or elements relevant to the research project". Therefore, for this study, two target populations where chosen in the Free State. The geographical and political outlay of the FS Province comprises one metropolitan municipality (Mangaung Metropolitan Municipality) and four district municipalities, which are sub-divided into18 local municipalities (CCG Systems, 2018).

The first target population consisted of SMMEs located in the Mangaung Metropolitan Municipality (MMM), while the second target population consisted of SMMEs located in the Thabo Mofutsanyana District Municipality (TMDM) in the eastern region of the Free State Province. These two regions of the Free State Province were chosen due to the convenience of

location of the two campuses of the University of the Free State (UFS), as well as the strategic importance of the two regions.

Figure 5.2: Free State Province municipalities



Source: Municipalities of South Africa (2018). https://municipalities.co.za/provinces/view/2/free-state.

Pertaining to the convenience of location, the Main Campus of the UFS is located in Bloemfontein, the capital city of the Free State, and within the Mangaung Metropolitan Municipality (MMM). It is from this site that the data collection was coordinated as it was convenient for the researcher with regard to financial and labour constraints. Pertaining to strategic importance, Bloemfontein is the capital city of the Free State and thus the main commercial hub of the province. Therefore, it is important to gather data on the growth intentions of SMMEs in the main commercial centre of the province and the surrounding environs and towns within a 100 km radius, therefore including Mangaung (10 km from Bloemfontein), Botshabelo (60 km from Bloemfontein) and Thaba Nchu (76.7 km from

Bloemfontein). Along with Bloemfontein, these towns make up the MMM. The other four towns (Dewetsdorp, Soutpan, Van Stadensrus and Wepener) that make up the MMM will be excluded as they are further from Bloemfontein – more than 100 km – or have very small populations, compared to Mangaung (217 076) (Botshabelo (181 712) and Thaba Nchu (70 118) (StatsSA, Census 2011).

For the second target population, the UFS has a satellite campus located at Phuthaditjhaba, Qwaqwa, 318 km from Bloemfontein in the eastern region of the province. It is from this location that the second phase of the data collection was coordinated, thus a case of convenience of location. Pertaining to strategic importance, Qwaqwa is a former Bantustan (homeland) and thus a settlement area for a large population of indigenous Black people of South Africa. Due to its historic formation, it is one of the poorest regions of the Free State Province; hence, the importance to gather data on the growth intentions of SMMEs in the area as well as in the surrounding environs and towns within a 100 km radius. This includes Harrismith (42 km from Qwaqwa), Kestell (28 km) and Bethlehem (75 km from Qwaqwa). These towns, along with Qwaqwa, constitute the Thabo Mofutsanyana District Municipality (TMDM). The combined population of Qwaqwa, Harrismith and Kestell is 333 784, while that of Bethlehem is 16 236 (StatsSA Census, 2011).

The Small Enterprise Development Agency (SEDA) records that in the first quarter of 2018, there were 114 584 registered SMMEs in the Free State Province. This constitutes 4.7% of the total number of SMMEs in South Africa – the second-lowest distribution in the country after the Northern Cape (at 1.0%); hence, the crucial need for SMMEs in the Free State to grow (SEDA, 2018).

The exact number of SMMEs in each municipality of the Free State Province is not known. A comprehensive search by the researcher on various research and educational databases as well as business and governmental databases and other resources such as library materials, textbooks, online websites (statistical, provincial and municipal and Internet search engines) yielded no information about the precise number of registered SMMEs in the different municipalities. Difficulty in getting the precise official statistics of the number of SMMEs in each municipality warranted the use of creative means to estimate the number of SMMEs, especially in the Mangaung and Thabo Mofutsanyana District Municipalities.

5.2.4.2 Sampling Design

There are two broad categories of sampling designs, namely probability sampling and nonprobability sampling. In probability sampling, the elements of the population have a known chance or probability of being chosen as the research subjects. Probability sampling ensures that the sample is representative of the general population. In non-probability sampling, the elements of the population do not have a known or predetermined chance of being chosen as research subjects. The inclusion or exclusion of elements is left to the discretion of the researcher (Hair *et al.*, 2016; Sekaran and Bougie, 2016).

Hair *et al.* (2016) identify five common types of probability sampling methods and four types of non-probability sampling methods. The five common types of probability sampling methods are simple random sampling, systematic sampling, stratified sampling, cluster sampling and multistage sampling. The four types of non-probability sampling methods include convenience sampling, judgement sampling, snowball/referral sampling and quota sampling. This study utilised the non-probability sampling methods. In other words, the study made use of purposive and snowball sampling (non-probability). The reasons for choosing these two sampling methods are explained below.

Since it was difficult to access an official list of SMMEs in the Thabo Mofutsanyana region (if such a list does exist), a list of SMMEs was compiled from the 2017/2018 edition of the FS Province's Yellow Pages. This exercise yielded a list of only 375 businesses. Thus, the researcher acknowledges that not all SMMEs in the region are listed in the Yellow Pages. Also, to ensure that the required number of SMMEs targeted was fulfilled, SMMEs in the central business districts (CBDs) and Industrial Areas of the region were approached to capture the required data (purposive or convenience sampling). After that, those SMMEs were asked to refer the researcher to other appropriate and relevant SMMEs (thus employing a snowball sampling technique). In the case of the Mangaung region, the number of businesses (4 400) served by Centlec, the local electricity company in the province, was adopted as the target population size (SA Treasury, 2008), from which a sample could be drawn.

5.2.4.3 Determining the sample size

To determine appropriate sample size, this study utilised the sample size calculator created by Raosoft Inc., a company that produces Survey Tools that assists researchers with determining the sample size, data collection and reporting of their research study. The Raosoft calculator

considers four factors in determining a suitable sample size for a research study. These factors are, the margin of error, the confidence level, the population and the estimated response rate.

- The **margin of error** (aka confidence interval) is the amount of error by which the results derived are likely to be wrong. The standard choice adopted by most researchers is 5% (Roasoft Inc., 2004).
- **Confidence level** is the percentage of time the researcher is sure that his or her sample reflects the population accurately within its margin of error. The standard choices used by researchers are 90%, 95% or 99% (Roasoft Inc., 2004).
- The **population size** refers to the entire number of people from whom the researcher gathered information (Stokes, 2011). This study adopted **4 400** as the population size of businesses in the MMM as documented in the Treasury report – being the number of businesses that receive power from the municipal electricity provider, Centlec (SA Treasury, 2008). For the TMDM, **352** businesses (the number of businesses in the region as documented in the 2017/2018 Yellow pages) were adopted as the population size for the region.
- **Estimated response rate** is the expected number of positive responses a researcher intends to get from a sample size. It is usually expressed in percentage form. Researchers have argued an acceptable minimal level for response rate. Some suggest 50%, others 60%, and yet others 80%. To be on the safe side, the conservative assumption of a 50% response rate is encouraged (Roasoft Inc., 2004; Baruch and Holtom, 2008).

Therefore, using the Raosoft sample size calculator, the sample size for the MMM was determined as follows: using a target population of 4 400 businesses, at 5% margin of error, a confidence level of 95%, and an estimated response rate of 50%, the recommended sample size would be 354. In the case of the TMDM, using a target population of 352 small businesses, at 5% margin of error, and the confidence level of 95%, and an estimated response rate of 50%, the recommended sample size would be 184. Thus, in total, the recommended sample size for this study was 538. This number is in line with the rule of thumb, which states that "sample sizes larger than 30 and less than 500 are appropriate for most research" (Sekaran and Bougie, 2016). In addition, Viljoen and Van der Merwe (2000) state that sample sizes of 30 and above are acceptable in specific research studies, as it is large enough to allow the use of descriptive

and inferential statistical techniques of analysis, yet small enough to keep the cost of the study within the researcher's available budget.

5.2.5 Stage 5: Data collection, analysis and interpretation

In this section, the instruments used to collect data, the methods of data collection, the analysis of the data and its interpretation are discussed.

5.2.5.1 Data collection

Data collection involves the various ways in which data for a particular research study are gathered and organised. The nature of the study, its aims and objectives, and research methodology determine the amount and type of data to be collected (Stokes, 2011; Hair *et al.,* 2016). There are two main types of data in research, namely primary data and secondary data.

Primary Data are fresh and new data or information that are gathered and recorded for a specific research project (Stokes, 2011). Researchers usually gather primary data when information to solve their research problem is not available. There are two categories of primary data collection methods, namely qualitative and quantitative. Primary data can be collected through means of interviews, observations, self-completion surveys, and interview-completed surveys (Hair *et al.,* 2016). The main advantage of using primary data is that the information gathered is more suited to and relevant for the research problem being investigated. However, collecting primary data can be costly and time consuming. This research study made use of primary data using self-administered questionnaires complete by the owners/managers of SMMEs.

Secondary data are data or information that has already been collected and organised by other people for other purposes, other than the research under consideration. It is usually publicly available and easy to access at low or no cost. Examples of secondary data include books, government records and documents, annual and financial reports of public companies, as well as official company websites (Blumberg *et al.,* 2011; Stokes, 2011; Hair *et al.,* 2016). According to Blumberg *et al.* (2011), the main advantage of using secondary data is that it saves the researcher time and money. Since the information is readily available, the researcher can go ahead and analyse the data to solve his or her research problem. However, secondary data also has its drawbacks. Using secondary information may be a problem, since it would have been collected for other purposes and not for the specific research problem at hand. Thus, it may not fit in perfectly with the requirements for the research problem. This research study

made use of secondary data by means of a literature review. This required the critical evaluation of journal articles, entrepreneurship textbooks, unpublished dissertations and government papers to glean information relevant to the study.

The Research instrument: Questionnaire

Due to the quantitative nature of the study, questionnaires were used to collect the data. A questionnaire is a set of questions and scales designed to generate enough primary raw data to accomplish the information requirements that underlie the research objectives (Hair *et al.,* 2008). The main advantage of using a questionnaire is that it a popular method for collecting data, because it is cheaper and less time-consuming than conducting interviews. Moreover, large samples can be undertaken with the use of a questionnaire (Quinlan *et al*., 2019).

The questionnaire was formulated in two ways; firstly, in a question format that was highly structured, and secondly, in a 7-point Likert scale format. A highly structured question format allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. A Likert-scale format involves the use of a special rating scale that asks respondents to evaluate statements on a scale of agreement. In other words, respondents have to indicate the extent to which they agree or disagree with a series of rational belief or behaviour belief statements about a given subject (Hair *et al.,* 2008; Quinlan *et al*, 2019). These approaches were chosen because of the ease of analysis. However, insightful experiences of respondents were also noted.

The questionnaire design and content

The questionnaire included multi-item scales obtained from previous studies that are relevant or related to the current research study. These scale items were adapted and modified to fit the needs of the specific research objectives. The use of previously developed scales was preferred because the measurement of most of the factors in the conceptual model had already been validated and found reliable. Also, it saved time as scale development can be difficult and time-consuming (Hair *et al.,* 2016).

The questionnaires were administered to selected SMMEs in the two chosen municipalities in the FS Province. To achieve the aim and purpose of this study, the questionnaire included eight sections as outlined below:

SECTION A: General Information

In this section, information about the demographic characteristics of the respondents was sought, such as, *the municipality and town in which the SMME is located; the industry sector of the business; the gender, race and education level of the entrepreneur*.

SECTION B: Details of ownership and establishment

This section sought to obtain details on the ownership and establishment of the SMME. For example, the *type of business registration applicable to the SMME; the year in which the business was established; the number of people employed by the SMME (both temporary and permanent); and the scope of the business operations*.

SECTION C: Growth intentions

This section consisted of statements that influence the growth intentions of SMMEs. The statements were all linked to the idea that an entrepreneur had to desire to grow his/her business. Statements were designed using a 7-point Likert scale ranging from *strongly disagree* to *strongly agree*. The entrepreneurs were expected to express their level of agreement or disagreement with each statement in order to determine if they intended to grow their business.

SECTION D: Planned Behaviour

In this section, the first theory of the study, the Theory of Planned Behaviour (TPB) was presented. Thus, the researcher outlined the various scales used to measure planned behaviour. The review of the literature revealed the act of growing one's business (*i.e. behaviour*) depends on the intention of the entrepreneur to grow the business (i.e. the *readiness or willingness* of the entrepreneur to engage in activities that would promote growth). This intention can be influenced by the *attitude toward the behaviour, subjective norms, and perceived behavioural control*. The respondents were expected to indicate their degree of certainty about their attitude and behaviour towards growth.

SECTION E: Matters on Growth (1): Reasons to grow

This section collects data on the second theory of the study – the Behavioural Reasoning Theory (BRT). Thus, statements in this section assessed the entrepreneurs' reasons to grow the business. The statements included motives and explanations that could influence the desire to grow a business such as *excitement, increase in earnings, increase in competitiveness, improved customer service, following strategic choice,* and *exploiting vacant capacity*.

SECTION F: Matters on Growth (2): Reasons not to grow

In line with the assumptions of the BRT, statements in this section assessed the entrepreneur's reasons not to grow the business. The statements included causes and justifications that could possibly influence the entrepreneur's desire not to pursue growth in her business, such as *too much work, financial risk and work pressure; making a strategic choice not to grow; lack of resources; lack of self-efficacy towards growth;* and having *no market demand* for one's product or service.

SECTION G: Environmental Factors

In this section, the third theory of the study – Institutional theory (IT) was presented. The literature review showed that the quality of institutions and the external environment in which the business operates influences the growth intentions of SMMEs. Therefore, the respondents were required to agree or disagree with statements related to *economic, political & legal,* and *social factors* in the environment.

SECTION H: Individual Factors

This section examined the fourth and final theory of the study – the Trait theory (TT), which states that specific characteristics inherent in individuals/entrepreneurs could predispose them to have a favourable attitude towards the intention to grow their business. Thus, respondents were required to evaluate themselves on certain personality characteristics that have a possibility of influencing growth intentions such as the *need for achievement, risk-taking propensity, need for autonomy,* and *locus of control*.

Measurement

In this section, the techniques used to measure and test the relationships and linkages between the investigated variables are discussed. The results are presented in Table 5.1 below:

Table 5.1: Measurement techniques

Operationalisation of factors	**Items**
Growth intention refers to the state of mind, which directs the entrepreneur's thoughts, goals or aspirations to behave in a specific manner – in this case, to pursue growth opportunities and implement a growth plan for his or her business (Bird, 1992; Dutta and Thornhill, 2008).	7
Attitude towards growth is a subjective assessment of the consequences of the entrepreneur's behaviour and its influence on the entrepreneur, which determine whether the entrepreneur likes or dislikes growing the business (Ajzen and Fishbein, 1980; Ajzen, 1991)	6

Subjective norm refers to the perception of individual's that people who are important to them think that they should, or should not perform a certain behaviour (Ajzen and Fishbein, 1980)	6
Perceived behavioural control refers to the subjective understanding of the level of an individual's self-control and the difficulty of engaging in the target behaviour (Ajzen, 1991)	5
Excitement refers to having fun facing new challenges during the entrepreneurial and growth process (Bulanova *et al.,* 2016)	5
Increased earnings refer to a rise in the profits and value of the firm (Reichheld, 2003; Bulanova *et al.,* 2016)	4
Increase competitiveness refers to a rise in market share and performing effectively against business rivals (Bulanova *et al.,* 2016)	4
Improve customer service refers to enhancing the value consumers derive from using the product or service (Reichheld, 2003; Bulanova *et al.,* 2016)	4
Follow strategic choice refers to the chosen goal and willingness of the entrepreneur to grow the business (Brahmi and Laadjal, 2015; Bulanova *et al.,* 2016; Zampetakis *et al.,* 2016)	5
Exploit vacant capacity refers to the process to utilise unused resources and infrastructure in order to expand the business (Bartlett and Bukvić, 2001; Bulanova *et al.,* 2016)	4
Too much work and effort refers to the risks, pressure and stress an entrepreneur may go through if he/she pursues growth (Wiklund *et al.*, 2003; Bulanova *et al.,* 2016)	4
Not my strategic choice to grow refers to the unwillingness of an entrepreneur to pursue growth as it is not their choice or goal for setting up the business (Rosa *et al*., 1996; Bulanova *et al.,* 2016; Gupta and Arora, 2017)	5
Lack of resources refers to a shortage of money, assets, staff, materials and equipment (Bulanova *et al.,* 2016)	4
Lack of self-efficacy refers to the absence of belief in one's ability to gather and implement the necessary personal resources, skills, and competencies to attain a certain level of achievement on a given task (Shane *et al.*, 2003)	5
No market demand refers to a lack of sales requests from existing and new customers for a firm's products or services (Bulanova *et al.,* 2016)	4
Tax refers to the requirements SMMEs have to adhere to and the rates they have to pay (Agboli and Ukaegbu, 2006; Van Dut, 2015; Schwab, 2017; The World Bank and Group, 2018)	2
Labour refers to the availability of a skilled workforce that the SMME can hire from (Schwab, 2017; The World Bank and Group, 2018)	2
Infrastructure refers to the availability of appropriate and adequate business premises that SMMEs can rent or buy to conduct business (Schwab, 2017; The World Bank, 2017; The World Bank and Group, 2018)	3
Access to finance refers to the ease of getting money to fund growth activities in the business venture (Schwab, 2017)	2
Corruption refers to the misuse of public power or office for private gain (Agboli and Ukaegbu, 2006; Ngunjiri, 2010; Ishengoma and Kappel, 2011; The World Bank, 2018)	2
Need for achievement refers to the motive to do well and to achieve a goal to a set of standards (Širec and Močnik, 2010; Fisher, Maritz and Lobo, 2014)	4

Risk-taking propensity refers to an individual's disposition towards how much they will subject themselves to potential personal or financial loss or damage when confronted with uncertain circumstances or conditions (Bezzina, 2010; Širec and Močnik, 2010; Urban, 2015; Owoseni, 2018)	6
Need for autonomy refers to the need for an individual to be independent and to do things 'their way' (Booysen, 2014b; Owoseni, 2018)	4
Locus of control refers to an individual's belief about the amount of control they have over their own lives, rather than attributing the cause and outcomes of events to coincidence, luck or chance (Bezzina, 2010; Širec and Močnik, 2010; Khan *et al.*, 2013; Urban, 2015; Owoseni, 2018)	5

Source: Author's creation, 2019.

Table 5.1 shows how the factors were defined for the study and the number of items used to measure them. All the information provided in the table assisted the researcher with relevant multi-item scales with which to measure the factors that influence the growth intentions of SMMEs.

Scale items obtained from previous studies were adapted to tackle the issue of growth in SMMEs in relation to the aim and objectives of the study. A 7-point Likert scale was used to measure and analyse respondents' perceptions and attitude towards growth intentions. The statements ranged from strongly disagree (on the left of the scale) to strongly agree (on the right of the scale). The respondents were required to state their level of agreement or disagreement with each statement. Researchers periodically argue over the use of a 5-point or 7-point Likert scale (Dolnicar *et al.*, 2011). Nonetheless, the 7-point Likert scale was preferred to the 5-point scale, as it has been found to provide a more accurate measure of a respondent's true evaluation (Finstad, 2010).

Table 5.2 presents a detailed description of the multiple item scales used to measure the factors.

Table 5. 2: Items measuring the factors

GROWTH INTENTIONS	
GI1	Growth is the most important objective of my business.
GI2	The growth of my business should not take place at the expense of profitability.
GI3	At this point, I see a strong need for growth in my business.
GI4	There are many possibilities for growth in my business in the domestic/local markets.
GI5	It is my belief that this business would be an important player in the domestic/local market.
GI6	I would like my business to become as large as possible and employ as many people as possible.

GI7	I would like my business to have the maximum possible sales and profitability.
ATTITUDE TOWARDS GROWTH	
ATG1	I would be willing to grow my business.
ATG2	I like the idea of growing my business.
ATG3	Growing my business would be a smart decision to make.
ATG4	I have a positive impression toward using growth strategies in my business.
ATG5	I would feel excited to grow my business.
ATG6	I would be happy to grow my business.
SUBJECTIVE NORM	
SN1	My immediate family would approve my decision to grow the business.
SN2	My friends/business partner(s) would approve my decision to grow the business.
SN3	My employees would approve of my decision to grow the business.
SN4	In general, most people who are important to me think I should grow my business.
SN5	There is a well-functioning support infrastructure in my local community/country to support the growth of my business.
SN6	There are good opportunities in South Africa to grow my business.
PERCIEVED BEHAVIOURAL CONTROL	
PBC1	I am confident in my ability to grow my business.
PBC2	I believe that if I were to grow my business, I would have a high chance of succeeding.
PBC3	To grow my business and keep it viable would be easy for me.
PBC4	I have the managerial skills and competence to grow my business.
PBC5	My educational qualifications have provided me with enough knowledge to grow my business.
EXCITEMENT	
EX1	The process of growing my business would be exciting.
EX2	I would enjoy tackling new challenges in growing my business.
EX3	I would derive much pleasure from growing my business.
EX4	I would be happy to explore new opportunities to grow my business.
EX5	I would enjoy turning opportunities to grow my business into reality.
INCREASED EARNINGS	
IE1	Growing my business would increase the return on the capital I invested.
IE2	Growing my business would increase my sales.
IE3	Growing my business would increase my profits.
IE4	Growing my business would increase the value of my business.
INCREASED COMPETITIVENESS	
IC1	Growing my business would increase my customer base.
IC2	Growing my business would increase my competitiveness.
IC3	Growing my business would improve/increase my market share.

