

Full Length Research Paper

The entrepreneurial mindset profile of South African small medium and micro enterprises (SMMEs) in the Cape Metropole

Juan-Pierré Bruwer

Faculty of Business, Cape Peninsula University of Technology, P.O. Box 625, Cape Town, 8000, South Africa.
E-mail: juan1@telkomsa.net.

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According to the South African National Small Business Act No. 102 of 1996, small medium and micro enterprises (SMMEs) are classified as separate and distinct business entities, together with its branches or subsidiaries with the main intention of uplifting the national economy. McGrath and MacMillan (2000) averred that an entrepreneurial mindset, which comprises of elements such as the passionate seeking of lucrative opportunities, being goal orientated, being very disciplined and incubating a strong personal inner-drive, is of utmost importance for any business to make ends-meet in today's economy. Despite the afore-mentioned, South African SMMEs showed a dismal performance when taking the South African inflation- and unemployment rates into account. The perception was formulated that an adequate entrepreneurial mindset is a pre-requisite for SMMEs to attain success. The key objective of this paper was to determine the entrepreneurial mindset of South African SMMEs in general.

Key words: Entrepreneurial mindset, entrepreneurial skills, entrepreneurial mindset profile, SMME, small medium and micro enterprises (SMMEs), small business, small businesses, South Africa.

INTRODUCTION

In South Africa, an estimated number of 3,830,511 small medium and micro enterprises (SMMEs) are currently in operation. These entities play a vital role in the creation of jobs, the alleviation of poverty and the overall enhancing of the economy. Moreover, these entities do not have a very good success-track-record, as an estimated 80% plus of them have to 'close shop' within a period of 5 years after opening (Bizbooks, 2008).

In 2008, the world was struck by the global financial crisis, which escalated to a global recession and ultimately impacted small businesses adversely (Jooste, 2008). In late 2009, the aftershocks were still felt by these entities as the business failure-rate was still unmistakably high and in early 2010, media reports reflected that the global recession officially 'passed on' as economic indicators showed an upswing. SMME success did however not improve after the 'passing on' of the global recession, and these small business failures remained.

Despite of favourable economic circumstances, the

SMME success-rate remained low.

While micro- and macro economic factors can not be 'blamed' for this phenomenon, researchers (Scheepers, 2009; Shepherd et al., 2009) have focused on other impeding factors, in the likes of psychological factors impacting on the success rate of SMMEs. Over these factors, a business owner and/or manager has total control. The ultimate psychological factor which has adverse impact on small business performance is a concept commonly referred to as an 'entrepreneurial mindset'.

Oosthuysen (2009) affirmed that, small business success can only be fortified by promoting adequate entrepreneurship and by encouraging entrepreneurs to succeed by unlocking their 'entrepreneurial mindsets'. Kiyosaki and Letcher (2003) also stated that not all business owners have the required 'entrepreneurial mindset' to become successful, as this concept is considered paramount to business success.

LITERATURE REVIEW

The concept: Entrepreneurial mindset

Shepherd et al. (2009) and Scheepers (2009), believed that, "an 'entrepreneurial mindset' entails an innovative, willing and energetic pursuit towards a given opportunity, by means of rapid sensing, acting and mobilised responses, in order to achieve a possible gain". An 'entrepreneurial mindset' according to the works of McGrath and MacMillan (2000), also necessitates the passionate seeking of lucrative opportunities, being goal orientated, enormous discipline and a strong inner-drive.

Small medium and micro enterprise (SMME) success: South Africa

Based on research carried out by Bulletinonline (2003) and Goodall (2006), it is reported that most SMMEs have to 'close shop' only after being in operation on average 3 months in 2003. After more than a decade, nothing much has changed since then, as this afore-mentioned situation is still prevalent. According to Venter et al. (2003), South African SMMEs usually have a 'success rate' of between 20 and 30%, which is supported by Biyase (2009), when asserting that the most recent small business failure rate is expected to be at an estimated 10,000 businesses failing each month during 2009. As a result, it is clearly evident that small businesses still have difficulties with regards to small business success. Manuel (2007) expressed his concerns with regards to limited small business success when he stated that the effect of the weak small business success in South Africa, results in millions of Rand and opportunities being lost to the economy as a whole.