IC4	Growing my business would make the business more innovative by introducing new products or services into the market.
IMPROVE CUSTOMER SERVICE	
ICS1	Growing my business would improve my service/product quality to customers.
ICS2	Growing my business would make me improve the business processes used in delivering service to customers.
ICS3	Growing my business would make me develop a better customer service strategy.
ICS4	Growing my business would make me train and empower my employees to offer better service to customers.
FOLLOW STRATEGIC CHOICE	
FSC1	It is strategically important that I grow the business and make it as large as possible.
FSC2	It is strategically important that I can create employment for people in the local community.
FSC3	It is strategically important that I become the market leader in the sector in which it operates.
FSC4	It is strategically important that I can introduce new products, services and processes.
FSC5	It is strategically important that I find new customers to grow my business.
EXPLOIT VACANT CAPACITY (Bartlett and Bukvić, 2001; Bulanova *et al*., 2016)	
EVC1	I want to grow my business because I have unused space and facility I want to utilise.
EVC2	I want to grow my business because I have excess human resources to utilise.
EVC3	I want to grow my business because I have excess funds to finance the growth process.
EVC4	I want to grow my business because I have untapped business networks that I am not using to the benefit of my business.
TOO MUCH WORK & EFFORT	
TMW1	Growing my business would involve too much work and effort for me.
TMW2	Growing my business would increase my financial risk and work pressure.
TMW3	Growing my business would increase my stress levels and affect my health.
TMW4	Growing my business would use up my free time which I could have used to do other activities that I enjoy.
NOT A STRATEGIC CHOICE TO GROW	
NSC1	It is not my goal to grow the business into a big business.
NSC2	I do not want to grow my business now.
NSC3	I am content with the phase my business is in for now.
NSC4	If I grow my business now, I am concerned that I would lose control over my business.
NSC5	It would be too difficult to grow this business now.
LACK OF RESOURCES	
LR1	I do not have the financial resources to expand my business.

LR2	I do not have the human resources to expand my business.
LR3	I do not have the physical resources such as premises, facility or infrastructure to expand my business.
LR4	I do not have the technological resources or machinery to grow my business.
LACK OF SELF-EFFICACY	
LSE1	I am not confident in my ability to grow the business successfully.
LSE2	I do not think I am able to manage the growth process of my business.
LSE3	I cannot work productively under unnecessary stress and pressure.
LSE4	I do not have the educational knowledge, experience or competence to grow my business.
LSE5	I am not confident in my managerial skills to grow my business.
NO MARKET DEMAND	
NMD1	Currently, there is no untapped demand for my products/services in the market.
NMD2	Currently, the demand for my product/service is low as the market for my product/service is saturated.
NMD3	Currently, the demand for my product/service is low, as consumers prefer my competitors' products/services.
NMD4	Currently, the demand for my product/service is low as the product/service has too many substitutes/alternatives.
TAX	
TAX1	The tax requirements for SMMEs are burdensome.
TAX2	The tax rates that SMMEs are required to pay are too high.
LABOUR	
LAB1	There is not enough skilled labour for me to hire.
LAB2	The cost of firing an incompetent employee in South Africa is too expensive.
INFRASTRUCTURE	
IS1	It is very difficult to get appropriate business premises.
IS2	The supply of business infrastructure is inadequate.
IS3	Utility (rent, telecommunications, electricity & water) prices are too high.
ACCESS TO FINANCE	
AF1	As an SMME, it is difficult for me to access credit/additional funds.
AF2	The interest rate on credit for SMMEs is high.
CORRUPTION	
COR1	The procurement and tender process for SMMEs is corrupt.
COR2	Government officials and agencies that should support SMMEs are mired in corruption.
NEED FOR ACHIEVEMENT	
NA1	I will not be satisfied unless I reach the desired level of results I have set for myself.
NA2	Even when people tell me 'it cannot be done', I will persist.
NA3	I want to build a business that is sustainable beyond my personal involvement.

NA4	I aim for excellence in everything that I do.
RISK-TAKING PROPENSITY	
RTP1	I take calculated risks to gain potential advantage.
RTP2	I am comfortable with uncertainty and risk – you win some, you lose some.
RTP3	I am willing to invest my own money to capitalise on a business opportunity.
RTP4	I believe that higher risks are worth taking because they result in higher returns.
RTP5	I prefer to remain with a business that has problems that I know about rather than take the risk of starting a new business that has unknown problems, even if the new business offers greater profit.
RTP6	I prefer a low risk-high security business with a steady profit to a business that offers high risks and high profit.
NEED FOR AUTONOMY	
NAUT1	I like being my own boss.
NAUT2	I would rather work for myself than work for somebody else.
NAUT3	I prefer doing things my own way.
NAUT4	I know what is important to me and I will stand my ground even if others disagree.
LOCUS OF CONTROL	
LC1	I believe that I can determine my own destiny/future.
LC2	When I make plans, I am almost certain that I can make them work.
LC3	When I get what I want, it is usually because I worked hard for it.
LC4	I can accept the consequences of my decisions and actions.
LC5	I do not wait for things to happen; I make things happen.

Source: Author's creation, 2019

To measure growth intentions, the scale used was adapted from Manolova *et al.* (2012). It involved getting the respondent's response to two statements: (1) I want the business to be as large as possible; (coded as 1) and (2) I want a size I can manage myself or with a few key employees (coded as 0). The mean for the measure was 0.19, with an SD of 0.39. Growth intentions were measured as a choice intention using the scales from various researchers (Kolvereid and Bullvag, 1996; Manolova *et al.*, 2012; Širec and Močnik, 2013; Bulanova *et al*., 2016). The scale involved asking the respondents whether they wanted their business to be larger in the next five years, and whether they intended to hire additional employees in the near future or not. The question required a 'yes' or 'no' answer.

To measure the components of planned behaviour, multi-scale items were adapted from Ajzen (1991), Kautonen *et al*. (2015) and Bulanova *et al*. (2016). To measure attitude toward growth, this study adapted and modified the measurement from Wiklund *et al.* (2003). SN was measured by asking respondents to rate the extent to which people important to them would support or not support their performing a specific behaviour – in this case, growing their

business. The opinions of social reference groups (e.g. friends and family) were obtained to determine whether the individual should participate in the behaviour.

The regulatory environment was measured by adapting items from *The Global Competitiveness Report (GCR) 2017–2018*. These items were identified as the most problematic factors for doing business in South Africa (Schwab, 2017). Similar items have been used and adapted by other research studies such as those by Agboli and Ukaegbu (2006); Manolova *et al*. (2008), Ishengoma and Kappel (2011) and Džafić (2014).

Individual characteristics were measured using scale items from Kolvereid (1992); Lau and Busenitz (2001); Baum and Locke (2004); and Kozan *et al*. (2006). The constructs measured were *need for achievement, risk-taking propensity*, *locus of control*, and *need for autonomy*.

Administration and collection of questionnaires

Before the questionnaires were pre-tested, draft copies were given to three experts in the entrepreneurship discipline at the University of the Free State. The experts were tasked to evaluate the validity of the concepts being investigated and the accuracy of the multi-scale items used to measure the constructs. The researcher accordingly implemented their esteemed advice and suggestions. After that, the questionnaire was pretested among ten entrepreneurs in the Bloemfontein Central Business District (CBD). Vague and confusing statements pointed out by the respondents were revised accordingly. Blumberg *et al*. (2011) state that pre-testing questionnaires or conducting a pilot study is of vital importance as the exercise may detect weaknesses and mistakes in the constructs, design, and wording of the questionnaire. This eventually reduces bias in the questionnaire (Sekaran and Bougie, 2016).

The questionnaire was designed as a self-completion or self-administered questionnaire. This means that it could be completed by the respondent without the researcher being present because the researcher assumes that the respondent has the knowledge and understanding to complete the questionnaire on his/ her own (Hair et al., 2016). Nonetheless, where necessary or by request, some respondents were assisted by the researcher and research assistants to complete the questionnaire.

The questionnaires were administered by means of a face-to-face method (F2F), in that it was presented to respondents at their place of work or SMME address. The respondents were the owners or managers of the business. Four trained research assistants were recruited to assist with the collection of the data, two research assistants for each of the regions. The two research

assistants for the TMDM region were expected to have a good command of Sotho and Zulu, the two main local languages spoken in the eastern Free State. Thus, the questionnaires were not translated into Sotho or Zulu in written form, but they were explained verbally to participants by the research assistants in a language they understood if necessary. This face-to-face form of survey was chosen in preference to posting the questionnaires in order to get a high response rate, and to avoid the possibility of some participants in the sample not returning the questionnaires. Also, in a bid to increase the response rate, the researcher and assistants employed the 'drop-off-and-collect-later' method, in which the questionnaire was dropped off at the physical location of the business for the entrepreneur to fill, and an agreed-upon date for collection was arranged with the entrepreneur (Blumberg *et al*., 2011; Hair *et al*., 2016; Quinlan *et al*., 2019).

5.2.5.2 Data analysis

According to Quinlan *et al*. (2019), data analysis is the process of describing and interpreting the data, as well as drawing conclusions from the data. Blumberg *et al*. (2011), define data analysis as the process of converting accumulated data to a manageable size and developing summaries through the application of statistical techniques. Before data can be analysed, it must first be edited, coded and captured. Also, missing data must be reviewed by either completing the data or cleaning out the data (Hair *et al.*, 2016). Data from the completed questionnaires were computer processed and statistically analysed using IBM's Statistical Package of Social Sciences (SPSS) 25. Answers to questions that refer to the demographic profiles of the respondents are usually categorical variables and continuous variables. Categorical variables were analysed using descriptive statistics such as charts, frequencies and cross-tabulations, while continuous variables were analysed by other forms of descriptive statistics such as means and standard deviations (Pallant, 2010).

Since growth intention and attitude are not directly observable variables, empirical analysis for the measurement of these variables was based on structural equation models (SEM). This modelling technique allows the incorporation of variables not directly observable (latent variables or constructs) into a research model (Kline, 2011). To test the research model, a variance-based SEM technique of partial least squares (PLS) was utilised via the SmartPLS version 3.2.8. In addition, according to Hair *et al.* (2012), the PLS-SEM technique is often used as a basis for theory development and is generally more favourable to use with smaller sample

sizes and complex models. Therefore, the main hypotheses developed in Chapters 1 and 4 were tested by using SmartPLS.

5.2.5.3 Assessment of the measurement model (outer model)

The measurement model (also known as the outer model) explains "the relationships between the theoretical latent constructs and the indicator variable" (Hair *et al.*, 2016). Before testing the hypothesis, the measurement model was assessed for internal consistency and construct validity (comprising convergent validity and discriminant validity) using a confirmatory factor analysis (CFA). A CFA is defined as a "statistical technique used to verify the factor structure of a set of observed variables". It is used to test the hypothesis that a relationship exists between observed variables and their underlying latent constructs by determining whether the data from the study fits the hypothesised measurement model (Suhr, 2006). The process followed in this study to assess the internal consistency and the validity of the measurement model is discussed in the remainder of this section.

Assessment of internal consistency

Reliability refers to 'consistency' in the research instrument. A questionnaire is said to be reliable if the same responses are obtained every time it is used and answered by respondents with similar demographic characteristics (Hair *et al.*, 2016). In this study, reliability of the research instrument was maintained by making sure that it was consistent with the measurement of the chosen phenomena – growth intentions. The internal consistency of the measurement model can be evaluated using the coefficient alpha (aka Cronbach's alpha), and Composite reliability (CR). Coefficient alpha ranges from 0 to 1. The rule of thumb for interpreting alpha values is to accept an alpha of 0.7 as a minimum, though some researchers accept coefficients lower than 0.7. The composite reliability also ranges from 0 to 1, with high values indicating higher validity. CR values are interpreted like Cronbach's alpha. CR values of 0.60 to 0.7 are acceptable in exploratory research. In more advanced stages of research, values between 0.70 and 0.90 can be accepted and deemed satisfactory, while values above 0.90 are not acceptable, because they show that the indicator variables are most likely measuring the same phenomenon and thus lack validity in the measurement of the construct. In summary, CR values below 0.6 are not acceptable, as it shows a lack of internal consistency reliability (Hair *et al.*, 2017).

The Cronbach Alpha (CA) and the composite reliability (CR) are metrics that assist researchers in assessing the internal consistency and reliability of the constructs. Composite reliability is considered a more accurate approach to assessing reliability because it takes separate reliabilities for individual items into account, unlike Cronbach's alpha, which assumes that all the items included in the calculation are weighted equally. Thus, due to the limitations posed by using Cronbach alpha, internal consistency reliability is better measured using Composite reliability (CR) (Hair *et al.*, 2017).

Composite Reliability considers the outer loadings of the indicator variables. It is calculated using the following formula:

$$CR = \frac{\left(\sum_{i=1}^{M} l_i\right)^2}{\left(\sum_{i=1}^{M} l_i\right)^2 + \sum_{i=1}^{M} var\,(e_i)}$$

Where:
M = specific construct measured with M indicators
l = standardised outer loading of the indicator variable *i*
e_i = measurement error of indicator variable *i*,
$var(e_i)$ = variance of the measurement error

Construct Validity

Construct validity refers to the accurate measurement of a concept or construct, i.e. it involves the extent to which a test measures what the researcher set out to measure (Blumberg *et al*., 2011; Hair *et al.,* 2016). The researcher ensured validity in the study by making certain that what was set out to be measured was really measured. *Face validity* was employed to ensure that the research instrument, being the questionnaire, was relevant to participants in the study. Colleagues in the academia and individuals from the target population were asked to comment on the relevance, balance and adequacy of the questionnaire in relation to the research objectives. The reason for this was to make sure that respondents did not become fatigued and uncooperative if they thought that the questionnaire was too long or that they were misrepresented to others.

In addition, the researcher employed *content validity* as the questionnaire was designed and adapted from previous studies relevant to the research study. Thereafter, the opinions of experts

in the entrepreneurial and small business management field were sought on the adequacy of the research instrument. Feedback and suggestions from this review were implemented, ensuring that the final questionnaire contained the accurate content of the construct it set out to measure.

In addition, *construct validity* was exercised to ensure that the theory in the literature review corresponded with the research instrument. Construct validity assesses whether the questions or statements used to measure a construct or concept actually describe the domain of the construct (Hair *et al.*, 2016). Therefore, in this study, the questionnaire was divided into different sections. Each section assessed specific objectives and constructs related to the study, such as growth intentions, planned behaviour, external environment and individual characteristics. Furthermore, construct validity involves the use of *convergent validity* and *discriminant validity*. Convergent validity is "the relationship between two or more scales designed to measure the same construct", while discriminant validity is the "extent to which a construct does not correlate with measures of other constructs".

According to Hair *et al.* (2017), to measure convergent validity, the outer loadings of the indicators and the average variance extracted (AVE) have to be considered. If a construct records higher outer loadings, it means that the related indicators are similar and connected. An indicator reliability refers to the size of the outer loadings. In general, the outer loadings of all indicators should be statistically significant and 0.708 or higher. When the standardized indicators outer loading is squared, it shows the amount of variation in an item that can be explained by the construct; thus, leading to an extraction of the variance from the item. The standard rule requires that a latent variable explains at least 50% of each indicator's variance. Thus, an indicator should exhibit an outer loading of above 0.708 (because the number squared equals 0.50).

Sometimes a dataset may reveal weak outer loadings (<0.7). This may be due to the use of newly developed scales. In such instances, the affected indicators should not be eliminated immediately. Instead, the effect of their removal on the composite reliability and the content validity should be observed carefully. Indicators with outer loadings between 0.40 and 0.70 should be considered for removal from the scale only when their elimination results in an increase in the composite reliability above 0.7 or the AVE above 0.5. However, before a decision is made to remove an indicator, its effect on content validity must be assessed. If it is determined that the indicator contributes to content validity, it is retained despite its weak outer

loading. However, indicators below 0.4 and statistically significant or indicators not statistically significant should always be eliminated from the construct.

Average variance extracted (AVE) is regarded as the "grand mean value of the squared loadings of the indicator associated with the construct". It is calculated by dividing the sum of the squared loadings by the number of indicators. The formula is as follows:

$$AVE = \frac{\sum_{i=1}^{M} l_i^2}{M}$$

Where:
l = standardized outer loading of the indicator variable i
M = the number of items

As described with individual indicators, an AVE of 0.5 or higher reveals that the construct explains more than half the variance of the indicators, while an AVE of less than 0.5 means that more variance exists in the error of the items than in the variance explained by the construct (Hair *et al.*, 2014, 2017).

Discriminant validity was confirmed based on the heterotrait-monotrait ratio (HTMT) (see Table 6.5). According to Hair *et al.* (2017), discriminant validity is "the extent to which a construct is truly distinct from other constructs by empirical standards". The acceptable threshold for HTMT ratio of correlations is pegged at 0.85. Therefore, confirming discriminant validity denotes that the construct is distinctive and captures information not represented by other constructs in the model. Thus, to establish the appropriateness of data, a confirmatory factor analysis (CFA) of all the constructs was conducted.

5.2.5.4 Assessment of the structural model (Inner model)

After the modifications of the original measurements model (via the assessment of the outer model), the model showed adequate reliability and validity (see Table 6.4), making it appropriate to test the hypotheses. The inner model demonstrates the "structural relationships between the theoretical constructs" (Hair *et al.*, 2016). Jais (2007) states that a general structural model comprises of two main elements. The first are the measurement models that

link the observed variables to the latent variables, being the constructs, and secondly, the structural part which links the latent variables to one another through coordination of simultaneous equations. The structural model of the study consists of the factors that influence growth intentions, the external environmental factors and individual factors. These factors are the exogenous variables of the study.

Exogenous variables refer to the independent variables in the model that are investigated. An independent variable influences the model without being affected by it. In this study, the independent or exogenous variables are the external environmental factors and the individual characteristic factors. They influence the endogenous variables, which are the dependent variables in the model, i.e. attitude and growth intentions.

The inner model's assessment was based on the R^2 measure, which depicts the predictive accuracy of the model. The inner model loadings and statistical significance were based on path coefficients. The combined influence of the exogenous variables on the endogenous variables is represented by R^2. This coefficient ranges from 0 to 1 with 1 signifying complete predictive accuracy. Coefficients close to +1 signify strong positive relationships, while coefficients close to minus 1 signify strong negative relationships (Hair *et al.,* 2014). In structural equation modelling, path coefficients are regarded as "standardised versions of linear regression weights which can be used in examining the possible causal linkage between statistical variables". It shows the direct effect of an independent variable (i.e. exogenous) on a dependent (endogenous) variable in the path model.

According to Kock (2015), hypothesis testing using PLS-SEM is performed by calculating a p-value for each path coefficient. The p-value is "the calculated probability of finding an observed result to determine when the null hypothesis of a study question is true". The p-value may be a one-tailed test or a two-tailed test. Researchers employ the use of the one-tailed test when the direction of the hypothesised relationship (positive or negative) can be predicted, while the two-tailed test is used if the direction of the hypothesised relationship cannot be predicted (Hair *et al.,* 2016). Therefore, in this study, the hypothesis testing would be one-tailed.

Kock (2015) states that a hypothesis can be tested with the use of p-value as well as confidence intervals. Blumberg *et al.* (2011) define confidence interval as "the combination of interval range and the degree of confidence that the true value of mean lies within the interval". For

this study, the p-value (one-tailed) and 95% bias corrected confidence intervals were used. To conduct a p-value test of the hypothesis (where $\beta > 0$, at 0.05 significance level), the one-tailed p-value linked with the path coefficient was calculated. If $p \leq 0.05$ the alternative hypothesis was accepted, but if $p > 0.05$, then the hypothesis was rejected.

This study used the 95% bias-corrected confidence interval, whereby the upper and lower limits of the confidence interval were calculated. Where $\beta + 1.96\sigma$ and $\beta = 1.96\sigma$. If the value 0 (zero) does not fall within this interval (i.e. $0 \notin CI$) the alternative hypothesis was accepted, otherwise (i.e. $0 \in CI$) was rejected (Kock, 2015).

In summary, the alternative hypothesis is accepted when all the following criteria are met:

- Path coefficient must be in the right direction towards the given hypothesis,
- P-value ≤0.05, one-tailed, and
- 95% BBCI must not include '0'

5.2.6 Phase 6: Reporting the research

According to Hair *et al.* (2016), research is not useful if it is not communicated and its purpose, findings and implications are not shared with the relevant audience. The main aim of a research project is to solve a specific management dilemma or problem to enable better decision making. To achieve the aim of the research, a methodology is set out. This involves a detailed outline of the research design, data collection and analysis of the data. Next, the results of the data analysis are obtained, and the major findings and conclusions as related to the objectives of the research are recorded. After that, the researcher will disseminate the research results by reporting the research.

Hair *et al.* (2016) state that research can be reported in the following three ways: a research proposal, a written research report, and an oral presentation of the research findings. Before the execution of this research project, a proposal was submitted and approved by the relevant Faculty and Department. The proposal discussed the proposed study and its importance in the field of entrepreneurship. The written research report, which is the current thesis, is the tangible result of the completed research project. The outline of the research report is as specified in this thesis: *Title page, Executive summary, Table of contents, Introduction, Literature Review, Research Methods, Results, Recommendations and Conclusions, References and Appendices.*

Finally, an oral presentation will take place where the findings of the research will be shared with colleagues in the academia and relevant stakeholders during research day presentations or at conferences.

5.3 CHAPTER SUMMARY

In this chapter, the different research approaches and methods used in collecting and analysing the data were discussed in detail. The business research process was illustrated graphically, and the population of the study, the target population, as well as the sampling method were identified and defined. Data were collected using a structured questionnaire distributed to the selected sample within the target population. The data obtained from these respondents were processed and analysed with the use of descriptive and inferential statistical methods. In addition, the validity and reliability of the questionnaire were established.

To summarise, estimating and assessing a SmartPLS SEM involves the following steps shown in Table 5.3.

Table 5.3: Estimating and Assessing a SmartPLS SEM

Assessing the outer model loadings for the reflective indicators		**Assessing inner model paths**	
1	Estimate of Loadings and Significance	1	Estimates of path coefficients and significance
2	Indicator Reliability	2	R^2 of endogenous variables
3	Composite Reliability (CR)	3	Effect size, change in R^2 of endogenous variables
4	Average Variance Extracted (AVE)	4	Predictive relevance Q^2
5	Discriminant Validity		

Source: Hair, Celsi, Money, Samouel & Page (2016). Essentials of business research methods. p. 447.

The next chapter will present the data analysis, results and discussions related to the information obtained during the empirical study.

CHAPTER 6

RESULTS

Furthermore, growth must be considered as a multidimensional and complex phenomenon that can come in several interrelated dimensions: the manager's characteristics, the strategic choices, the characteristics of the firm and its environment

(Ambroise *et al.*, 2013)

6.1 INTRODUCTION

This chapter presents the analysis and results of the empirical data of the study. The results were collated from questionnaires administered to 354 SMME owners in the Mangaung and Thabo Mofutsanyana District Municipalities of the Free State (FS) Province. The analysis and results are presented within the research framework as specified by the literature review and the methodology. In addition, the descriptive statistics of the quantitative data, the assessment of the measurement model and the subsequent testing of the hypothesis using SmartPLS version 3.2.8 are presented.

The presentation of the empirical findings is divided into two sections. Section A reports the descriptive statistics of the study, while Section B reports on the results of the hypothesis testing.

6.2 REGIONAL DISTRIBUTION

The sample consisted of SMME entrepreneurs in two municipalities of the FS Province. The entrepreneurs who responded to the questionnaires operated businesses in the various towns of the municipalities. For the MMM, the entrepreneurs were from Bloemfontein, Botshabelo and Thaba 'Nchu. For the TMDM, the entrepreneurs were located in Phuthaditjhaba (i.e. Qwaqwa),

Kestell, Harrismith and Bethlehem. These respondents operated SMMEs across a broad spectrum of industry sectors as will be discussed in Table 6.2.

Table 6.1 summarises the regional distribution of entrepreneurs between the two municipalities with respect to the population size, sample size, number of questionnaires issued and the number of questionnaires returned.

Table 6. 1: Sample size of SMMEs and the distribution of questionnaires in the MMM and TMDM

Variables	**Free State Province**	SMME Population: 114,584 (SEDA, 2018)	4.7% of the total number of SMMEs in South Africa
	Mangaung Metropolitan Municipality (n)	**Thabo Mofutsanyana District Municipality (n)**	**Total**
Target Population	4 400 (SA Treasury, 2008)	375 (FS Yellow Pages 2017/2018)	**4775**
Sample Size (using Roasoft sample size calculator)	354	184	**538**
Number of questionnaires issued	500	200	**700**
Number of questionnaires not collected/returned	184	105	**289**
Number of questionnaires collected/returned	316	95	**411**
Number of questionnaires not properly completed or incomplete	41	4	**45**
Number of questionnaires deleted during data cleaning & analysis	11	1	**12**
Number of questionnaires properly completed & used	**264**	**90**	**354**
Response rate	**52.8%**	**47.5%**	**50.5%**
Percentage of questionnaires collected to estimated Sample Size of area	**74.5%**	**48.9%**	**65.7%**

Source: Adopted for this study

Table 6.1 shows that there are reportedly 4 400 SMMEs in the Mangaung Metropolitan Municipality (MMM) (SA Treasury, 2008) and 375 SMMEs in the Thabo Mofutsanyana District Municipality (TMDM) (Yellow Pages, 2018). When using the Roasoft sample size calculator, a sample size of 354 was obtained for MMM; and a sample size of 184 was obtained for TMDM. In total, 700 questionnaires were issued, of which 411 were collected or returned. Two hundred and eighty-nine (289) questionnaires were not collected by the researcher and field workers or returned by the respondents. Of the 411 questionnaires collected or returned, only 354 were considered for the final count and analysis because they were correctly completed. Fifty-seven (57) questionnaires were not included in the dataset. This is because 45 of them were not filled correctly or were incomplete with missing data. A further 12 questionnaires were excluded later during the cleaning of the data. The data analysis software identified these questionnaires, though completed, as containing unreliable and potentially inaccurate information. Thus, prompting the researcher to exclude them to maintain the accuracy of the data and to avoid any distortion or misrepresentation in the research findings.

To summarise, the total response rate of the questionnaires was 50.5%. This is within a reasonable response rate in academic studies in the management sciences (Baruch, 1999; Baruch and Holtom, 2008). This percentage could be because data were collected between November and December of 2018. Some respondents complained about the timing, pointing out that it was their most busy time of the year, and therefore could not guarantee they would complete the questionnaire. Other respondents requested that the questionnaire be collected the following year. Another set of respondents also complained about being in daunted with questionnaires from university students and refused to participate in the study. Additionally, other respondents had closed their businesses for the holiday season before the agreed upon collection date. Nonetheless, some respondents were willing and happy to participate in the study. Due to time constraints, the data collection period could not be extended beyond December 2018. Thus, only 411 questionnaires were collected, fewer than the estimated sample size of 538. In the end, only 354 questionnaires were valid, representing 65.7% of the required sample size.

6.3 SECTION A: DESCRIPTIVE RESULTS

Section A presents discussions on the demographic information of the respondents such as the location of their businesses, age group, gender, race/nationality, educational qualification, the age of business, origin of business establishment, and the number of people employed by the business. Thus, the section presents the descriptive results of the empirical data. This involves reporting the characteristics of the location, spread and shape of various sets of data (Blumberg *et al.*, 2011). Common forms of descriptive statistics include frequency counts (quantity), measures of central tendency such as the median, mean or mode, or a measure of dispersion (variation) such as standard deviation. Descriptive results are usually depicted on charts (bar charts, pie charts, line charts), graphs and tables (frequency distributions) (Hair *et al.*, 2016).

6.3.1 General Information

In the questionnaire, the general information sought from the respondents included data on the location of the business, the industry sector in which the business operates, gender, age, race and educational qualification of the entrepreneur.

6.3.1.1 Location of the business

Figure 6.1: Business Location

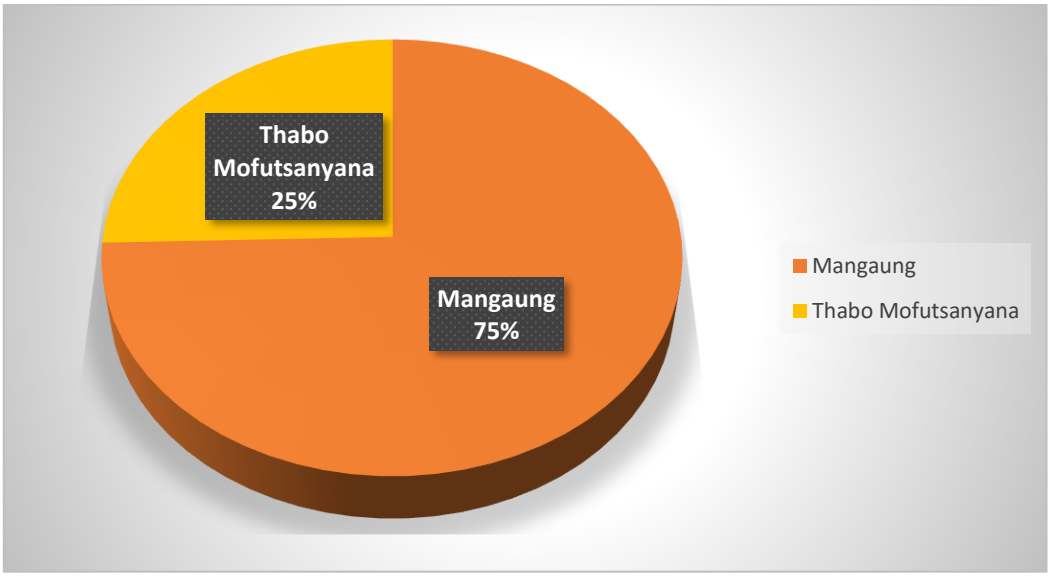


Figure 6.1 shows that majority (75%) of the SMMEs were located in the Mangaung Municipality, while 25% were located in the Thabo Mofutsanyana District Municipality. The number of SMMEs is higher in the MMM because this municipality includes the capital city of Bloemfontein, which is the economic hub of the Free State Province. The other towns

included in the MMM are the surrounding towns of Botshabelo and Thaba Nchu. The TMDM includes the towns of Qwaqwa, Bethlehem, Harrismith and Kestell. There are more SMMEs in the MMM as it is situated in the urban area compared to the TMDM that is located in the semi-rural area of the province.

6.3.1.2 Industry Sector

Table 6. 2: Industry Sector of SMMEs

Variables		Total (n)	%
Industry Sector	Agriculture, Forestry and Fishery	14	4,0%
	Mining, quarrying & related services	1	0,3%
	Manufacturing (Food & beverages, textiles, wood, furniture, machinery, electronics)	30	8,5%
	Energy, electricity & gas	7	2,0%
	Construction & civil engineering	22	6,2%
	Whole Trading	7	2,0%
	Retail (Grocery & Supermarkets)	32	9,0%
	Retail (Fashion & Clothing)	29	8,2%
	Motor vehicle and Repairs	17	4,8%
	Consumer Services (Hair dressing, Barbing, Gym)	58	16,4%
	Property and Real Estate	5	1,4%
	Tourism and Hospitality (Hotels, B & B)	11	3,1%
	Fast Food & Restaurants	42	11,9%
	Transportation	4	1,1%
	IT & Telecommunication	11	3,1%
	Financial services	7	2,0%
	Education	12	3,4%
	Healthcare & social services	13	3,7%
	Professional services	18	5,1%
	Entertainment & Media	14	4,0%

Table 6.2 shows the industry sectors in which the SMMEs operate. The sectors used are as specified in the South African Classification of Industries List. The top five sectors in the study were Consumer Services (16.4%); Fast Food & Restaurants (11.9%); Retail - Grocery & Supermarket (9%); Manufacturing (8.5%) and Retail – Fashion & Clothing (8.2%). The results reveal that the majority of the SMMEs that participated in the study were consumer services.

This result supports the findings of the Global Entrepreneurship Monitor Report which stated that 57% of businesses in South Africa operated in the consumer services sector (Herrington *et al*., 2017). This result is also similar to findings by Machirori (2012) and Radipere (2012), who have also determined that most SMEs (in the Eastern Cape Province and Gauteng Province respectively) operated in the consumer services and retail sectors. They argue that barriers to entry in these sectors are low with respect to finance and skills, and therefore less challenging to conduct business compared to other sectors such as construction and wholesale, which needs a higher capital injection.

The manufacturing sector, which is considered a vital sector that promotes economic growth, ranked fourth. The manufacturing sector along with the agricultural sector has been credited for pulling South Africa out of the economic recession that the country suffered in 2017. Jobs and output grew more than expected in these two sectors nationally, thereby lifting the country out of recession in early 2018 (Kumwenda-Mtambo, 2018). The Agricultural sector in this study was ranked ninth, behind other industries such as Construction and Professional Services (i.e. lawyers, accountants etc.). Kolvereid (1992) reported from his research on Norwegian entrepreneurs that those in manufacturing were more likely to grow their business compared to entrepreneurs in construction.

6.3.1.3 Gender

Figure 6.2: Gender of respondents

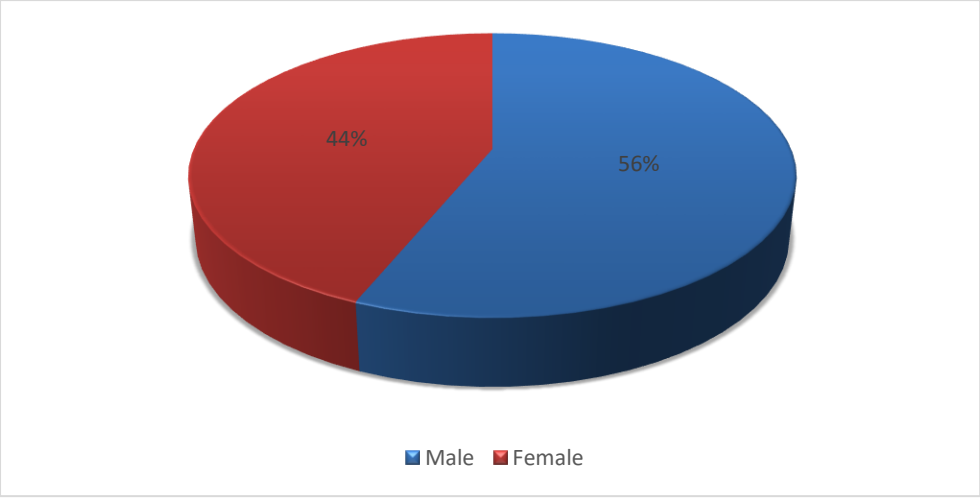


Figure 6.2 depicts the gender of the responding entrepreneurs. The results show that 56% of the entrepreneurs were male, while 44% of the entrepreneurs were female.

6.3.1.4 Race

Figure 6.3: Race of respondents

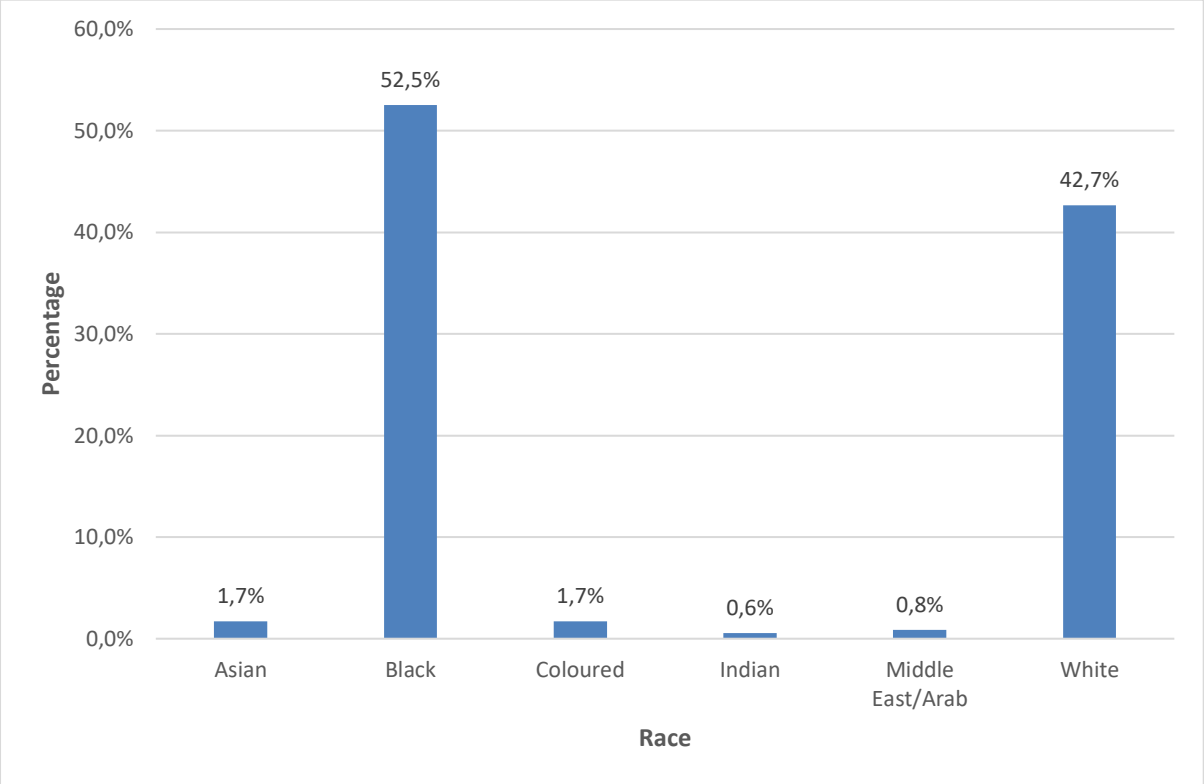
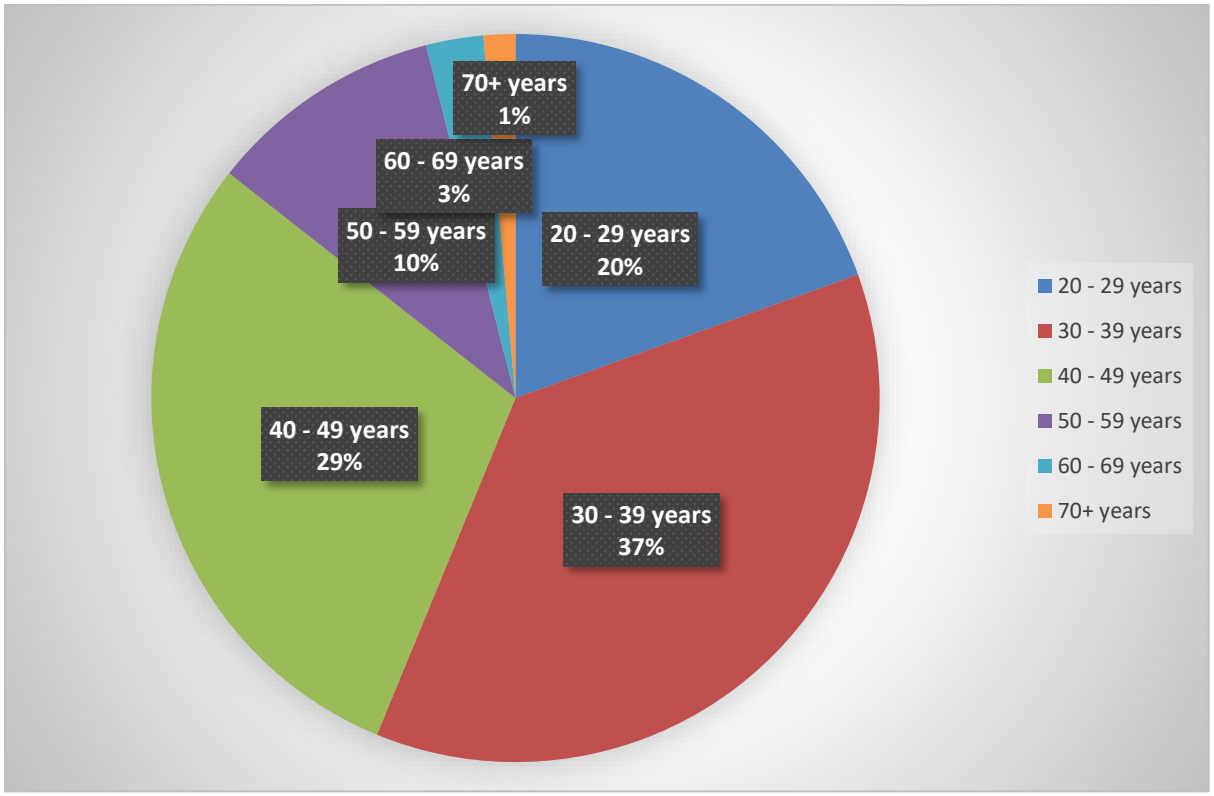


Figure 6.3 reveals that most of the respondents (52.5%) were Black, followed by Whites at 42.7%. Other races Asian, Coloured, Indian and Middle Eastern accounted for the remaining 4.8%. The representation corresponds with the results of the 2011 National Census, which revealed that the Free State Province is home to 2.7 million people, of which 87.6% (2.4 million) are Black Africans and 8.7% (239 026) are Whites. The other racial groups make up the remaining 3.7%.

6.3.1.5 Age

Figure 6.4: Age of respondents



The results in Figure 6.4 indicate that the majority of the respondents (36.7%) were in their thirties, followed by 29.4% of respondents who were in their 40s. Respondents in their twenties made up 19.5% of the sample, while respondents in their 50s accounted for 10.5%. The smallest group of respondents were entrepreneurs in their 60s (2.5%) and entrepreneurs in their 70s and upwards (1.4%).