The personal side of the entrepreneur

According to Urquhart-Brown (2008) and Gerber (1995), an entrepreneur's business is a reflection of who they are and what they are passionate about, which in turn reflects the characteristics of the owner of the business. These characteristics stem from the respective business owner's personality. According to BSM Consulting (2006) and Briggs and Myers (1995), a human personality is made up of 8 'gears', which pertain to the following:

1. Extroversion
2. Introversion
3. Intuition
4. Sensing
5. Feeling
6. Thinking
7. Judging
8. Perceiving

Extroversion versus introversion

Extroverts ('E'), are individuals who are directed towards the outside world more than the inside world, whereas Introverts ('I'), are individuals who are directed towards the inner world more than the outer world (Briggs and Myers, 1995). More relevant to business, the 'E'-characteristic shows that an owner (or business), is comfortable to interact with a wide range of customers at any given time, while the 'I'-characteristic reveals that an owner (or business) is comfortable to interact with a specific range of customers; one customer at a time. According to Briggs Myers and Myers (1995), these two gears have a paramount influence on how business owners approach both their clients, employees and suppliers.

Intuition versus sensing

Individuals who are Intuitive ('N'), by nature, prefer to 'listen' to their intuition that come from the unconscious with enticing visions of possibilities, whereas individuals who are Sensors ('S'), depend solely on their 5 senses for perception (Briggs and Myers, 1995). In a business environment, owners (or businesses), with 'N'-characteristics tend to think more about future prospects to revolutionise products and/or services offered to the public, while owners (or businesses), with 'S'-characteristics are predominantly focused on realistic, present opportunities with a 'carpe diem' mind-set. According to Briggs and Myers (1995), these two gears have an overriding influence on how business owners approach the 'balancing act' of the 'entrepreneurial mind'.

Thinking versus feeling

Thinkers ('T') are logical by nature and tend to see things from a 'true or false' point of view, whereas Feelers ('F') are emotional and tend to see things from an 'agreeable or disagreeable' point of view (Briggs and Myers, 1995). From a business perspective, owners (or businesses), with a 'T'-characteristic are more focussed on getting the job done perfectly than customer feelings as they can take public criticism, whereas owners (or businesses), with 'F'-characteristics are intensively focused on customer satisfaction (emotionally) as they tend to take any form of criticism to heart received from customers. According to Briggs and Myers (1995), these two gears have a dominant influence on how business owners 'view' business success and treat their customers.

Judging versus perceiving

Individuals who are Judging ('J') like to settle things, or at least have things settled, whereas individuals who are

Perceptive ('P') prefer to keep their plans and opinions as open as possible so that no valuable experiences and/or enlightenment will be missed (Briggs Myers and Myers, 1995). In business, owners (or businesses) with 'J'-characteristics prefer orderly systems, that is, at all place they tend to be extremely organised inside out, while owners (or businesses), with 'P'-characteristics can do numerous tasks at once but tend to be quite unorganised, and therefore tend to be a natural delegator. According to Briggs Myers and Myers (1995), these two gears have a dominant influence on overall business success.

The entrepreneurial mind

Allen and Economy (2008), noted that all entrepreneurs, habitual and accidental have something like an 'entrepreneurial mind', as they all perform tasks which include but not limit to the following:

1. Spotting fundamental changes to create opportunities,
2. Creating niches in markets they can dominate,
3. Putting customers at the centre of everything they do,
4. Implement non-hierarchical teams, and
5. Forming strategic partnerships with other businesses.

Allen and Economy (2008), is furthermore of the opinion that the 'entrepreneurial mind' either gleaned and/or mastered the following aspects:

1. Comfortable with ambiguity.
2. Comfortable with uncertainty.
3. Good with self discipline.
4. Good tenacity.
5. Strong inner drive.
6. Not afraid to fail.
7. High level of personal responsibility.
8. Opportunity focused.

Mapping to the aforesaid, Gerber (1995), also noted that the 'entrepreneurial mind' consists of three major components, namely:

1. The entrepreneur,
2. The manager, and
3. The technician.

The entrepreneur: Gerber (1995) cites the following about this component: "The entrepreneur is the visionary in us, that is, the dreamer, the energy behind every human activity, the imagination that sparks the fire of the future and the catalyst for change". As a result, the entrepreneur lives in the future and thrives on 'what-if' and 'if-when' scenarios. This component is deemed as a business owner's 'creative side', and is always best in dealing with things that are unknown. Evidently, this 'persona' is regarded as the 'dreamer' inside a

business-owner (Gerber, 1995).

The manager: Gerber (1995), cites the following about this component: "The manager is part of us that goes into a shop and buys plastic boxes, takes them back to the garage, and systematically stores all the various sized nuts, bolts and screws in their own carefully identified drawer. He then hangs all of the tools in impeccable order on the walls . . . and to be absolutely certain that order is not disturbed, paints a picture of each tool on the wall where it hangs". Whereas the entrepreneur lives in the future, the manager lives in the past, and this component 'craves' order and status quo. Instead of seeing possible opportunities, the manager sees problems. In essence, "the manager runs after the entrepreneur to clean up the mess" (Gerber, 1995).