6.3.1.6 Level of education

Figure 6.5: Level of Education

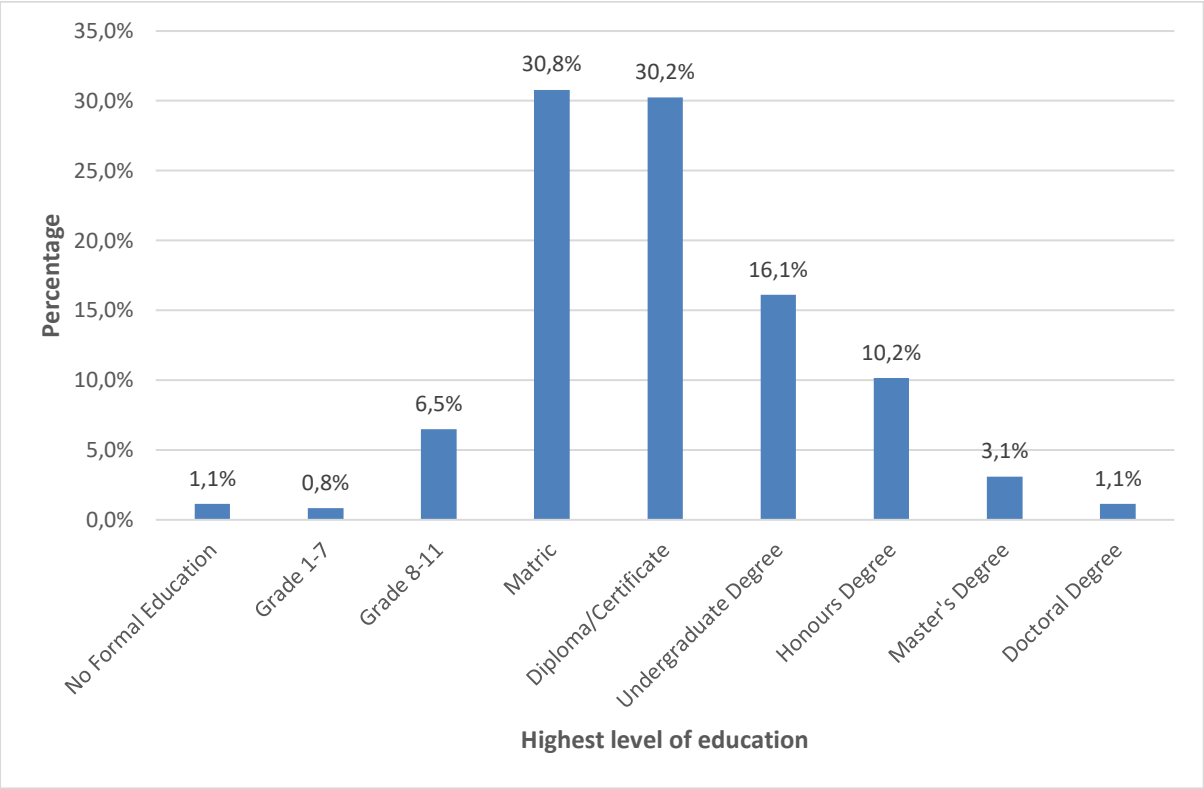
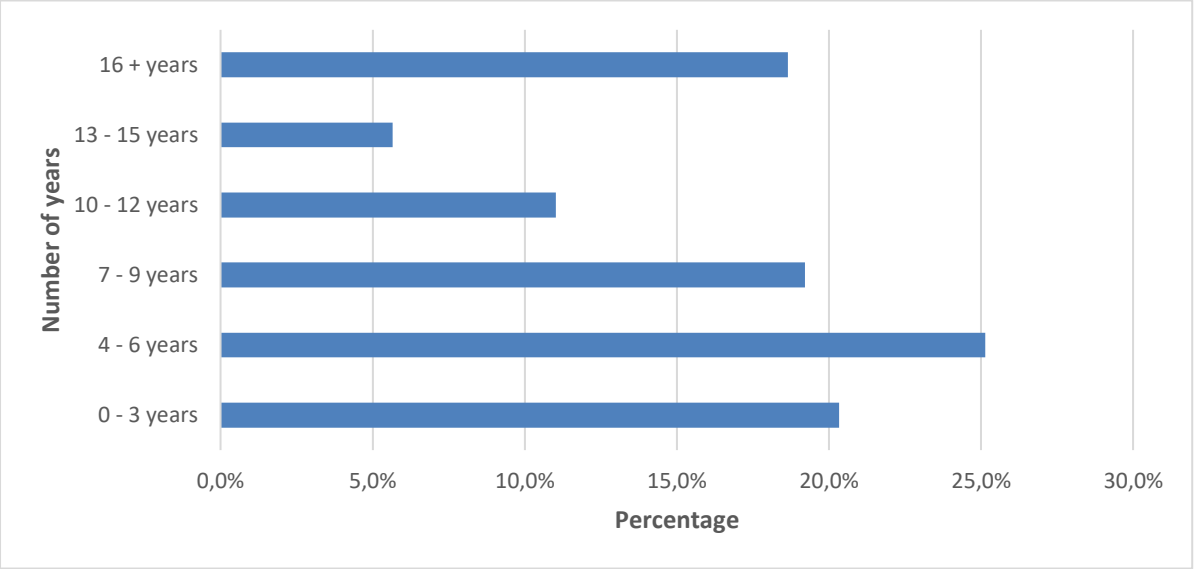


Figure 6.5 reports the highest level of education achieved by the respondents. From the results gathered, most of the respondents (30.8%) obtained only a Matric certificate. This is followed by 30.2% who possess a College/Tertiary Diploma or Certificate. Sixteen per cent (16.1%) of the respondents had a university degree, and a further 10.2% had an Honours degree. About three per cent (3.1%) possessed a Master's degree; and a further 1.1% a Doctoral degree. When combined, the higher education degrees (undergraduate through to Doctoral degree) account for 30.5% of the educational level, competing favourably with the Matric and Diploma levels. Less than 10% of the SMMEs possess less than Matric qualification. These results show that more than 90% of the respondents possessed some form of formal education.

6.3.1.7 Age of the business

The age of the business refers to the number of years the business has been in operation. According to Levie and Autio (2013), the association between the age of the business and the growth intentions of its owners is ambiguous. Thus, the suggestion that other factors, such as the size of the firm may affect any influence that the age of the business has on growth intentions.

Figure 6.6: Age of the businesses of respondents

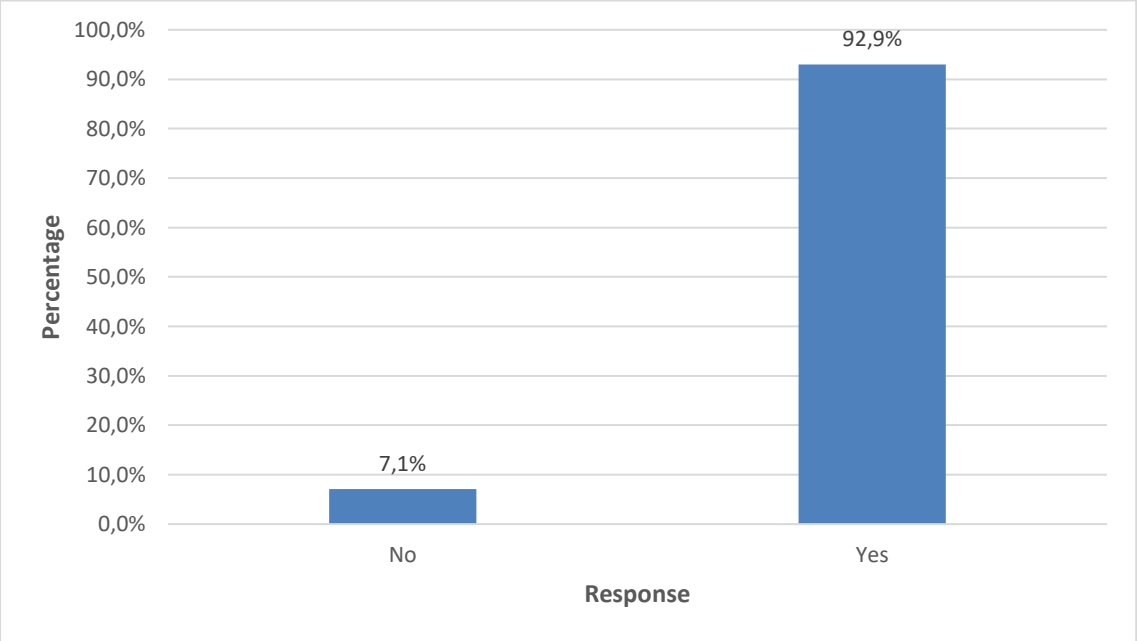


In Figure 6.6, most of the responding SMMEs (25.1%) have been in operation for 4 to 6 years. Therefore most of the respondents are established entrepreneurs (Botha, 2019). Also, 20.3% of the SMMEs have been in operation for 0 to 3 years, thus recent start-ups. In addition, 19.2% of the businesses have been in operation for 7 to 9 years; and 11% for 10 to 12 years. Furthermore, 18% of the SMMEs have been in operation for more than 15 years.

6.3.1.8 Do you want a larger business?

To determine if the entrepreneurs had the intention to grow their business, they were asked if they want their business to grow larger in five years. Wiklund *et al.* (2003) state that not all entrepreneurs have the intention to grow their businesses, therefore it is important to ascertain whether the entrepreneurs in the Free State are interested in growing their business.

Figure 6.7: Do you want a larger business five years from now?



Results in Figure 6.7 indicate that 92.9% of the respondents answered that they wanted their business to be larger in the next five years than what it is today, and 7.1% answered in the negative. When probed as to why they did not want to grow, they replied that they were content with the size and stage that their business was in at that point in time.

6.3.2 Details of Ownership and Establishment

In the questionnaire, the details of ownership and establishment sought from the respondents included data on the type of business registration they have; the year the business was established; the number of people employed by the business (both permanent and temporary); and whether any of their close family members have ever owned or operated a business. Furthermore, information on whether the business was registered for Value Added Tax (VAT) was sought; as well as the origin of the business and scope of the business operations. A summary of the results is presented in Table 6.3.

Table 6.3: Summary of SMME characteristics, details of ownership and establishment

SMME Characteristics		Frequency Distribution (N = 354)	%
Industry Sector	Agriculture, Forestry and Fishery	14	4,0%
	Mining, quarrying & related services	1	0,3%
	Manufacturing (Food & beverages, textiles, wood, furniture, machinery, electronics)	30	8,5%
	Energy, electricity & gas	7	2,0%
	Construction & civil engineering	22	6,2%
	Whole Trading	7	2,0%
	Retail (Grocery & Supermarkets)	32	9,0%
	Retail (Fashion & Clothing)	29	8,2%
	Motor vehicle and Repairs	17	4,8%
	Consumer Services (Hair dressing, Barbing, Gym)	58	16,4%
	Property and Real Estate	5	1,4%
	Tourism and Hospitality (Hotels, B & B)	11	3,1%
	Fast Food & Restaurants	42	11,9%
	Transportation	4	1,1%
	IT & Telecommunication	11	3,1%
	Financial services	7	2,0%
	Education	12	3,4%
	Healthcare & social services	13	3,7%
	Professional services	18	5,1%
	Entertainment & Media	14	4,0%
		354	**100%**
Business age	0 - 3 years	72	20,3%
	4 - 6 years	89	25,1%
	7 - 9 years	68	19,2%
	10 - 12 years	39	11,0%
	13 - 15 years	20	5,6%
	16 + years	66	18,6%
		354	**100%**
Business Registration	Not Registered	71	20,1%
	Closed Corporation	61	17,2%
	Pty Limited	142	40,1%
	Sole Proprietorship	51	14,4%
	Partnership signed with Agreement	25	7,1%
	Other	4	1,1%

		354	**100%**
Has any family member ever owned business	No	110	31,1%
	Yes	244	68,9%
		354	**100%**
Is your business registered for VAT	No	183	51,7%
	Yes	171	48,3%
		354	**100%**
Origin of Business	Has been in my family for Generations	31	8,8%
	I started it myself	262	74,0%
	I bought the business	32	9,0%
	It's a franchise	18	5,1%
	Other	11	3,1%
		354	**100%**
Scope Business Operations	Operate within my Province	263	74,3%
	Operate in more than one province but fewer than five provinces	58	16,4%
	Operate nationally/Country wide	22	6,2%
	Operate in other African Countries (SADC)	4	1,1%
	Operate in wider African Countries (SADC+ Rest of Africa)	3	0,8%
	Operate Internationally	4	1,1%
		354	**100%**
Number of employees	Micro/Very small	327	92,4%
	Small	22	6,2%
	Medium	5	1,4%
		354	**100%**

As already mentioned, the top three industry sectors represented in the sample were Consumer Services (16.4%), Fast Food & Restaurants (11.9%), and Retail – grocery and supermarkets (9%). The remaining SMMEs were distributed throughout the other sectors of the economy. Most of the SMMEs (79.7%) were established businesses that had been in operation for more than three years, while 20.3% were recent start-ups of three years or less in operation. Furthermore, 80% of the SMMEs were registered with the Companies and Intellectual Property Commission (CIPC), while 20% operate as unregistered businesses. Of those registered, the majority (40.1%) were registered as Private Limited companies, i.e. (Pty) Ltd. However, 92.4% of the SMMEs were either micro-/ small enterprises, as they employed between one to fifty employees including the owners.

In addition, 48.3% of the responding SMMEs were registered for VAT. The law stipulates that a company must register for VAT if the total value of its taxable goods or services in a 12-month period exceeds R1 million. Alternatively, an SMME can also register voluntarily for VAT if the revenue generated in the past 12 months exceeded R50 000 (SA Parliament, 1991). Being registered for VAT connotes the size of a growing company. Also, most (74%) of the entrepreneurs started the business themselves, while 9% bought an already existing business. A further 8.8% report that the business has been in their family for generations, while 5% operate as franchises spread across the retail (grocery and supermarkets) and the fast-food restaurants.

Furthermore, 74.3% of the enterprises only operate domestically, that is, within the Free State Province, while 16.4% operate in more than one province but fewer than five. Only 1% of the respondents operated internationally, outside South Africa but within the Southern African Development Community (SADC) region only. Additionally, 68.9% of the respondent's close family members (i.e. parents, siblings, grandparents, uncle or aunty) owned or operated a business enterprise.

6.4 SECTION B: INFERENTIAL RESULTS

In **Section B**, the results of the two-step approach in the assessment of the structural model to test the hypotheses are presented. Firstly, the results of the measurements model (outer model) are presented, followed by the hypothesis testing (assessment of the inner model/structural model.

6.4.1 Assessment of the outer model

In this section, the method used to measure and assess the outer model is discussed. Since the conceptual model was assessed using PLS-SEM, internal consistency was assessed by reviewing the composite reliability value of each construct. The outer model was assessed for construct validity comprising convergent validity and discriminant validity. Construct reliability was measured via composite reliability, which holds that indicators need to be statistically significant and 0.708 or higher.

As discussed in Chapter 5, results of the original model showed that most of the loadings were above 0.7 and statistically significant except for the following: *Lack of resources* (0.633) and *Risk-taking propensity* (0.696). The low value of lack of resources can be explained by two indicators – LR1 (0.234; p= 0.532) and LR4 (0.355; p= 0.277) which revealed low loadings. In addition, the low value of risk-taking propensity can be explained by two indicators – RTP5 (-0.053; p=0.686) and RTP6 (-0.113; p= 0.379) which also had low loadings. Thus, these indicators were marked for exclusion from the dataset.

Thereafter, the assessment of the outer model was strengthened by measuring the convergent validity of the dataset taking into consideration the AVE and outer loading of the indicators. Constructs with AVE less than 0.5 were adjusted by eliminating the indicators with weak loadings. Indicators with outer loadings between 0.40 and 0.70 may be considered for removal from the scale only when their elimination results in an increase in the composite reliability above 0.7 or the AVE above 0.5.

Thus, in the original measurement model, the AVE of *lack of resources, risk-taking propensity* and *too much work* were below 0.5 and had to be adjusted. One indicator of *Too much work* – TMW1 (0.310; p= 0.298) had to be eliminated from the data set to adjust the AVE. In addition, one indicator of *Growth intention* - GI2 (0.252; p = 0.002) was also excluded.

Lastly, Discriminant validity was confirmed based on the heterotrait-monotrait ratio (HTMT) (see Tables 6.4 and 6.5).

Table 6.4: Measurement Model of Growth Intention Factors: Validity and Reliability Results

Constructs		Items	Original measurement model				Modified measurement model			
			Outer loadings	p-value	CR	AVE	Outer loadings	p-values	CR	AVE
Growth intentions		**GI1**	0,773	0,000	0,877	0,523	0,778	0,000	0,900	0,602
		GI2	0,252	0,002			*Excluded*			
		GI3	0,822	0,000			0,823	0,000		
		GI4	0,636	0,000			0,631	0,000		
		GI5	0,798	0,000			0,798	0,000		
		GI6	0,854	0,000			0,860	0,000		
		GI7	0,745	0,000			0,743	0,000		
Planned behaviour	**Attitude towards growth**	**ATG1**	0,904	0,000	0,966	0,825	0,903	0,000	0,966	0,825
		ATG2	0,894	0,000			0,894	0,000		
		ATG3	0,906	0,000			0,906	0,000		
		ATG4	0,871	0,000			0,871	0,000		
		ATG5	0,946	0,000			0,946	0,000		
		ATG6	0,927	0,000			0,927	0,000		
	Subjective norm	**SN1**	0,805	0,000	0,864	0,525	0,806	0,000	0,863	0,525
		SN2	0,766	0,000			0,765	0,000		
		SN3	0,827	0,000			0,829	0,000		
		SN4	0,858	0,000			0,859	0,000		
		SN5	0,478	0,000			0,474	0,000		
		SN6	0,514	0,000			0,512	0,000		
	Perceived behavioural control	**PBC1**	0,866	0,000	0,867	0,573	0,866	0,000	0,867	0,573
		PBC2	0,862	0,000			0,863	0,000		
		PBC3	0,693	0,000			0,692	0,000		
		PBC4	0,792	0,000			0,791	0,000		
		PBC5	0,516	0,000			0,516	0,000		

Reasons for growth	**Excitement**	**EXCITE1**	0,783	0,000	0,927	0,718	0,783	0,000	0,927	0,718
		EXCITE2	0,858	0,000			0,858	0,000		
		EXCITE3	0,881	0,000			0,881	0,000		
		EXCITE4	0,880	0,000			0,880	0,000		
		EXCITE5	0,831	0,000			0,831	0,000		
	Increased earnings	**IE1**	0,884	0,000	0,941	0,801	0,884	0,000	0,941	0,801
		IE2	0,933	0,000			0,933	0,000		
		IE3	0,909	0,000			0,909	0,000		
		IE4	0,852	0,000			0,852	0,000		
	Increased competitiveness	**IC1**	0,825	0,000	0,896	0,682	0,825	0,000	0,896	0,682
		IC2	0,806	0,000			0,806	0,000		
		IC3	0,872	0,000			0,872	0,000		
		IC4	0,799	0,000			0,799	0,000		
	Increased customer service	**ICS1**	0,883	0,000	0,937	0,789	0,883	0,000	0,937	0,789
		ICS2	0,916	0,000			0,916	0,000		
		ICS3	0,904	0,000			0,904	0,000		
		ICS4	0,849	0,000			0,849	0,000		
	Following strategic choice	**FSC1**	0,835	0,000	0,909	0,668	0,835	0,000	0,909	0,668
		FSC2	0,837	0,000			0,837	0,000		
		FSC3	0,882	0,000			0,882	0,000		
		FSC4	0,811	0,000			0,811	0,000		
		FSC5	0,710	0,000			0,710	0,000		
	Exploit vacant capacity	**EVC1**	0,603	0,005	0,812	0,529	0,603	0,002	0,812	0,529
		EVC2	0,802	0,000			0,802	0,000		
		EVC3	0,545	0,024			0,545	0,010		
		EVC4	0,900	0,000			0,900	0,000		
Reasons against growth	**Too much work**	**TMW1**	0,310	0,298	0,756	0,472	*Excluded*		0,845	0,655
		TMW2	0,487	0,061			0,574	0,005		
		TMW3	0,831	0,000			0,853	0,000		

		TMW4	0,929	0,000			0,953	0,000		
	Not strategic choice	**NSC1**	0,861	0,000	0,920	0,697	0,861	0,000	0,920	0,697
		NSC2	0,902	0,000			0,902	0,000		
		NSC3	0,814	0,000			0,814	0,000		
		NSC4	0,832	0,000			0,832	0,000		
		NSC5	0,757	0,000			0,757	0,000		
	Lack of resources	**LR1**	0,234	0,532	0,633	0,345	*Excluded*		0,796	0,664
		LR2	0,861	0,019			0,884	0,000		
		LR3	0,676	0,017			0,738	0,001		
		LR4	0,355	0,277			*Excluded*			
	Lack of self-efficacy	**LSE1**	0,853	0,000	0,930	0,726	0,853	0,000	0,930	0,726
		LSE2	0,900	0,000			0,900	0,000		
		LSE3	0,806	0,000			0,807	0,000		
		LSE4	0,845	0,000			0,845	0,000		
		LSE5	0,852	0,000			0,852	0,000		
	No market demand	**NMD1**	0,774	0,000	0,922	0,749	0,774	0,000	0,922	0,749
		NMD2	0,895	0,000			0,895	0,000		
		NMD3	0,897	0,000			0,897	0,000		
		NMD4	0,889	0,000			0,889	0,000		
Individual factors	**Need for achievement**	**NA1**	0,748	0,000	0,847	0,582	0,748	0,000	0,847	0,582
		NA2	0,845	0,000			0,845	0,000		
		NA3	0,712	0,000			0,713	0,000		
		NA4	0,739	0,000			0,739	0,000		
	Risk taking propensity	**RTP1**	0,801	0,000	0,696	0,393	0,800	0,000	0,850	0,588
		RTP2	0,827	0,000			0,831	0,000		
		RTP3	0,737	0,000			0,737	0,000		
		RTP4	0,690	0,000			0,690	0,000		
		RTP5	-0,053	0,686			*Excluded*			
		RTP6	-0,113	0,379			*Excluded*			

	Need for autonomy	**NAUT1**	0,819	0,000	0,894	0,678	0,821	0,000	0,894	0,678
		NAUT2	0,857	0,000			0,858	0,000		
		NAUT3	0,811	0,000			0,809	0,000		
		NAUT4	0,805	0,000			0,803	0,000		
	Locus of control	**LC1**	0,755	0,000	0,865	0,563	0,755	0,000	0,865	0,563
		LC2	0,841	0,000			0,842	0,000		
		LC3	0,685	0,000			0,685	0,000		
		LC4	0,723	0,000			0,724	0,000		
		LC5	0,738	0,000			0,737	0,000		
Environmental factors	**Taxes**	**TAX1**	0,907	0,000	0,934	0,876	0,907	0,000	0,934	0,876
		TAX2	0,964	0,000			0,964	0,000		
	Labour	**LAB1**	0,894	0,001	0,771	0,631	0,894	0,000	0,771	0,631
		LAB2	0,680	0,028			0,680	0,013		
	Infrastructure	**IS1**	0,842	0,000	0,812	0,594	0,842	0,000	0,812	0,594
		IS2	0,807	0,000			0,807	0,000		
		IS3	0,648	0,000			0,648	0,000		
	Access to finance	**AF1**	0,695	0,028	0,833	0,720	0,695	0,016	0,833	0,720
		AF2	0,978	0,001			0,978	0,016		
	Corruption	**COR1**	0,962	0,000	0,957	0,917	0,962	0,000	0,957	0,917
		COR2	0,953	0,000			0,953	0,000		

6.4.1.1 Growth Intentions

The main subject of the research study – growth intentions – is not a directly observable variable, thus the need to utilise structural equation modelling (SEM). The growth intention (GI) construct was initially measured by seven indicators that sought the perception of the entrepreneur concerning their intention to grow their businesses. The original measurement model was assessed for internal consistency, convergent validity and discriminant validity. Table 6.4 shows the reliability and validity statistics for the GI construct. The inspection of the loadings of each item measuring GI indicated that one indicator, GI2 had a factor loading of <0.4. This means that the item GI2 demonstrated insufficient internal consistency because the loading was too low and therefore was excluded from the analysis.

The composite reliability (CR) value was >0.7, while the average variance extracted (AVE) was higher than the minimum acceptable value of 0.5. The original model was modified because some indicators recorded loadings of less than 0.4, and the estimation results revealed that the GI construct meets the minimum acceptable values for CR (≥0.7) and AVE (>0.5). Thus, all outer factor loadings were greater than 0.4.

6.4.1.2 Theory of Planned Behaviour (TPB)

The TPB was measured using its antecedents as constructs namely: *Attitude towards growth (ATG), Subjective norms (SN), and Perceived behavioural control (PBC)*. Table 6.4 presents the reliability and validity measures that evaluate the internal consistency and convergent validity of the constructs. The inspection of the loadings of each item measuring the constructs of TPB indicated that all the loadings were >0.4. This means that all the items of the constructs demonstrated sufficient internal consistency.

The composite reliability (CR) value for all the three constructs were >0.7, while the average variance extracted (AVE) was higher than the minimum acceptable value of 0.5. The original model was deemed reliable and valid, and thus not needing any modification.

6.4.1.3 Behavioural Reasoning Theory (BRT)

The BRT was measured via two main components namely, *Reasons for growth and Reasons against growth.* Table 6.4 depicts the reliability and validity measurement model, which was evaluated for internal consistency of the constructs. The inspection of the loadings of each item measuring the constructs indicated that all the loadings were >0.4. This means that all the items of the constructs demonstrated sufficient internal consistency.

The composite reliability (CR) values for all the six constructs were >0.7, while the average variance extracted (AVE) was higher than the minimum acceptable value of 0.5. The original model was deemed reliable and valid, and thus did not need any modification.

In the case of the reasons against growth, the theory comprised of five constructs namely, *too much work, not a strategic choice, lack of resources, lack of self-efficacy, and no market demand*. Each of these constructs had four to five items to measure the reasons why entrepreneurs would choose not to grow their business. The original measurement model was assessed for internal consistency, convergent validity and discriminant validity. Table 6.4 presents the reliability and validity statistics for the BRT (reasons against growth) constructs. The inspection of the loadings of each item measuring the constructs of the BRT (reasons against growth) showed that one indicator of too much work (TMW1) had a factor loading of <0.4. Thereby signifying insufficient internal consistency and therefore had to be excluded from the analysis. In addition, two indicators of lack of resources (LR1 and LR4) had factor loadings of <0.4, also demonstrating insufficient internal consistency; therefore, it had to be excluded from the analysis.

The composite reliability (CR) values were >0.7 (except for lack of resources), while the average variance extracted (AVE) was higher than the minimum acceptable value of 0.5 for all the constructs except for *too much work (TMW1) and lack of resources (LR1 & LR4)*. These constructs recorded low loadings, beneath the acceptable threshold hence, prompting the modification of the original model so that the estimation results could meet the minimum acceptable values for CR and AVE. As a precaution, the indicators with low loadings were excluded from the analysis. Thus, all outer factor loadings were >0.4.

6.4.1.4 Individual Factors: Trait Theory (TT)

The individual factors included four constructs namely, *need for achievement, risk-taking propensity, need for autonomy and locus of control*. Table 6.4 depicts the reliability and validity statistics for the individual factors constructs. The inspection of the loadings of each item measuring the constructs of the theory indicated that two indicators of risk-taking propensity (*RTP5 and RTP6*) had factor loadings of <0.4, thus, demonstrating insufficient internal consistency and had to be excluded from the analysis.

The composite reliability (CR) value was >0.7 (except for risk-taking propensity), while the average variance extracted (AVE) was higher than the minimum acceptable value of 0.5 for all

the constructs except for risk-taking propensity (RTP) again. Therefore, the original model was modified so that the estimation results could meet the minimum acceptable values for CR and AVE. Eventually, all outer factor loadings were >0.4.

6.4.1.5 External Environmental factors: Institutional Theory (IT)

The external environment/IT was measured using the following factors as constructs: *tax requirement, labour regulations, infrastructure, access to finance, and corruption*. The inspection of the loadings of each item measuring the constructs of IT indicated that all the loadings were >0.4. This means that all the items of the constructs demonstrated sufficient internal consistency.

The composite reliability (CR) values for all five constructs were >0.7, while the average variance extracted (AVE) was higher than the minimum acceptable value of 0.5. The original model was deemed reliable and valid, and thus did not need any modification.

6.4.2 Discriminant validity

In PLS-SEM, the measurement model depicts the outer models, i.e. relationships between constructs and their corresponding indicator variables. The critical metrics for this model are reliability, convergent validity, and discriminant validity (Hair *et al.*, 2017). The model was tested for discriminant validity using the heterotrait-monotrait ratio (HTMT) of correlations as presented in Table 6.5. According to Hair *et al.* (2017), discriminant validity refers to "the extent to which a construct is unique and captures phenomena not represented by other constructs in the model". The HTMT method is preferred to the former Fornell-Larcker method because it can detect a lack of discriminant validity better than other methods (Henseler, Ringle and Sarstedt, 2015). According to Hair *et al.* (2017), to determine discriminant validity, the HTMT ration of correlations should be less than 0.85. Thus, the measurement model meets the heterotrait-monotrait ratio criterion for discriminant validity. This presents a justification that the measurement model exhibits sufficient reliability and validity for a further statistical test of hypotheses.

Table 6. 5: Assessment of discriminant validity

	AF	ATB	COR	EXCITE	EVC	FSC	GI	IC	ICS	IE	IS	LAB	LR	LSE	LC	NA	NAUT	NMD	NSC	PBC	RTP	SN	TAX	TMW
AF																								
ATG	0,062																							
COR	0,773	0,055																						
EXCITE	0,129	0,663	0,084																					
EVC	0,275	0,122	0,195	0,118																				
FSC	0,12	0,518	0,204	0,569	0,175																			
GI	0,156	0,553	0,19	0,423	0,172	0,622																		
IC	0,08	0,484	0,061	0,534	0,244	0,607	0,463																	
ICS	0,139	0,499	0,212	0,521	0,132	0,791	0,614	0,672																
IE	0,063	0,539	0,095	0,666	0,123	0,514	0,457	0,613	0,571															
IS	0,848	0,159	0,699	0,214	0,216	0,252	0,256	0,171	0,232	0,1														
LAB	0,787	0,131	0,516	0,146	0,416	0,113	0,142	0,299	0,062	0,194	0,794													
LR	0,611	0,082	0,428	0,088	0,445	0,132	0,194	0,088	0,124	0,056	0,548	0,57												
LSE	0,161	0,189	0,079	0,209	0,065	0,2	0,2	0,174	0,223	0,24	0,294	0,21	0,239											
LC	0,061	0,424	0,149	0,511	0,14	0,47	0,467	0,394	0,471	0,487	0,163	0,19	0,103	0,344										
NA	0,156	0,518	0,217	0,624	0,163	0,68	0,496	0,514	0,624	0,591	0,17	0,13	0,138	0,397	0,623									
NAUT	0,145	0,334	0,254	0,309	0,087	0,373	0,371	0,328	0,357	0,377	0,283	0,12	0,094	0,124	0,622	0,529								
NMD	0,099	0,234	0,063	0,119	0,108	0,33	0,34	0,249	0,316	0,23	0,116	0,15	0,079	0,423	0,216	0,379	0,16							
NSC	0,11	0,498	0,066	0,491	0,13	0,56	0,492	0,416	0,536	0,447	0,137	0,31	0,121	0,406	0,422	0,559	0,275	0,366						
PBC	0,095	0,462	0,115	0,532	0,206	0,483	0,504	0,448	0,51	0,422	0,14	0,19	0,147	0,481	0,621	0,557	0,369	0,326	0,421					
RTP	0,208	0,423	0,285	0,474	0,312	0,443	0,393	0,496	0,421	0,446	0,352	0,29	0,205	0,319	0,513	0,585	0,61	0,192	0,389	0,435				
SN	0,15	0,58	0,148	0,584	0,27	0,486	0,539	0,536	0,447	0,549	0,208	0,28	0,155	0,281	0,5	0,503	0,338	0,238	0,4	0,61	0,461			
TAX	0,454	0,052	0,253	0,05	0,122	0,077	0,074	0,123	0,044	0,041	0,496	0,78	0,133	0,088	0,111	0,046	0,052	0,083	0,175	0,039	0,058	0,063		
TMW	0,242	0,122	0,226	0,148	0,119	0,105	0,168	0,122	0,144	0,117	0,237	0,38	0,319	0,306	0,158	0,148	0,09	0,091	0,237	0,258	0,231	0,216	0,09	

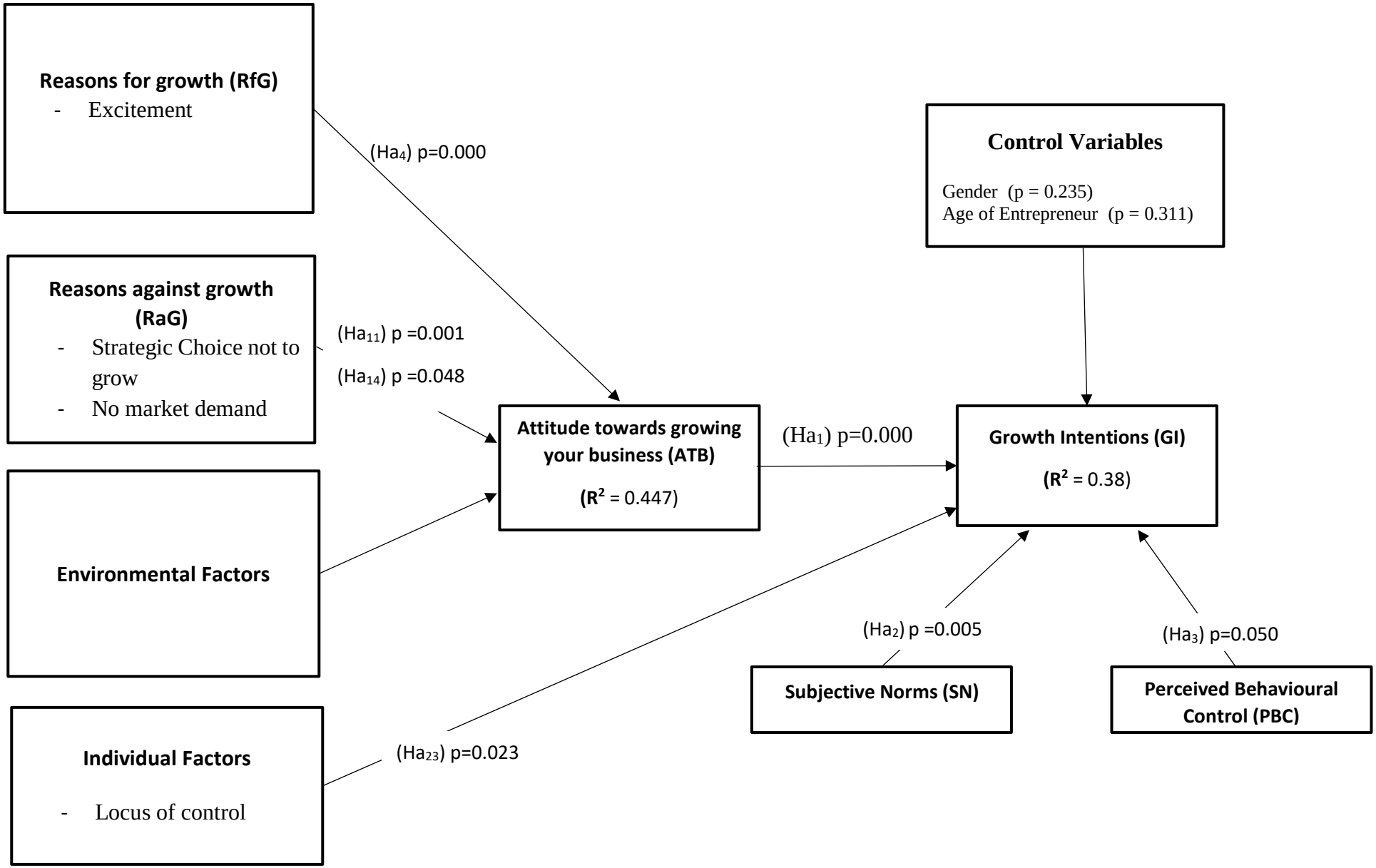
Where AF= Access to finance ATG=Attitude towards growth COR=Corruption EXCITE=Excitement FSC=Following strategic choice GI=Growth intentions IC= Increased competitiveness ICS=Improved customer service IE=Increased earnings IS=Infrastructure LAB=Labour LR=Lack of resources LSE=Lack of self-efficacy LC=Locus of control NA=Need for achievement NAUT=Need for autonomy NMD=No market demand NSC=Not strategic choice PBC=Perceived behavioural control RTP=Risk-taking propensity SN=Subjective norm TAX=Taxes TMW=Too much work

6.5 HYPOTHESIS TESTING

In this section, the results of the hypotheses testing are discussed. For each of the hypotheses the inner loading is presented, the p-value (one-tailed) and 95% bias corrected confidence intervals. Based on the inner loadings, the p-values and the confidence intervals, each hypothesis is evaluated for accepting or rejecting of the hypotheses. In addition to the results of the hypothesis testing, the predicative accuracy of the model was evaluated based on R^2 values.

The structural model empirically assessed comprised five sets of the hypotheses. The first set of hypotheses was associated with the TPB and focused on the influence of the antecedents of the TPB on GI. The second and third sets of hypotheses were linked to BRT and concentrated on the effects of its indicators on attitude towards growth. In the fourth set, environmental factors that could affect attitude towards growth were examined. Lastly, the fifth set of hypotheses examined the individual characteristics of an entrepreneur in relation to growth intentions. The structural model is presented in Figure 6.8 and the complete results in Tables 6.4 and 6.6. Due to the size of the structural model, not all individual results and p-values could be indicated in the model. Therefore, the results of the hypothesis testing will be discussed in conjunction with Table 6.6 and Figure 6.8.

Figure 6.8: Structural equation modelling results of the study



6.5.1 Theory of Planned Behaviour (TPB)

The antecedents of TPB, namely attitude towards growth, subjective norms, and perceived behavioural control were hypothesised to have a significantly positive influence on growth intentions (Ha_1 – Ha_3). After the hypotheses testing, all three hypotheses were found to be statistically significant and supported the three hypotheses.

The results in Table 6.6 show that attitude towards growth influenced the growth intentions of entrepreneurs positively and statistically significant (0.304; p=0.000 [one-tailed]; 95% BCCI [.182–.434]). Thus, Ha_1 was accepted. This means that an increase in an entrepreneur's positive attitude towards growth would increase the intention to implement growth in the business. Also, as hypothesised, subjective norms were found to have a significantly positive influence on growth intentions (0.155; p =0.005 [one-tailed]; 95% BCCI [.054–.234]). This indicates that emotional and social support given by family and friends to an entrepreneur is more likely to motivate the entrepreneur to pursue and implement growth in the business. Thus, Ha_2 was accepted; likewise, Ha_3, which stated that perceived behavioural control has a positive influence on growth intentions of entrepreneurs (0.115; p = 0.050 [one-tailed]; 95% BCCI [.005–.226]). Thus, Ha_3 was also accepted. The result means that the higher the level of perceived behavioural control by entrepreneurs, the higher their intention of pursuing and implementing growth in their businesses.

6.5.2 Behavioural Reasoning Theory (BRT): Reasons for growth

In Chapter 4, it was found out that entrepreneurs have reasons for pursuing growth in their businesses, as well as reasons for not doing so. The reasons for pursuing growth were hypothesised to have a significantly positive influence on attitude towards growth (Ha_4–Ha_9). Table 6.6 presents the results of the 95% bias-corrected confidence interval of the path coefficients carried out on the data for reasons for growing the business hypotheses Ha_4–Ha_9. The p-value (one-tailed) is set to the acceptable threshold of 0.05 (i.e. $p \leq 0.05$). The results showed that excitement statistically and significantly influenced entrepreneurs' attitude towards growth (0.382; p =0.000 [one-tailed]; 95% BBCI [.281 – .473]). This means that an increase in an entrepreneur's level of excitement will result in a positive attitude towards the pursuance and implementation of growth in the business. Therefore, Ha_4 was accepted. On the

contrary, the results did not confirm the influence of increased earnings, increased competitiveness, improved customer service, following strategic choice or exploiting vacant capacity on the attitude towards growth (p >0.05). Thus, Ha_5 to Ha_9 were not supported and eventually rejected. The 95% bias-corrected confidence intervals as presented in Table 6.6 further support the basis for the acceptance and rejection of the hypotheses as discussed.

6.5.3 Behavioural Reasoning Theory (BRT): Reasons against growth

In accordance with the literature, the reasons for not pursuing growth were hypothesised to have a negative effect on attitude towards growth (Ha_{10}–Ha_{14}). Table 6.6 shows the results of the 95% bias-corrected confidence interval of the path coefficients carried out on the data for reasons against growth in the business. The results indicate that two hypotheses were statistically significant and accepted, and the other three hypotheses were not significant and therefore not accepted. The accepted hypotheses were firstly, $Ha_{11:}$ *Not a strategic choice to grow influences attitude towards growth negatively* (-0.169; p =0.001 [one-tailed]; 95% BCCI [-.261 - -.087]). This means that the strategic choice an entrepreneur makes (willingly, purposefully and deliberately) not to grow his or her business, would affect attitude towards growth negatively. In the TPB, Ajzen (1985, 1991) established that attitude has a direct influence on intentions to carry out a behaviour. This principle has been tested and proven by Ha_1 in this study. Therefore, the choice an entrepreneur deliberately makes not to grow his or her business would affect growth intentions negatively. The second accepted hypothesis was Ha_{14}: *No market demand influences attitude towards growth negatively* (-0.076; p =0.048 [one-tailed]; 95% BCCI [-.154 - -.008]). This implies that if an entrepreneur perceives or believes that there is no demand for his/her product or services in the market, he or she would be reluctant to pursue growth strategies.

The results in Table 6.6 did not confirm the influence of too much work and effort, lack of resources or lack of self-efficacy on attitude towards growth (p >0.05). Thus, $Ha_{10,}$ Ha_{12} and Ha_{13} were not significant and therefore rejected. These results connote that too much work, a lack of resources or a lack of self-efficacy does not necessarily have a negative impact on the entrepreneur's attitude towards growth.

6.5.4 Institutional Theory (Environmental factors)

The components of the institutional environment, namely tax requirements, labour law inadequate infrastructure, access to finance and corruption were hypothesised to have a significantly negative influence on attitude towards growth. Table 6.6 describes the results of the 95% bias-corrected confidence interval of the path coefficients carried out on the data for the IT hypotheses Ha_{15} – Ha_{19}. After the analysis, all five hypotheses were found statistically non-significant ($p > 0.05$), and therefore all hypotheses were rejected.

6.5.5 Individual Characteristics Theory

The fifth set of hypotheses to be tested was individual characteristics - need for achievement, risk-taking propensity, need for autonomy and locus of control were hypothesised to have a positive influence on growth intentions (Ha_{20}–Ha_{23}).

In Table 6.6 the result of the analysis indicates that only one hypothesis, $Ha_{23:}$ *locus of control*, was found statistically significant (0.112; $p = 0.023$ [one-tailed]; 95% BBCI [.023 – .207]) and therefore accepted. This means that an increase in an entrepreneur's locus of control will result in an increased effect on growth intentions. On the contrary, the results did not confirm the influence of need for achievement, need for autonomy or risk-taking propensity ($p > 0.05$) on growth intentions. Thus, Ha_{20}, $Ha_{21,}$ and Ha_{22} were not significant and were therefore rejected.