The technician: Gerber (1995) cites the following about this component: "The technician loves to tinker, that is, moving with the orientation that, things are to be taken apart and put back together again, things are not supposed to be dreamed about, they're supposed to be done etc. The technician lives in the present, he works steadily and is happiest when he is in control of the work flow. To the technician, all ideas need to be reduced to methodology if they are to be of any value".

Gerber (1995), summarises that the entrepreneur 'dreams', the manager 'frets' and the technician 'ruminates'. As every business owner has these 3 components inside of him/her, it is according to Gerber (1995), 'critical' to get the correct balance: "An entrepreneurial business, without a manager to give it order and without a technician to put it to work, is doomed to suffer an early, and probably very dramatic death".

The financial mindset

According to Kiyosaki and Letcher (2003), it is paramount for small business owners to understand the 'bigger-picture-concept' of the financial discipline, namely that money should work for the owner.

The time an owner spends inside their small business should justify their financial remuneration, especially when compared to a 'normal job', which could provide them with a monthly pay-cheque. Evidently, the main thought is to let money work for the owner, as apposed to letting the owner work for money (Cash Flow Quadrant).

The Cashflow Quadrant reflects that financial remuneration stems from the sources, namely: Employee ('E'), Self-employed individual ('S'), Big business ('B') and/or and Investor ('I'). These sources are explained as follows:

Employee: An employee is regarded as a person who has a job. This person literally works 8 hours a day in the pursuit of a pay-cheque at the end of a given month. Evidently, such a person has to pitch for work in order to receive financial remuneration. Hence, a person works for money.

Self-employed individual: A self-employed individual is regarded as a business, which solely depends on its owner in order to be successful. These types of businesses are open 8 hours a day (at least) in the pursuit to make sales and/or render services to the public in order to make a profit. Evidently, if the owner does not turn up for work, no financial remuneration can be gained. As a result, the owner has to work for money and earn an 'active income'.

Big business: A big business is regarded as an entity, which does not rely on the owner to be present in order to make a profit, as it has automated business systems. A big business employs employees to generate additional profit and conclusively, the owner receives financial remuneration without actively being involved in business operations. As a result, money works for the owner, and 'passive income' is earned.

Investor: An investor is regarded as a person, which makes investments in business operations (for example, start-up entities, existing businesses, etc.), equity (for example, stock market, Government bonds, etc.), all in the pursuit of generating passive income such as dividends and rental income. An investor does not have to be actively involved in any business operations and/or equity operations as money 'works' for the investor and 'passive income' is earned.

The passion within

For any business owner, it is important to operate in a specific area of 'passion' (Klein, 2006). Gerber (2005) describes the concept of 'passion' as follows: "Passion is the heart of the matter. It is what keeps you moving. Passion is the juice in the battery that can be plugged into at any time, for any reason. It is the force behind the words and the music of a song you must sing".

Klein (2006) intonates that if one likes doing what is being done, a business owner will give his or her utmost best and turns enthusiastic about the business at any given point in time, and that a business owner's decision on where to operate in, depends on the following variables:

1. Career (working conditions).
2. Family (time spent with loved ones).
3. Money (amount of money which one wants to make).
4. Time (overall utilisation of time – balanced perspective).
5. Health (what one would like in the mirror and feel like).

6. Social responsibility (adding value to the community).
7. Spirituality (spiritual growth).

From the above perspective, Reiss (2000) identifies sixteen basic human desires (passions) to which human beings strive, namely:

1. Power (the desire of having influence).
2. Independence (the desire of non-dependence).
3. Curiosity (the desire to know more).
4. Acceptance (the desire to be accepted).
5. Order (the desire to be organised).
6. Saving (the desire to save and/or collect).
7. Honour (the desire to be loyal).
8. Idealism (the desire to live in a 'fair' world).
9. Social contact (the desire to socialise).
10. Family (the desire to have children).
11. Status (the desire to stand out).
12. Vengeance (the desire to win).
13. Romance (the desire of sex).
14. Eating (the desire to eat).
15. Physical exercise (the desire to be fit).
16. Tranquility (the desire to be relaxed).

Since all people have different desires, it is important to operate a business in one's area of passion, and to target a specific market which has the same desires that can be fulfilled by what the business offers. Isidro (2009), is of the opinion that a small business should operate in its selected niche area (area of passion), from where the 'entrepreneurial mindset' should be unlocked in order to ensure success.

Research design

Collis and Hussey (2009) stated that 'research' can further be classified according to the following elements:

1. The purpose of the research,
2. The process of the research,
3. The logic of the research, and
4. The outcome of the research.

Purpose: The purpose of this research fell into the categories of both exploratory research (since, the research problem relates to very few earlier studies) and that of descriptive research, (since, the information obtained from this study was used to identify certain characteristics).