Table 6.6: Summary of the results of the hypotheses testing

Constructs and Hypotheses	Inner loadings	95% bias-corrected confidence intervals		*p*-values (one-tailed)	Accept or reject hypotheses
	β	Lower limit	Upper limit		
Ha_1: Attitude towards growth has a significant positive influence on growth intentions (ATG → GI)	0.304	0.182	0.434	0.000	Accepted
Ha_2: Subjective norms have a significantly positive influence on growth intentions (SN → GI)	0.155	0.054	0.234	0.005	Accepted
Ha_3: Perceived behavioural control has a significantly positive influence on growth intentions (PBC → GI)	0.115	0.005	0.226	0.050	Accepted
Ha_4: Excitement influences attitude towards growth positively (EXCITE → ATG)	0.382	0.281	0.473	0.000	Accepted
Ha_5: Increased earnings influence attitude towards growth positively (IE → ATG)	0.1	-0.047	0.259	0.135	Rejected
Ha_6: Increased competitiveness influences attitude towards growth positively (IC → ATG)	0.053	-0.048	0.161	0.206	Rejected
Ha_7: Improved customer service influences attitude towards growth positively (ICS → ATG)	0.048	-0.056	0.15	0.224	Rejected
Ha_8: Following a strategic choice to grow influences attitude towards growth positively (FSC → ATG)	0.071	-0.046	0.157	0.123	Rejected
Ha_9: Exploiting vacant capacity influences growth intentions positively (EVC → ATG)	0.058	-0.03	0.138	0.123	Rejected
Ha_{10}: Too much work and effort influences attitude towards growth negatively (TMW → ATG)	-0.02	-0.069	0.069	0.312	Rejected
Ha_{11}: Not a strategic choice to grow influences attitude towards growth negatively	-0.169	-0.261	-0.087	0.001	Accepted

(NSC → ATG)					
Ha$_{12}$: Lack of resources influences attitude towards growth (LR → ATG)	-0.067	-0.148	-0.001	0.070	Rejected
Ha$_{13}$: Lack of self-efficacy influences attitude towards growth negatively (LSE → ATG)	0.046	-0.017	0.123	0.149	Rejected
Ha$_{14}$: No market demand influences attitude towards growth negatively (NMD → ATG)	-0.076	-0.154	-0.008	0.048	Accepted
Ha$_{15}$: Tax requirements influence attitude towards growth negatively (TAX → ATG)	-0.01	-0.086	0.055	0.407	Rejected
Ha$_{16}$: Labour laws influence attitude towards growth negatively (LAB → ATG)	0.039	-0.016	0.14	0.200	Rejected
Ha$_{17}$: Lack of adequate infrastructure influences attitude towards growth negatively (IS → ATG)	0.024	-0.068	0.114	0.330	Rejected
Ha$_{18}$: Difficulty in accessing finance influences attitude towards growth negatively (AF → ATG)	0.036	-0.062	0.129	0.283	Rejected
Ha$_{19}$: Corruption influences attitude towards growth negatively (COR → ATG)	-0.037	-0.179	0.047	0.282	Rejected
Ha$_{20}$: Need for achievement influences growth intentions positively (NA → GI)	0.051	-0.053	0.15	0.193	Rejected
Ha$_{21}$: Risk-taking propensity influences growth intentions positively (RTP → GI)	0.037	-0.048	0.126	0.241	Rejected
Ha$_{22}$: Need for autonomy influences growth intentions positively (NAUT → GI)	0.037	-0.047	0.137	0.206	Rejected
Ha$_{23}$: Locus of control influences growth intentions positively (LC → GI)	0.112	0,023	0.207	0.023	Accepted

6.6 CHAPTER SUMMARY

In this chapter, the primary research findings were analysed and presented. Questionnaires were distributed to 700 entrepreneurs in the MMM and TMDM areas of the Free State Province. Four hundred and eleven (411) questionnaires were returned or collected, but only 354 were considered suitable for analysis, thereby giving the study a response rate of 50.5%.

The research questionnaire was divided into eight sections. **Section A** sought demographic information about the entrepreneur. The demographic data collected included the gender of the respondents, their age, and racial group, level of education, the location of their business, type of business sector they operated in and the age of the business. The empirical findings on the demographic information revealed that most of the SMMEs (75%) were situated in the MMM of the Free State, the majority (16.4%) of which operate in the consumer services sector.

The majority (56%) of the responding entrepreneurs were male. The dominant races were Black African (52.5%) and White (42.7%) between the ages of 30–39 (36.7%). The highest level of education attained by most of the entrepreneurs was Matric and Diploma/Certificate with 30.8% and 30.2%, respectively.

Furthermore, most of the SMMEs (79.7%) were established businesses as they have been in operation for more than three years, while 20.3% of the responding SMMEs were recent start-ups (between 0–3 years). In summary, 92.9% of the entrepreneurs expressed their intent to have a bigger and larger business in five years, while 7.1% did not wish for their business to be larger than what it already was.

Section B of the questionnaire contained details of the ownership and establishment of the business. Most of the SMMEs (79.7%) were established businesses that had been in operation for more than three years, while 20.3% were recent start-ups of three years or less in operation. Also, 80% of the SMMEs were registered with the CIPC, with the majority (40.1%) registered as Private Limited companies, i.e. (Pty) Ltd. Ninety-two per cent (92.4%) were either micro- or small enterprises and they employed between one to fifty people, including the owners. In addition, 48.3% of the responding SMMEs were registered for VAT, and most of the entrepreneurs (74%) had started the business themselves. Furthermore, 74.3% of the enterprises only operated domestically; that is, within the Free State Province, and 68.9% of the respondents' close family members had owned or operated a business enterprise.

Section C of the questionnaire intended to determine the intention of the entrepreneur concerning growth, whether the entrepreneur desires growth for his or her business or not. Two demographic variables (age and gender) were set as control variables and hypothesised to influence growth intentions directly. Both variables, age (-0.022; p =0.311 [one-tailed]; 95% BBCI [-.091 – .053]) and gender (-0.03, p =0.235[one-tailed]; 95% BBCI [-.099 – .03]) were found not statistically significant and therefore not influential towards growth intentions.

In **Section D**, the questionnaire sought to gather information from respondents about the antecedents of the TPB. In the literature review, three hypotheses (Ha_1, Ha_2 and Ha_3) were established with regard to the antecedents of the TPB (attitude towards growth, subjective norms, and perceived behavioural control). The results revealed that all three hypotheses were statistically significant towards growth intentions, and the TPB can be used to predict Free State entrepreneurs' growth intentions effectively.

Section E of the questionnaire provided respondents with an opportunity to indicate the probable reasons they would choose to grow their business. Six hypotheses were established for this section, and only one hypothesis, $Ha_{4:}$ (Excitement = 0.382, p =0.000) was found statistically significant. Thus, the more an entrepreneur enjoys exploring new opportunities in the business, the higher the growth intentions of the entrepreneur.

Section F aimed to find out the probable reasons why entrepreneurs would not pursue growth in their business. Five hypotheses were established for this section, and two hypotheses, Ha_{11}: *it's my strategic choice not to grow* (-0.169; p =0.001 [one-tailed]; 95% BCCI [-.261 - -.087]); and Ha_{14}: *lack of market demand* (-0.076; p =0.048 [one-tailed]; 95% BCCI [-.154 - -.008]) were found to be statistically significant, thus influencing attitude towards growth negatively.

Section G focused on the influence of the environmental factors on attitude towards growth intentions. All the environmental factors (tax requirements, labour law, inadequate infrastructure, difficulty in accessing finance, and corruption) were all found statistically insignificant for the attitude towards growth intentions.

Finally, in **Section H**, the questionnaire focused on the effects on the individual characteristics on growth intentions. Four hypotheses were developed, and the results revealed that only one characteristic, Ha_{23}: *locus of control* (0.112; p =0.023[one-tailed]; 95% BBCI [.023 – .207]), was positively significant towards growth intentions. This means that FS entrepreneurs tend to believe that they are in control of their future or destiny in business, and are willing to accept

responsibility for their decisions. Therefore, an increase in their degree of locus of control will increase their intention to grow their business.

The next chapter, Chapter 7, presents the achievement of objectives, discussion, conclusion and recommendations of the study.

CHAPTER 7

FINDINGS, CONCLUSION & RECOMMENDATIONS

The lack of an entrepreneurial mindset or desire to grow might subconsciously be the major barrier to growth experienced by many business owners
(Nieman and Struwig, 2019).

7.1 INTRODUCTION

This chapter presents the conclusions and recommendations of the study. The primary objective of the study was to assess the influence of the environmental and individual factors on the growth intentions of SMME entrepreneurs in the Free State Province of South Africa. The objectives were divided into theoretical and empirical objectives. The theoretical objectives were to review the concepts on the theory of planned behaviour, behavioural reasoning theory, individual characteristic theory and institutional theory. Another theoretical objective was to examine the literature on environmental factors and individual factors that could influence the growth intentions of entrepreneurs. Furthermore, the study was aimed at achieving certain empirical objectives which were firstly, to determine if the theory of planned behaviour could be used to predict growth intention among SMME entrepreneurs in the Free State, and secondly, to discover the reason(s) that would influence SMME entrepreneurs' attitude towards growth. The third objective was to find out the reason(s) that would influence SMME entrepreneurs' attitude against growth. Furthermore, the study aimed to assess the influence of environmental factors on the growth intentions of SMMEs, as well as assess the influence of individual factors on the growth intentions of SMMEs. Lastly, the study would propose recommendations regarding the growth intentions of SMMEs in an emerging economy, such as that of South Africa.

This chapter is divided into seven parts. Part A provides a summary of the theoretical chapters of the study. Part B presents conclusions on the theoretical findings of the study, while Part C presents conclusions on the empirical findings of the study. In Part D the results on the hypotheses testing is presented. In Part E, the achievement of the objectives is discussed, and

recommendations to the critical issues encountered in the study are proposed in Part F. Finally, in Part G, the limitations of the study are addressed, and possible future research is suggested in Part H.

7.2 PART A: CONCLUSIONS ON THE THEORETICAL CHAPTERS

The study consisted of three theoretical chapters, namely Chapters 2, 3 and 4. The summary conclusions of the chapters are presented below:

7.2.1 Chapter One: Introduction to the study

Chapter 1 provided a general background and introduction to the research study. The chapter briefly introduced the research problem and the theoretical background of the study. After that, the rationale for the study, problem statement, objectives and hypotheses were discussed. A brief description of the methodology was also presented. The chapter concluded with an outline of the demarcation of the study.

7.2.2 Chapter Two: Theoretical foundation of growth intentions

This chapter provided an overview of the theoretical foundation of the research. The chapter began by reviewing the literature on the concepts of growth and growth intentions. After that, the approaches and theories to understanding growth intentions. The theory of planned behaviour, behavioural reasoning theory, trait theory and institutional theory were discussed. The chapter concluded with the determinants, constraints and barriers to growth. Conclusions on the theoretical findings from this chapter that are more specific are presented in Part B.

7.2.3 Chapter Three: Environmental and Individual Factors

Chapter 3 presented literature on the environmental and individual factors that influence growth intentions in SMMEs. The chapter began by explaining the different business environments and focused on the institutional environment. The three dimensions of the institutional environment were discussed, with focus on the regulative aspect on which the environmental factors used in the study are based. Furthermore, the chapter presented the

foundation of the individual factors and outlined the four main characteristics that could influence entrepreneurial and growth intentions. The chapter concluded with the importance of using both environmental and individual factors in assessing the growth intentions of SMME entrepreneurs.

7.2.4 Chapter Four: Conceptual Model Development

In Chapter 4, the conceptual model of the study was developed and presented. The chapter commenced with an overview of the different theories that were utilised to build the model. Thereafter, an illustrated diagram of the model was shown. In addition, the linkages between the various concepts and constructs were established and explained. Lastly, the different hypotheses generated to achieve the objectives of the study were presented.

7.2.5 Chapter Five: Research Methodology

In Chapter 5, the research methodology of the study was outlined. The research process, sampling design, data collection and data analysis used by the researcher were presented. The research methodology was discussed using the six phases of the research process, namely the identification of the problem statement or the management dilemma; defining the research objectives; choosing the research design; sample selection; data collection, analysis and the interpretation of the data; and lastly, reporting of the research. The type of research design used – quantitative research design – was indicated. The sampling methods used to select the respondents were convenience and snowball sampling methods. Data were obtained from respondents in two municipalities of the Free State Province using a structured questionnaire. The questionnaire was designed as a self-administered questionnaire and was distributed by the researcher with the help of four trained research assistants to chosen entrepreneurs. In instances where the entrepreneur could not be engaged at a specific time to complete the questionnaire, the 'drop-and-pick-up-later' approach was utilised. The data obtained from the questionnaires were processed and analysed using Microsoft Excel and IBM SPSS Statistics version 25. In addition, the measurement techniques, assessment of the measurement model, and establishing validity and reliability in the measurement model were conducted via SmartPLS Version 3.2.8.

7.2.6 Chapter Six: Research Results

Chapter 6 presented the empirical results of the data that were obtained from the respondents. The results were reported in two sections. Section A contained the descriptive results, while Section B explained the inferential results. The descriptive results were derived from descriptive statistics such as frequency tables, percentages, charts and histograms, while the inferential results were obtained from PLS-SEM techniques. Finally, the chapter summarised the results of the empirical study.

7.3 PART B: CONCLUSIONS ON THE THEORETICAL FINDINGS

The literature review of the study was presented in Chapters 2, 3 and 4. The literature reviewed articles, textbooks and documents on growth intentions in SMMEs. The following were the findings gathered from the literature review chapters.

- South Africa has one of the highest rates of unemployment (27.2%) among efficiency-driven economies, and a high rate of joblessness (43%) among youths between the ages of 18–19 years (StatsSA, 2018; Nieman and Struwig, 2019).
- The SMME sector is vital to the economic development and growth of the South African economy (Booysen, 2014a; Botha, 2019; Nieuwenhuizen, 2019).
- There is a high failure rate (70%–80%) of SMMEs in the country, and the remaining 20%–30% that survive do not add significantly to job creation (Fatoki and Garwe, 2010; SEDA, 2010, 2018).
- Even though the level of entrepreneurial activity in South Africa is slowly increasing, most South Africans still lack the skills and confidence to start a business. They prefer to be employed rather than take the risk to start their own business (Herrington and Kew, 2018).
- Not all entrepreneurs are interested in growing their businesses. Some SMMEs choose to remain small (Brush *et al.*, 2009; Janse van Rensburg, 2016; Nieman and Struwig, 2019).
- Factors that influence growth intentions include environmental (institutions) and individual (personal traits and characteristics) factors (Širec and Močnik, 2010; Arasti *et al*., 2012).
- Some reasons why entrepreneurs would not pursue growth include:
    - Too much work and effort to run and operate the business.

- It was not a strategic choice of the entrepreneur to run or operate a 'big business'. The entrepreneur is content with the current size of the business.
- Lack of resources such as finance greatly hampers the growth of a business.
- No market demand for the entrepreneur's goods or services.
- The entrepreneur's lack of self-efficacy or belief in their ability to manage and grow the business successfully.

  (Rosa *et al.,* 1996; Shane *et al.,* 2003; Wiklund *et al.,* 2003; Bulanova *et al.,* 2016; Gupta and Arora, 2017).

- Some reasons why entrepreneurs would pursue growth include:
  - Following a strategic choice: From the onset, it was the entrepreneurs' goal to grow and run a successful business with the objective of making money, contributing to the society and economic development, creating employment or providing the necessary goods and services consumers need.
  - Excitement: Some entrepreneurs find the process and practice of establishing and operating a business venture interesting and fun. They enjoy tackling the daily challenges that running a business presents, as well as exploring new opportunities and turning them into reality.
  - Exploiting vacant capacity: the intention to grow the business could be because of unused space or facilities, extra human resources, excess funds through retained earnings or untapped business networks that the entrepreneur could utilise.
  - Increased competitiveness and increased customer service: the desire to increase customer base and improve their market share as well as their product and service quality to customers is a reason some entrepreneurs would pursue growth.
  - Increased earnings: Entrepreneurs would like to increase the return on the capital they invested in the business through increase in sales, profits and the value of the business.

    (Bartlett and Bukvić, 2001; Reichheld, 2003; Bulanova *et al.,* 2016; Zampetakis *et al.,* 2016).

- The theory of planned behaviour can be used as a framework to predict growth intentions among a group of entrepreneurs (Ajzen, 1991; Kolvereid and Bullvag, 1996; Knockaert *et al.,* 2011).

- Stringent labour laws, crime, electricity, corruption, legislative framework, lack of finances, inadequate infrastructure and excessive tax are some of the barriers to SMME growth (Agboli and Ukaegbu, 2006; Schwab, 2017; The World Bank, 2017).
- Individual characteristics that encourage growth intentions include: the need for achievement, locus of control, need for autonomy, and risk-taking propensity (Kolvereid, 1992; Liao *et al.*, 2001; Wei and Ismail, 2008; Khan *et al.*, 2013; Urban, 2015).

7.4 PART C: CONCLUSIONS ON THE EMPIRICAL FINDINGS

The discussions and conclusion on the empirical findings are hereby presented based on the descriptive results on the general information on the responding entrepreneurs, the details of business ownership and establishment, growth intentions, theory of planned behaviour, the reasons to grow the business, the reasons not to grow the business, environmental factors, and individual factors.

7.4.1 The general information of SMME entrepreneurs

This section sought demographic information about the entrepreneur. The demographic data collected included the gender of the respondents, their age, racial group, level of education, the location of their business, type of business sector they operated in and the age of the business. The empirical findings on the demographic information revealed that most of the SMMEs (75%) were located in the MMM of the Free State, and the majority (16.4%) of which operate in the consumer services sector.

The majority (56%) of the responding entrepreneurs were male. The dominant races were Black African (52.5%) and White (42.7%) between the ages of 30 and 39 (36.7%). The highest level of education attained by most of the entrepreneurs was Matric and a Diploma/Certificate with 30.8% and 30.2%, respectively.

Similar research studies (Herrington *et al*., 2017; Herrington and Kew, 2018; Owoseni, 2018) reveal that males are more likely to engage in entrepreneurial activities than women. This could be due to the prevailing cultural systems and beliefs in South African society. Men are regarded as breadwinners while women have to tend to the home and other domestic affairs. Furthermore, women face more challenges than men do, such as possessing lower levels of

education (in developing countries), lack of confidence, and difficulty in accessing finance, all of which make it difficult for them to start a business (Herrington and Kew, 2018; Botha, 2019).

South Africa is one of the most racially diverse countries in the world. It is reported that for every ten people in South Africa, eight are Black African. Black Africans constitute the dominant race in eight provinces of the country, except in the Western Cape, where Coloured people are the dominant racial group (Census, 2011). Research by Edelman *et al.* (2010) on Black and White entrepreneurs in the USA found no significant differences with respect to their motivations to start a business.

Various studies have investigated the influence of age on the growth intentions of entrepreneurs (Welter, 2001; Zhou and De Wit, 2009; Levie and Autio, 2013). These findings correspond with the findings by Herrington and Kew (2016), who determined that entrepreneurs in their late twenties to early forties are more likely to engage in entrepreneurial activities, and that after the age of 54, participation in entrepreneurial activities tends to decrease.

Several researchers (Kolvereid, 1992; Lau and Busenitz, 2001; Welter, 2001; Verheul and Van Mil, 2011; Levie and Autio, 2013; Neneh and Van Zyl, 2014) have investigated the relationship between growth ambition and educational levels. They state that entrepreneurs with higher levels of education are more likely to pursue growth in their business; thus, supporting the argument that there is a strong link between higher levels of education and increased entrepreneurial activities or better performance of a business (Timmons and Spinelli, 2004; Radipere and Dhliwayo, 2014). However, Welter (2001), and Lau and Busenitz (2001) have found in their studies that education was not significant, as there is a negative relationship between education levels and growth intentions.

Furthermore, most of the SMMEs (79.7%) were established businesses, as they have been in operation for more than three years, while 20.3% of the responding SMMEs were recent start-ups (between 0 to 3 years). These results indicate that other sectors of the economy, which could encourage more growth and employ more people such as construction, need to be enhanced.

7.4.2 Details of ownership and establishment

The details of the ownership and establishment of the business revealed that most of the SMMEs (79.7%) were established businesses that had been in operation for more than three years, while 20.3% were recent start-ups of three years or less in operation. In addition, 80% of the SMMEs were registered with the CIPC, with the majority (40.1%) registered as Private Limited companies, i.e. (Pty) Ltd. Ninety-two per cent (92.4%) were either micro or small enterprises and employed between one to fifty people including the owners. In addition, 48.3% of the responding SMMEs were registered for VAT, and most of the entrepreneurs (74%) started the business themselves. Furthermore, 74.3% of the enterprises only operate domestically, that is, within the Free State Province, and 68.9% of the respondents' close family members owned or run a business enterprise. These results indicate that even though most SMMEs have the intention to grow, their growth or dominance is still limited and contained within the province. Less than 30% of the SMMEs operate outside the province. Therefore, there is a need to enhance the growth of home-grown provincial SMMEs to other parts of the country.

7.4.3 Growth Intentions

It was essential to determine the intent of the entrepreneur concerning growth – whether the entrepreneur desired growth for their business or not? Most of the entrepreneurs (92.9%) indicated that they would prefer a bigger and larger business in five years, while 7.1% did not wish for their company to be larger than what it already was. This may be due to the reasons the study has already identified, namely why some entrepreneurs would choose not to grow their businesses. Firstly, it may not be their strategic choice to grow. Secondly, they might perceive the growth process to be burdensome and stressful. Thirdly, they might perceive that there is no market demand for their products or services.

Two demographic variables (age and gender) were set as control variables and were hypothesised to influence growth intentions directly. Both variables (age = -0.022, p =0.311; gender = -0.03, p =0.235) were found to be statistically not significant and therefore not influential towards growth intentions. This result tallies with Welter (2001), who found a significant negative relationship between age and growth. This negative relationship may be

due to younger entrepreneurs willing to take risks or having higher growth goals (Zhou and De Wit, 2009).

Furthermore, age has a negative effect on the ambition to grow the firm or expected firm size (Welter, 2001). According to Lau and Busenitz (2001), younger entrepreneurs of new businesses are more likely to have growth ambition than older entrepreneurs of new businesses, or nascent entrepreneurs, because younger entrepreneurs are naïve or over-enthusiastic. Alternatively, older entrepreneurs might be less innovative and risk averse (Levie and Autio, 2013). Wiklund *et al*. (2003) have also found no significant effect of age on growth ambition.

Some researchers (Rosa *et al*., 1996; Verheul and Van Mil, 2011; Levie and Autio, 2013) have indicated that women are less likely to exhibit growth intentions than men do, because of a lack of confidence, lack of self-efficacy and family responsibilities. Karadeniz and Ozcam (2010) report that gender has a significantly positive effect on growth. However, in this study, the impact of gender on growth intentions was found to be statistically insignificant (-0.03, p =0.235). This result tallies with the findings of Kolvereid (1992); Lau and Busenitz (2001), and Zampetakis *et al.* (2016) who also report that gender differences did not exist in their studies. These findings indicate that, irrespective of environmental or individual factors, some entrepreneurs can choose or decide not to grow their business. Thus, they need to be motivated to view growth as a positive phenomenon. This is addressed in the recommendation part of the study.