Process: The process of this research was deemed as quantitative research as the data collected was numerical in nature and analysed by means of numbers descriptive statistics mostly.

Logic: This research was deemed as deductive research as the author formulated a 'theory' up-front which was

Table 1. Personality-structure of SMME owners and/or managers.

Personality	%	Total (%)
E	53.49	100
I	46.51	
N	44.36	100
S	55.64	
T	59.45	100
F	40.55	
J	54.90	100
P	45.10	

tested by means of 'practical applications' in a 'general' environment with the main intention of shifting the focus from a 'general' point of view to a 'specific point of view.

Outcome: This research was regarded as applied research as the research findings were applied to solve and/or mitigate the identified research problem. Moreover, based on Collis and Hussey (2009), this research fell into the positivistic research paradigm as the author share the belief that reality is independent of human-life.

RESEARCH METHODS

According to Leedy and Ormrod (2010), the best-suited research method for this research was survey research as the research involved acquiring information about a group of people, with regards to their general perceptions, by means of structured questions in a template questionnaire.

Data collection

The data collection was executed by making use of questionnaires. Remenyi et al. (2009), mention that questionnaires should be utilised in cases where information can not be obtained directly from observations.

The questionnaire utilised was piloted by an academic expert, a qualified statistician and 3 members of the general public, and contained 39 closed questions, mostly relating to Likert Scales, and 2 open-ended questions.

Sampling and analysis

For this research, purposive sampling (a non-probability sampling) was utilised. Leedy and Ormrod (2010), explain that purposive sampling is necessary when a researcher wants to obtain 'rich data' from a particular group of respondents what represent diverse perspectives on a given situation.

The sample size amounted to 306 SMMEs owner-mangers that represented SMMEs across the Cape Metropole.

Data analysis

A descriptive analysis of the returned questionnaires was conducted, and the responses to the questions obtained

through the questionnaires were represented in a table format, along with relevant graphs as supporting evidence.

Delineation

For this research, only owners and/or managers of SMMEs were asked to complete a questionnaire. Also, all SMMEs had to fall within the boundaries of the Cape Metropole and had to adhere to the National Small Business Act, No. 102 of 1996 and the National Small Business Amendment Act, No. 29 of 2004.

RESEARCH FINDINGS AND DISCUSSION

The following discoveries were made with regards to the research conducted: On average, SMME owner/managers stated that the entrepreneurial mindset-components had the following importance with regards to their SMME success:

1. Correct personality: 87.7%
2. Correct attitude: 94.3%
3. Passion for business: 96.1%
4. Passion for role in business: 95.0%
5. Be opportunistic: 86.6%
6. Be goal-orientated: 93.7%

Out of all participating SMMEs, 94.8% of owners and/or managers were of the perception that they possess the entrepreneurial mindset. The financial mindset of SMME owners and/or managers posed the following phenomenon:

Employee (E): 27.00%; Self-employed (S); 29.23%; Business Owner (B); 17.94%; Investor (I) 25.82%.

In essence, the financial mindset of SMME owners and/or managers consisted mostly of a self-employed-mindset and employee-mindset (54.23% combined). This data confirms the attitude of SMMEs towards finance as majority of them focus on obtaining active income only. The average personality-structure of SMME owners and/or managers could be described as Extroverted Sensing Thinking and Judging (ESTJ). This personality structure is shown in Table 1.

RECOMMENDATIONS

From the above analyses, it is evident that owner and/or managers of SMMEs are not regarded as people-people, as the feeling component of the average personality is neglected (revealed an average importance of 57% to respondents). Since most owners and/or managers are actively involved in their respective businesses (48.8%), it is clear that an improvement in the way they treat their customers will benefit their business success tremendously.

Another phenomenon is that owners and/or managers

of SMMEs are not (in essence) regarded as futuristic people, as the intuition component of the average personality is neglected (revealed an average importance of 68.4% to respondents). As all businesses need to do continuous planning, it will be of value for owners and/or managers of SMMEs to be educated in 'scenario planning'.

Owners and/or managers should furthermore be made aware of their 'areas of passion' in order to awaken their inner-drive, as only 94% of respondents are passionate about their business, whereas 95% of respondents are passionate about what they do inside their respective businesses.

Also from the analyses, it is also evident that 12.3% owners and/or managers of SMMEs fail to see the 'linkage' between their personality and their business as a whole. As there is no 'formal recipe' to be successful in business, it is of utmost importance that SMME owners and/or managers are educated in the areas of 'customisation' and the 'entrepreneurial mind' as explained by Gerber (1995).

Conclusion

Based on the aforesaid, it is clear that each of the components of the entrepreneurial mindset, as defined by McGrath and MacMillan (2000), is of paramount importance to achieve SMME success.

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