7.4.4 Theory of Planned Behaviour

In the literature review, three hypotheses were established with regard to the antecedents of the TPB (attitude towards growth, subjective norms, and perceived behavioural control). The results revealed that all three hypotheses were statistically significant towards growth intentions, and the TPB is appropriate to predict Free State entrepreneurs' growth intentions effectively. Of the three antecedents, attitude towards growth was the strongest predictor of growth intentions (0.304, p = 0.000), followed by subjective norms (0.155, p = 0.005), and then perceived behavioural control (0.115, p = 0.050). This means that FS entrepreneurs in general consider the possibility of growing their businesses in a positive manner. Therefore, they would likely be willing to engage in activities and implement strategies that will facilitate growth in their businesses. With this positive outlook (in their capability and resources), FS entrepreneurs

are more likely to view 'growth' as an opportunity, rather than a risk. Secondly, the opinions of people who are important to the entrepreneur are vital and have a strong effect on that entrepreneur's growth intention. If people who are important to FS entrepreneurs, such as their spouse, children, parents, business partners, friends and employees, think that they should grow and expand their business, or support the entrepreneur's decision to grow the business, then the entrepreneur's growth intentions will be enhanced. Lastly, even though perceived behavioural control also affected growth intentions significantly, its influence was less than those of attitude towards growth and subjective norms. In summary, the three antecedents of TPB significantly increased Free State entrepreneurs' growth intentions.

7.4.5 Reasons for Growth

In this section, respondents were provided with an opportunity to state the probable reasons they would choose to grow their business. Six hypotheses were established for this section, and only one hypothesis, *Ha4: Excitement influences attitude towards growth positively,* was found to be statistically significant (0.382, p =0.000). Thus, 'Excitement' was the only reason entrepreneurs would choose to grow their business. This means that the more an entrepreneur enjoys exploring new opportunities in the business, tackling new challenges, and seeing the entrepreneurial process as an exciting adventure and not a burden, the higher the growth intentions of the entrepreneur. Therefore, how the 'entrepreneurial process' can be made to be appealing to entrepreneurs have to be explored and presented to them.

7.4.6 Reasons against Growth

This section aimed at finding out the probable reasons why entrepreneurs would not pursue growth in their business. Five hypotheses were formulated for this section, and two were found to be statistically significant, thus influencing attitude towards growth. The first accepted hypothesis was Ha_{11}: *Not a strategic choice to grow influences attitude towards growth negatively* (-0.169; p =0.001). This result revealed that the strategic choice an entrepreneur makes (willingly, purposefully and deliberately) not to grow their business, would influence attitude towards growth negatively. In the TPB, Ajzen (1985, 1991) established that attitude has a direct influence on intentions to carry out a behaviour. This principle has been tested and

proven by Ha_1 in this study. Therefore, the choice an entrepreneur deliberately makes not to grow their business would affect growth intentions negatively. The second accepted hypothesis was Ha_{14}: *No market demand influences attitude towards growth negatively* (-0.076; p =0.048). This implies that if an entrepreneur perceives or believes that there is no demand for his/her product or services in the market, he/she would be reluctant to pursue growth strategies.

7.4.7 Effects of the Environmental Factors

Environmental factors are known to influence attitude towards growth intentions. Surprisingly, all the environmental factors investigated in the study (tax requirements, labour law, inadequate infrastructure, difficulty in accessing finance, and corruption) were all found statistically not significant for the attitude towards growth intentions. These findings indicate that the environment within which growth activities take place in the FS does not affect the attitude of the entrepreneurs towards growth, and thus growth intentions.

7.4.8 Effects of the Individual Factors

The review of the literature established the fact that individual characteristics influence growth intentions. In the study, four hypotheses were developed, and the results revealed that only one characteristic, Ha_{23}: *locus of control* (0.112; p =0.023), was a positive, statistically significant determinant of growth intentions. This means that FS entrepreneurs tend to believe that they are in control of their future or destiny in business, and are willing to accept responsibility for their decisions. Therefore, an increase in their degree of locus of control will increase their intention to grow their business.

7.5 PART D: CONCLUSIONS ON HYPOTHESIS TESTING

To achieve the aim of the study, five sets of hypotheses were tested. Each set of hypotheses was linked to the investigated theories. The first set of hypotheses was associated with the TPB and focused on the influence of the antecedents of the TPB on GI. The second and third sets of hypotheses was linked to BRT and concentrated on the effects of its indicators on attitude

towards growth. In the fourth set, the individual characteristics of an entrepreneur were examined in relation to growth intentions. Lastly, the fifth hypotheses are related to the environmental factors that could affect attitude towards growth.

7.5.1 Theory of Planned Behaviour (TPB)

The antecedents of TPB, namely attitude towards growth, subjective norms, and perceived behavioural control were hypothesised to have a significantly positive influence on growth intentions (Ha_1–Ha_3). After the analysis, all three hypotheses were found statistically significant and supported the three hypotheses. The supported hypotheses were:

Ha_1: *Attitude towards growth influences growth intentions positively*

Ha_2: *Subjective norms influence growth intentions positively*, and

Ha_3: *Perceived behavioural control influences growth intentions positively*.

This means that their attitude towards growth influences an entrepreneur's intention to grow a business; a positive attitude will lead to higher growth intentions. Secondly, an entrepreneur's intention to grow a business is also influenced by subjective norms. This means that the entrepreneur's perception that people who are important to him/her think that they should grow the business are more likely to grow the business. Lastly, an entrepreneur's intention to grow a business is influenced by perceived behavioural control. This means that the higher the level of an entrepreneur's self-control, or belief in his/her entrepreneurial ability, the higher the possibility of the entrepreneur's intention to grow the business. Therefore, all three hypotheses, Ha_1, Ha_2 and Ha_3, were accepted. This also proves that the theory of planned behaviour is an excellent tool to predict the growth intentions of SMME entrepreneurs in the Free State.

7.5.2 Behavioural Reasoning Theory (BRT): Reasons for growth

In Chapter 4, the literature showed that entrepreneurs have reasons for pursuing growth in their businesses, as well as reasons for not doing so. The reasons for pursuing growth were hypothesised to have a positive influence on attitude towards growth (Ha_4 – Ha_9). The results showed that only excitement influences the entrepreneur's attitude towards growth positively. This means that if an entrepreneur considers the process of growing a business as fun,

pleasurable and exciting, despite the challenges and possible difficulties that may arise, growth intention will increase. Therefore, Ha_4 was accepted, and the other five hypotheses were not accepted.

The accepted hypothesis was:

Ha_4: *Excitement influences attitude towards growth positively*

The rejected hypotheses were:

Ha_5: *Increased earnings influence attitude towards growth positively*

Ha_6: *Increased competitiveness influences attitude towards growth positively*

Ha_7: *Improved customer service influences attitude towards growth positively*

Ha_8: *Following a strategic choice to grow influences attitude towards growth positively*

Ha_9: *Exploiting vacant capacity influences attitude towards growth positively*.

It was surprising that these reasons for growth were not significant. It could possibly be that the entrepreneurs are not focused only on profits or the desire to make money but wanted to enjoy the entrepreneurial experience hence, the positive influence of excitement on attitude towards growth and non-significant relationship between the other reasons for growth and attitude towards growth.

7.5.3 Behavioural Reasoning Theory (BRT): Reasons against growth

In accordance with the literature, the reasons for not pursuing growth were hypothesised to have a negative effect on attitude towards growth as follows:

Ha_{10}: *Too much work and effort influence attitude towards growth negatively*

Ha_{11}: *Not a strategic choice to grow influences attitude towards growth negatively*

Ha_{12}: *Lack of resources influences attitude towards growth negatively*

Ha_{13}: *Lack of self-efficacy influences attitude towards growth negatively*

Ha_{14}: *No market demand influences attitude towards growth negatively*

The results revealed two hypotheses, namely $Ha_{11:}$ *Not a strategic choice to grow influences attitude towards growth negatively*, and Ha_{14}: *No market demand influences attitude towards growth negatively*. This means that the strategic choice an entrepreneur makes (willingly, purposefully and deliberately) not to grow their business would affect their attitude towards growth negatively. In the TPB, Ajzen (1985; 1991) established that attitude has a direct influence on intentions to carry out a behaviour. This principle has been tested and proven by Ha_1 in this study. In addition, the results revealed that if an entrepreneur perceived or believed that there is no demand for their product or services in the market, they would be reluctant to pursue growth strategies. Thus, Ha_{11} and Ha_{14} were accepted, while $Ha_{10,}$ Ha_{12} and Ha_{13} were rejected. This means that FS entrepreneurs' reluctance to grow are not caused by a lack of resources, lack of belief in oneself (self-efficacy), or the fact that pursuing growth would increase their workload and effort.

7.5.4 Institutional Theory (Environmental factors)

The factors of the institutional environment, namely taxes requirements, labour law adequate infrastructure, access to finance and corruption were hypothesised to have a significantly negative influence on attitude towards growth. These factors were hypothesised as follows:

$Ha_{15:}$ *Tax requirements influence attitude towards growth negatively*

Ha_{16}: *Labour laws influence attitude towards growth negatively*

Ha_{17}: *Lack of adequate infrastructure influences attitude towards growth negatively*

$Ha_{18:}$ *Difficulty in accessing finance influences attitude towards growth negatively*

Ha_{19}: *Corruption influences attitude towards growth negatively*

The results showed that all five hypotheses were found statistically not significant. This means that none of the environmental factors was found to affect the attitude of the responding entrepreneurs towards growth. This is interesting because, in similar studies, corruption, access to finance, tax regulations, labour regulations, crime and inadequate infrastructure have been revealed to have an adverse effect on growth intentions. Therefore, all hypotheses were rejected.

Despite the fact that these factors are among the list of the most problematic factors for doing business in South Africa, FS entrepreneurs do not seem to perceive them to be significant problems in relation to their attitude towards growth. This could be because these factors are beyond the control of the entrepreneur and they have resigned themselves to adapt to the environment rather than attempt to change it or complain.

7.5.5 Individual Characteristics Theory

The fifth set of hypotheses to be tested were individual characteristics; the need for achievement, risk-taking propensity, need for autonomy, and locus of control was hypothesised to have a positive influence on growth intentions (Ha_{20}–Ha_{23}).

Ha_{20}: *Need for achievement influences growth intentions positively*

Ha_{21}: *Risk-taking propensity influences growth intentions positively*

Ha_{22}: *Need for autonomy influences growth intentions positively*

Ha_{23}: *Locus of control influences growth intentions positively*

The result of the analysis indicated,

Ha_{23}: *locus of control influenced growth intentions positively*.

This means that an increase in an entrepreneur's locus of control will result in an increased effect on growth intentions. On the contrary, the results did not confirm the influence of need for achievement, need for autonomy or risk-taking propensity on growth intentions. Thus, Ha_{20}, Ha_{21}, and Ha_{22} were not significant and therefore were rejected, while Ha_{23} was accepted.

7.6 PART E: ACHIEVEMENT OF THE OBJECTIVE OF THE STUDY

In Chapter 1, Section 1.5, the primary and secondary objectives of the study were laid out. Successful completion of the study will require the achievement of these objectives. The primary objective was to assess the influence of the environmental and individual factors on the growth intentions of SMME entrepreneurs in the Free State. The secondary objectives were:

Theoretical objectives

- To review theoretical concepts on the theory of planned behaviour, behavioural reasoning theory, institutional theory and individual characteristic theory;
- To examine the literature on external business environmental factors and individual factors that could influence the growth intentions of entrepreneurs;

Empirical objectives

- To assess the validity of using the theory of planned behaviour to predict the growth intentions of SMME entrepreneurs in the FS;
- To identify the reasons that influence SMME entrepreneurs' attitude (both positive and negative) towards growth;
- To assess the influence of environmental factors on SMME entrepreneurs' attitude towards growth intentions
- To assess the influence of individual factors on SMME entrepreneurs' attitude towards growth intentions;
- To offer recommendations regarding the growth intentions of SMMEs in an emerging economy, such as South Africa.

The theoretical objectives were to review academic studies on the four theories that were used to explain the concepts of growth, growth intentions, environmental factors and individual factors. These objectives were achieved in the review of literature in Chapters 2, 3 and 4 of the study.

Five empirical objectives were formulated. The first empirical objective was to assess the validity of using the theory of planned behaviour to predict the growth intentions of SMME entrepreneurs in the FS. This objective was accomplished in Chapter 4 of the study and the research results in Chapter 6 (Table 6.6) of the study. The study proved that the theory of planned behaviour was valid to predict the growth intentions of SMMEs as all three antecedents of the theory were found to be associated significantly and positively with growth intentions.

The second empirical objective was to identify the reasons that influence SMME entrepreneurs' attitude (both positive and negative) towards growth. This objective was attained in Chapter 2 of the study and the research results in Chapter 6 (Table 6.6) of the study. In the study, the behavioural reasoning theory was used to identify reasons entrepreneurs would

have to pursue growth or choose not to grow. The theoretical reasons that influence SMME entrepreneurs were found to be broad. They included reasons on an individual level (to follow or not follow strategic choice, excitement, and a lack of self-efficacy); reasons from an economic and market dimension (no market demand, increased competition, and increased customer service); and reasons from a firm perspective (too much workload, lack of resources, and exploit vacant capacity). Of these reasons, only excitement was a found to be a reason for growth, and not my strategic choice to grow the business, and no market demand for my product/service were found to be significant reasons why FS entrepreneurs would choose not to grow their businesses.

The third empirical objective was to assess the influence of environmental factors on SMME entrepreneurs' attitude towards growth intentions. This objective was achieved in Chapter 3 of the study as well as in the results chapter (Section 3.4 and Table 6.6) of the study. The environmental factors were garnered from the most problematic factors of doing business in South Africa. These factors were indicated to be problematic for business by South African business leaders during a survey. Interestingly, none of the factors was found to be significant with respect to FS entrepreneurs.

The fourth empirical objective was to assess the influence of individual factors on SMME entrepreneurs' attitude towards growth intentions. This objective was realised in Chapter 3 of the study as well as in the results chapter (Section 3.5 and Table 6.6) of the study. The individual factors tested on FS entrepreneurs were the top four essential characteristics researchers have identified to have an influence on growth intentions. In this study, only locus of control was found to be significant and having an influence on the growth intentions of FS entrepreneurs.

The sixth and final empirical objective was to offer recommendations regarding the growth intentions of SMMEs and how those intentions could be enhanced. This objective was attained in the conclusion and recommendations in Chapter 7 (Section 7.7) of the study.

Based on the attainment of all the above-stated objectives, it can be concluded that the main aim and purpose of the study was therefore achieved.

7.7 PART F: GENERAL RECOMMENDATIONS

The recommendations proposed below regarding the growth intentions of SMMEs are based on the conclusions and summaries made in the theoretical and empirical chapters of the study.

Recommendation 1:

The result of the study revealed that the majority of the responding SMMEs were in the consumer services sector. There are low barriers to entry in this sector; thus, the high incidence of SMMEs in this sector. Studies show that growth intentions and economic development are higher in other sectors such as Construction and Agriculture. Therefore, it is recommended that the government promote the participation of SMMEs in these sectors by reducing the barriers to entry of these vital and beneficial sectors. This can be done by government and financial institutions assisting SMMEs with capital requirement into these sectors. For example, government agencies such as the Department of Trade and Industry (DTI), the National Empowerment Corporation (NEC), Small Enterprise Finance Agency (SEFA), and the Industrial Development Corporation (IDC) should allocate funds specifically to assist, support and train entrepreneurs who choose to enter these two business sectors – Construction and Agriculture.

Recommendation 2:

The study has determined that excitement is a significant reason for growth intentions. This indicates that higher growth intentions would require SMME entrepreneurs to be passionate and enthusiastic about starting and growing a business venture despite the challenges they face. This attitude can be encouraged in individuals if they know the benefits and importance of entrepreneurship. Thus, the government, education department and schools should expose young people to the possibilities of entrepreneurship from an early age, e.g. primary school, so that as they grow, they can identify the things they are excited and passionate about early on in life. One such programme currently in existence is the Young Entrepreneurs (YE), a private initiative, which targets learners and youths between the ages of 7 and 18 (Grades 1–12) to inspire and empower them towards entrepreneurial activities. On its website, the programme states that it teaches young people "vital entrepreneurial, financial literacy, employability and workplace readiness skills and helps them start and grow their own microenterprises in a fun and experiential way" (www.younge.co.za). With the advent of the much-touted Fourth Industrial Revolution (4IR), these are vital skills and competencies young South Africans should develop.

Furthermore, the YE programme operates as an extra-curricular activity at certain schools that endorse the programme. It costs R1 200 per learner per year. The fee covers a backpack, a workbook and other learning materials and resources. The learners' parents foot the bill. As a result, not every school in South Africa can endorse the programme. The programme runs mostly at private schools or Model C schools. This perpetuates the divide between the "haves" and the "have-nots" as a group of youngsters of certain socio-economic status are exposed to the benefits of entrepreneurship early in life. Therefore, it is proposed that the government and policy makers initiate a similar programme or contract the YE group to roll out a tailored programme built into the curriculum of the Department of Basic Education so that all South African learners can have equal access and exposure to life enhancing skills and information such as entrepreneurship education.

Recommendation 3:

The study has also determined that a lack of market demand for their products or services is one of the significant reasons why some SMME entrepreneurs choose not to grow their businesses. Therefore, agencies that support small businesses such as SEDA, the DTI and the Department of Small Business Development (DSBD) should assist SMMEs to identify relevant markets for their products and services, and help them to access those markets. For example, the DTI can sponsor SMMEs to attend Trade fairs and Indabas with their products, while SEDA can provide access to markets, business advisory services, and export readiness and facilitation services (SEDA, 2016).

Export orientation should be conducted for FS SMMEs. 74.3% of the respondents operate only within the province, 6.2% operate nationally and only 3% operate internationally The Free State is in close proximity with and shares a border with Lesotho, a country with a population of 2,2 million people (World Bank, 2017). This is a market that can be targeted.

- The Free State Provincial Government through its Departments of Economic Development and Small Business Development should establish programmes through which it would promote, encourage and disseminate information to SMMEs in the province on how to engage in cross-border trade, not only with Lesotho but also with other SADC countries, and eventually other African countries.
- This initiative should reduce the dependency of SMMEs on government tenders and contracts.

Furthermore, government and policymakers should ensure that government departments and big private companies adhere to the rules of the preferential procurement schemes as stipulated in the *Preferential Procurement Policy Framework Act of 2000* (updated in 2017).

- The PPPFA supports economic transformation in that it provides the framework for preferential procurement and participation of SMMEs in vital value chains. An aspect of the act requires government departments, State-owned entities (SOEs), and other business organisations to buy certain supplies from SMMEs; or to subcontract at least 30% of state contracts to SMMEs that have 51% Black ownership or female ownership.
- Private organisations that participate in the scheme get Black Economic Empowerment Point (BEE) that will assist them to bid for and win more government contracts in future.

In addition, with the move towards the fourth industrial revolution, SMMEs should be supported and encouraged to have an online presence.

- The provincial DSBD should contact all registered SMMEs periodically and invite them to workshops and presentations on the benefits of having an online presence (e.g. a company website), or educate them how to use social media applications such as Facebook, Instagram and Twitter for their businesses.

Recommendation 4:

Another reason that discourages SMME entrepreneurs from growing their business is that it is not their strategic choice. They just do not want to grow even if the environment is conducive. This attitude towards growth is challenging to explain. Thus, it is important to recognise that not all entrepreneurs wish to grow their business. Some businesses are set up with the objective of autonomy, security or lifestyle and not for growth. Nevertheless, it is recommended that government, via the DSBD, play a critical role in educating and convincing entrepreneurs through workshops, conferences, awareness programmes and incubation programmes about the benefits of growth in the SMME sector – not just for the entrepreneur, but for the provincial and national economy as well. In addition, these entrepreneurs should be probed further to determine exactly why it is their strategic choice not to grow. The foundational reasons (e.g. fear of the unknown, a lack of self-efficacy) that make them decide not to expand must then be

explored and ways to assist the entrepreneur to overcome these foundational impediments be implemented.

One way to encourage entrepreneurs to have a positive attitude towards growing their business is for government support agencies and funding institutions (e.g. banks) to form business associations and networks SMME entrepreneurs can join. Entrepreneurs need support to succeed. A perceived lack of support (moral, financial or otherwise) could make an entrepreneur lackadaisical towards growth. Thus, to encourage an entrepreneur to pursue growth, they must associate with other entrepreneurs through business or social networks. Networks have been credited for the growth of business ventures as it can increase the entrepreneur's level of aspiration, helps entrepreneurs identify opportunities, provides practical assistance, emotional support and creates a platform for which ideas can be shared (Moos, 2019).

Recommendation 5:

Furthermore, risk-taking was found not a significant individual characteristic of FS SMME entrepreneurs. This is unfortunate, because risk-taking is a vital characteristic that all entrepreneurs should possess. To increase the risk-taking propensity of SMME entrepreneurs, a safe environment for taking risks should be created by government and supporting institutions. Entrepreneurs who attempt a business and fail should not be defined by their failures and shunned by financial institutions or society. Instead, their effort should be appreciated because they have gained some practical knowledge and insight that a first-time entrepreneur does not have. This knowledge and insight can be applied to the next business venture that may prove to be successful. Therefore, policymakers should enact policies that are favourable and supportive of repeat/serial entrepreneurs, even those who have a failed venture in their records. As a society, we should change our culture. This may be a gradual process, but we should start appreciating people who start ventures, that unfortunately failed later. This outlook may encourage other entrepreneurs to take more calculated risks, which may prove to be successful in future to the benefit of the community.

Recommendation 6:

There will always be barriers in the entrepreneurial environment. Government should be made aware of the list of the most problematic factors for doing business in South Africa and produce strategies on how to mitigate the effects of those problem factors. Therefore, government and policy makers should help entrepreneurs to understand the ways in which barriers can affect

business growth and how to overcome them. It is the role of government to provide the necessary infrastructure needed for productive economic activities to take place. This eases the cost of doing business for most SMMEs.

Inadequate infrastructure and the recent trend of power outage (load shedding) is detrimental to the productivity and profitability of SMMEs. The government in power should tackle the recent scourge of corruption in the country. The perception that South Africa is a corrupt country is beginning to affect the country's competitive index and affect the flow of foreign direct investment (FDI) into the economy. A much needed resource for economic growth and development (Schwab, 2017; The World Bank, 2017).

Therefore, the Free State Provincial Government, through the provincial DSBD, should invest in relevant infrastructure needed by SMMEs such as the creation of business hubs and demarcated industrial areas.

7.8 PART G: LIMITATIONS OF THE STUDY

The following limitations were identified in the study:

Firstly, the study only focused on the influence of environmental and individual factors on the growth intentions of SMME entrepreneurs. The study cannot claim to have identified all the environmental and individual factors that affect the growth intentions of SMMEs in the Free State Province, as these factors are not static, but dynamic and situational.

Secondly, the study focused on the growth intentions of SMME entrepreneurs in only two municipalities of the Free State Province. As a result, not all entrepreneurs in the province participated in the study. Thus, findings from this study may not necessarily be generalised across all SMMEs in the Free State nor in South Africa.

Thirdly, the study did not differentiate between an entrepreneur who sets up an SMME and the person who manages an SMME; in other words, the manager, who may not necessarily have set up the business. Some researchers think that a small business venture differs from an entrepreneurial venture and thus refers to the person who starts and runs a small business as a manager or small business owner, while the person who sets up an entrepreneurial venture is called an entrepreneur. A distinction is usually made between the two ventures, and it is

emphasised that the potential for *growth* is one of the factors that distinguish the entrepreneurial venture from a small business venture (Longenecker *et al.*, 2017; Nieuwenhuizen, 2019). For this study, no such distinction was made, because SMMEs include both entrepreneurial ventures and small business ventures.

Furthermore, the study made use of a structured questionnaire that contained mostly close-ended questions, which require fixed responses. This may limit specific answers from respondents and thus not reflect their correct perceptions or opinions about an issue. Also, questionnaires were distributed via a 'drop-and- pick up-later' method, resulting in some not being completed by the respondents after repeated visits, or by claims that the questionnaires had been misplaced.

Lastly, due to the inability of the researcher to access specific provincial and municipal business databases, responding SMMEs were selected via purposive and snowball sampling – non-probability sampling methods which did not afford all the individuals in the population equal chances of being selected.

7.9 PART H: AREAS FOR FUTURE RESEARCH

Though the research study intended to provide information on the factors that influence the growth intentions of SMMEs, it is not extensive or complete in itself. Therefore, further research is recommended, and the following are suggested.

Data for this study were collected from two municipalities in the Free State Province. Thus, it would be interesting to replicate the study in other municipalities of the FS or other Provinces of South Africa.

The study examined only two categories of factors that influence growth intentions, namely environmental factors and individual factors. Not all elements under these factors were examined. In addition to this, other factors influence growth intentions, such as business characteristics and country level effects. Therefore, future research can focus on these topics in order to add to the existing literature on factors that influence the growth intentions of SMME entrepreneurs.

The study also focused only on four individual characteristics in the individual-factors category namely: the need for achievement, risk-taking propensity, need for autonomy, and locus of control. Thus, future research on growth intentions of FS SMMEs can focus on other individual characteristics such as leadership, need for power, creativity and innovation, tenacity, passion, perseverance and decision-making capacity. Furthermore, the study focused on a few factors of regulatory dimensions of the institutional theory. Similarly, future research on growth intentions of FS SMMEs can focus on other institutional dimensions such as the normative dimension and the cognitive dimension to have a better understanding of the factors that influence growth intentions of SMME entrepreneurs.

7.10 CHAPTER SUMMARY

This chapter presented the conclusions, recommendations, limitations of the study and possible areas for future research. The chapter was divided into eight parts. Part A provided a summary of the theoretical chapters of the study. Part B discussed conclusions on the theoretical findings of the study, while Part C discussed conclusions on the empirical findings of the study. Part D presented findings on the hypotheses testing. In Part E, the achievement of the objectives was discussed, and recommendations to the critical issues encountered in the study were proposed in Part F. Finally, in Part G, the limitations of the study were addressed, and the possible future research was suggested in Part H.

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APPENDICES

Appendix A1: Information Letter to the Business Owners

INFORMATION LETTER TO BUSINESS OWNERS

Dear Sir/Madam,

My name is Ekaete Benedict, a PhD candidate in the Department of Business Management at University of the Free State, Bloemfontein. I am conducting a study on the influence of environmental and individual factors on the growth intentions of SMMEs in the Free State Province.

Conducting research in this sector is important knowing the role that small and medium enterprises (SMMEs) play in the economic development of South Africa. Thus, as a significant role player – a small business owner/manager, you have been chosen to participate in this research. Your participation is voluntary. You have the right to withdraw your participation at any stage during the survey without any penalty. The information you provide will be anonymous and treated with utmost confidentiality. You will not be required to provide your name or sensitive information pertaining to your business. The information you give will only be used for the academic purpose of this study.

I acknowledge the fact that you have a very busy business schedule, but this survey will require less than 30 minutes of your time. Your participation in this survey will be of valuable importance, as it will contribute to the body of knowledge on entrepreneurship and a better understanding of the growth intentions of small and medium enterprises in the Free State. Please be accurate and honest in answering all the questions.

I truly appreciate your participation in this survey and thank you for your time.

Participants' signature _____

For any questions about the research, please feel free to contact my research supervisor or me:

Principal Researcher: Ekaete Benedict
Email:
Tel:

Supervisor: Dr Johan van Zyl
Email:
Tel:

Appendix A2: Questionnaire to SMMEs

A. GENERAL INFORMATION

A1. In which town is your business located?

Mangaung Metro Municipality		Thabo Mofutsanyana District Municipality		
Bloemfontein	1	Bethlehem	4	
Botshabelo	2	Harrismith	5	
Thaba Nchu	3	Kestell	6	
		Phuthaditjhaba/Qwaqwa	7	

A2. What industry sector does your business fall in?

Agriculture, Forestry & Fishing	1	Property & Real Estate	11
Mining, quarrying & related services	2	Tourism & Hospitality (Hotels, B & B, Guesthouses)	12
Manufacturing (Food & beverages, textiles, wood, furniture, machinery, electronics)	3	Fast Food & Restaurants (bars, canteens, taverns)	13
Energy, electricity & gas	4	Transportation (land, water & air; travel agencies)	14
Construction & civil engineering	5	Information Technology & Telecommunication (postal, courier activities)	15
Wholesale Trading	6	Financial services (Lending, insurance, funeral policies, etc.)	16
Retail (Grocery & Supermarkets)	7	Education	17
Retail (Fashion & Clothing)	8	Healthcare & social services (private clinics, Vets, Dentists)	18
Motor vehicle and repairs	9	Professional services (Legal, tax/ auditing, business consulting, market research, architectural, advertising)	19
Consumer Services (Hair dressing, Barbing, Gym)	10	Entertainment & Media (event planning, publishing, radio)	20

Complete the following basic information on the entrepreneur/business owner:

A3. What is your gender?

Male (1)	Female (2)	

A4. What is your racial group?

Asian (SA)	Black (SA)	Coloured (SA)	Indian (SA)	Middle Eastern/ Arab (SA)	White (SA)	Non-South African (PR)	Non-South African (Non-PR)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

A5. What is your age? _____ years

A6. What is the highest level of education that you have completed?

No formal education (1)	Grades 1-7 (2)	Grades 8-11 (3)	Matric (4)	Diploma/Certificate (5)
	Undergraduate degree (6)	Honours degree (7)	Master's degree (8)	Doctoral degree (9)

If other, please specify

_____ (10)

If you have a diploma or degree as per Question A6, then please answer Question A7.

A7. What type(s) of diploma/degree programme(s) did you complete? Please indicate with (X).

Arts & Humanities & Languages	1	Engineering	6
Economics, Management, Marketing & Entrepreneurship	2	IT/Computer Science	7
Accounting, Finance	3	Natural & Agricultural Science	8
Education	4	Medical & Health Sciences	9
Law & Legal services	5	Other: Please specify:	

B. DETAILS OF OWNERSHIP AND ESTABLISHMENT

B1. What type of business registration is applicable to your business?

Not registered	1	Closed corporation [CC]	2	Pty Limited	3	
Sole proprietorship	4	Partnership with signed agreement	5	Other	6	

B2. In what year was your business established? _____

B3. How many people does your business employ, including the business owner? Please enter the number here. _____ People

(B4) Permanent/Full-time Employees (No.)	**(B5) Temporary/part-time Employees (No.)**

		No	**Yes**
B6	Have any of your close family members (parents, siblings, grandparents, uncle, or aunt) ever owned or operated a business?	**0**	**1**
B7	Is your business registered for Value Added Tax (VAT)?	**0**	**1**

B8. What is the origin of your business?

Has been in my family/generations for years/started by forebear(s)	1
I started the business myself	2
I bought the business	3
It is a franchise	4
Other (specify):	5

How would you best describe the scope of your business operations? Select all the applicable options.

B9	Operate within my province	1
B10	Operate in more than one province, but less than five (5) provinces	2
B11	Operate nationally/countrywide (at least 5 provinces and more)	3
B12	Operate in other African countries (SADC)	4
B13	Operate in the wider African countries (SADC + rest of Africa)	5
B14	Operate internationally (outside Africa)	6

B15. For options 4, 5 & 6, please specify which countries: _____

_____

SECTION C: GROWTH INTENTIONS

		No	**Yes**
GI0	Do you want your business to be larger five years from now than it is today? (i.e. employ more people, open another branch, add more products & services or increase sales)	**0**	**1**

	To what extent do you agree or disagree with each of the following statements?	**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
GI1	Growth is the most important objective of my business.	1	2	3	4	5	6	7
GI2	The growth of my business should not take place at the expense of profitability.	1	2	3	4	5	6	7
GI3	At this point in time, I see a strong need for growth in my business.	1	2	3	4	5	6	7
GI4	There are many possibilities for growth in my business in the domestic/local markets	1	2	3	4	5	6	7
GI5	It is my belief that this business would be an important player in the domestic/local market.	1	2	3	4	5	6	7
GI6	I would like my business to become as large as possible and employ as many people as possible.	1	2	3	4	5	6	7
GI7	I would like my business to have the maximum possible sales and profitability.	1	2	3	4	5	6	7

SECTION D: PLANNED BEHAVIOUR

Attitude towards growth (ATG)

To what extent do you agree or disagree with each of the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
ATG1	I would be willing to grow my business.	1	2	3	4	5	6	7
ATG2	I like the idea of growing my business.	1	2	3	4	5	6	7
ATG3	Growing my business would be a smart decision to make.	1	2	3	4	5	6	7
ATG4	I have a positive impression toward using growth strategies in my business.	1	2	3	4	5	6	7
ATG5	I would feel excited to grow my business.	1	2	3	4	5	6	7
ATG6	I would be happy to grow my business.	1	2	3	4	5	6	7

Subjective Norm (SN)

To what extent do you agree or disagree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
SN1	My immediate family would approve my decision to grow the business.	1	2	3	4	5	6	7
SN2	My friends/business partner(s) would approve my decision to grow the business.	1	2	3	4	5	6	7
SN3	My employees would approve my decision to grow the business.	1	2	3	4	5	6	7
SN4	In general, most people who are important to me think I should grow my business.	1	2	3	4	5	6	7
SN5	There is a well-functioning support infrastructure in my local community/country to support the growth of my business.	1	2	3	4	5	6	7
SN6	There are good opportunities in South Africa to grow my business.	1	2	3	4	5	6	7

Perceived Behavioural Control (PBC)

To what extent do you agree or disagree with the following statements?		Strongly Disagree	Disagree	Somewhat disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
PBC1	I am confident in my ability to grow my business.	1	2	3	4	5	6	7
PBC2	I believe that if I were to grow my business, I would have a high chance of succeeding.	1	2	3	4	5	6	7
PBC3	To grow my business and keep it viable would be easy for me.	1	2	3	4	5	6	7
PBC4	I have the managerial skills and competence to grow my business.	1	2	3	4	5	6	7
PBC5	My educational qualifications have provided me with sufficient knowledge to grow my business.	1	2	3	4	5	6	7

SECTION E: REASONS FOR GROWTH

Excitement (EXCITE)

To what extent do you agree or disagree with the following statements?		Strongly Disagree	Disagree	Somewhat disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
EX1	The process of growing my business would be exciting.	1	2	3	4	5	6	7
EX2	I would enjoy tackling new challenges in growing my business.	1	2	3	4	5	6	7
EX3	I would derive much pleasure from growing my business.	1	2	3	4	5	6	7
EX4	I would be happy to explore new opportunities to grow my business.	1	2	3	4	5	6	7
EX5	I would enjoy turning opportunities to grow my business into reality.	1	2	3	4	5	6	7

Increased Earnings (IE)

To what extent do you agree or disagree with the following statements?		Strongly Disagree	Disagree	Somewhat disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
IE1	Growing my business would increase the return on the capital I invested.	1	2	3	4	5	6	7

IE2	Growing my business would increase my sales.	1	2	3	4	5	6	7
IE3	Growing my business would increase my profits.	1	2	3	4	5	6	7
IE4	Growing my business would increase the value of my business.	1	2	3	4	5	6	7

Increase competitiveness (IC)

To what extent do you agree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
IC1	Growing my business would increase my customer base.	1	2	3	4	5	6	7
IC2	Growing my business would increase my competitiveness.	1	2	3	4	5	6	7
IC3	Growing my business would improve/increase my market share.	1	2	3	4	5	6	7
IC4	Growing my business would make the business more innovative by introducing new products or services into the market.	1	2	3	4	5	6	7

Improve customer service (ICS)

To what extent do you agree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
ICS1	Growing my business would improve my service/product quality to customers.	1	2	3	4	5	6	7
ICS2	Growing my business would make me improve the business processes used in delivering service to customers.	1	2	3	4	5	6	7
ICS3	Growing my business would make me develop a better customer service strategy.	1	2	3	4	5	6	7
ICS4	Growing my business would make me train and empower my employees to offer better service to customers.	1	2	3	4	5	6	7

Follow strategic choice (FSC)

To what extent do you agree with the following statements?		Strongly Disagree	Disagree	Somewhat disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
FSC1	It is strategically important that I grow the business and make it be as large as possible.	1	2	3	4	5	6	7
FSC2	It is strategically important that I can create employment for people in the local community.	1	2	3	4	5	6	7
FSC3	It is strategically important that I become the market leader in the sector in which it operates.	1	2	3	4	5	6	7
FSC4	It is strategically important that I can introduce new products, services and processes.	1	2	3	4	5	6	7
FSC5	It is strategically important that I find new customers to grow my business.	1	2	3	4	5	6	7

Exploit vacant capacity (EVC)

To what extent do you agree with the following statements?		Strongly Disagree	Disagree	Somewhat disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
EVC1	I want to grow my business because I have unused space and facility I want to utilise.	1	2	3	4	5	6	7
EVC2	I want to grow my business because I have excess human resources to utilise.	1	2	3	4	5	6	7
EVC3	I want to grow my business because I have excess funds to finance the growth process.	1	2	3	4	5	6	7
EVC4	I want to grow my business because I have untapped business networks that I am not using to the benefit of my business.	1	2	3	4	5	6	7

SECTION F: REASONS AGAINST GROWTH

Too much work & effort (TMW)

To what extent do you agree or disagree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
TMW1	Growing my business would involve too much work and effort for me.	1	2	3	4	5	6	7
TMW2	Growing my business would increase my financial risk and work pressure.	1	2	3	4	5	6	7
TMW3	Growing my business would increase my stress levels and affect my health.	1	2	3	4	5	6	7
TMW4	Growing my business would use up my free time which I could have used to do other activities that I enjoy.	1	2	3	4	5	6	7

Strategic choice not to grow (NSC)

To what extent do you agree or disagree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
NSC1	It is not my goal to grow the business into a big business.	1	2	3	4	5	6	7
NSC2	I do not want to grow my business now.	1	2	3	4	5	6	7
NSC3	I am content with the phase my business is in for now.	1	2	3	4	5	6	7
NSC4	If I grow my business now, I am concerned that I would lose control over my business.	1	2	3	4	5	6	7
NSC5	It would be too difficult to grow this business now.	1	2	3	4	5	6	7

Lack of Resources (LR)

To what extent do you agree or disagree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
LR1	I do not have the financial resources to expand my business.	1	2	3	4	5	6	7

LR2	I do not have the human resources to expand my business.	1	2	3	4	5	6	7
LR3	I do not have the physical resources such as premises, facility or infrastructure to expand my business.	1	2	3	4	5	6	7
LR4	I do not have the technological resources or machinery to grow my business.	1	2	3	4	5	6	7

Lack of self-efficacy (LSE)

To what extent do you agree or disagree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
LSE1	I am not confident in my ability to grow the business successfully	1	2	3	4	5	6	7
LSE2	I do not think I am capable of managing the growth process of my business	1	2	3	4	5	6	7
LSE3	I cannot work productively under unnecessary stress and pressure	1	2	3	4	5	6	7
LSE4	I do not have the educational knowledge, experience or competence to grow my business	1	2	3	4	5	6	7
LSE5	I am not confident in my managerial skills to grow my business	1	2	3	4	5	6	7

No market demand (NMD)

To what extent do you agree or disagree with the following statements?		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
NMD1	Currently, there is no untapped demand for my products/services in the market.	1	2	3	4	5	6	7
NMD2	Currently, the demand for my product/service is low as the market for my product/service is saturated.	1	2	3	4	5	6	7
NMD3	Currently, the demand for my product/service is low, as consumers prefer my competitors' products/services.	1	2	3	4	5	6	7
NMD4	Currently, the demand for my product/service is low as the product/service has too many substitutes/alternatives.	1	2	3	4	5	6	7

SECTION G: EFFECTS OF ENVIRONMENTAL FACTORS

Please indicate (**tick one option only in each row**) the extent to which you agree or disagree with the following statements:

Statements		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
TAX1	The tax requirements for SMMEs are burdensome.	1	2	3	4	5	6	7
TAX2	The tax rates that SMMEs are required to pay is too high.	1	2	3	4	5	6	7
LAB1	There is not enough skilled labour for me to hire.	1	2	3	4	5	6	7
LAB2	The cost of firing an incompetent employee in South Africa is too expensive.	1	2	3	4	5	6	7
IS1	It is very difficult to get appropriate business premises.	1	2	3	4	5	6	7
IS2	The supply of business infrastructure is inadequate.	1	2	3	4	5	6	7
IS3	Utility (rent, telecommunications, electricity & water) prices are too high.	1	2	3	4	5	6	7
AF1	As an SMME, it is difficult for me to access credit/additional funds.	1	2	3	4	5	6	7
AF2	The interest rate on credit for SMMEs is high.	1	2	3	4	5	6	7
COR1	The procurement and tender process for SMMEs is corrupt.	1	2	3	4	5	6	7
COR2	Government officials and agencies that should support SMMEs are mired in corruption.	1	2	3	4	5	6	7

SECTION H: EFFECTS OF INDIVIDUAL FACTORS

Need for achievement (NA)

Statements		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
NA1	I will not be satisfied unless I reach the desired level of results that I have set for myself.	1	2	3	4	5	6	7
NA2	Even when people tell me 'It cannot be done', I will persist.	1	2	3	4	5	6	7

NA3	I want to build a business that is sustainable beyond my personal involvement.	1	2	3	4	5	6	7
NA4	I aim for excellence in everything that I do.	1	2	3	4	5	6	7

Risk-taking propensity (RTP)

Statements		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
RTP1	I take calculated risks to gain potential advantage.	1	2	3	4	5	6	7
RTP2	I am comfortable with uncertainty and risk – you win some, you lose some.	1	2	3	4	5	6	7
RTP3	I am willing to invest my own money to capitalise on a business opportunity.	1	2	3	4	5	6	7
RTP4	I believe that higher risks are worth taking because they result in higher returns.	1	2	3	4	5	6	7
RTP5	I prefer to remain with a business that has problems that I know about rather than take the risk of starting a new business that has unknown problems, even if the new business offers greater profit.	1	2	3	4	5	6	7
RTP6	I prefer a low risk-high security business with a steady profit over a business that offers high risks and high profit.	1	2	3	4	5	6	7

Need for Autonomy (NAUT) **Statements**		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
NAUT1	I like being my own boss.	1	2	3	4	5	6	7
NAUT2	I would rather work for myself than work for somebody else.	1	2	3	4	5	6	7
NAUT3	I prefer doing things my own way.	1	2	3	4	5	6	7
NAUT4	I know what is important to me and I will stand my ground even if others disagree.	1	2	3	4	5	6	7

Locus of control (LC)

Statements		**Strongly Disagree**	**Disagree**	**Somewhat disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
LC1	I believe that I can determine my own destiny/future.	1	2	3	4	5	6	7
LC2	When I make plans, I am almost certain that I can make them work.	1	2	3	4	5	6	7
LC3	When I get what I want, it is usually because I worked hard for it.	1	2	3	4	5	6	7
LC4	I am able to accept the consequences of my decisions and actions.	1	2	3	4	5	6	7
LC5	I do not wait for things to happen; I make things happen.	1	2	3	4	5	6	7

THANK YOU FOR YOUR PARTICIPATION