

Full Length Research Paper

Empirical evidence on opportunity recognition behaviours of informal traders

Boris Urban^{1*}, Robert Venter² and Gordon Shaw³

¹Wits Business School, University of the Witwatersrand, 2050, South Africa.

²School of Economic and Business Sciences, University of the Witwatersrand, South Africa.

³Chair in Entrepreneurship, University of Fort Hare, South Africa.

Accepted 16 March, 2011

This study provides empirical evidence on the nature of entrepreneurship in the informal sector. By interrogating opportunity recognition behaviour, motives for start-ups and perceptions of community support, better understanding of the entrepreneurial mindset is achieved. Informal traders were surveyed in a wide range of businesses of varying age and size. Results suggest that opportunity recognition behaviours are mixed and these informal traders are motivated by a variety of reasons for business start-ups. Additionally many respondents find community norms not to be suitable to entrepreneurial activity. Moreover, business size, but not age, accounts for significant variation across the study variables. Customised interventions are recommended, where informal businesses can be formalised and expanded, to enable them to take full advantage of opportunities. Implications are that as part of government's initiative to enhance the skills of informal traders, policies should encourage the development of specific behavioural skills of which opportunity recognition is central.

Key words: Informal sector, entrepreneurship, new firms, start-up motives, South Africa.

INTRODUCTION

A small, large-scale and a large, small-scale sector characterise most African economies. In between is the medium-scale sector, which has been called the 'missing middle' in African economies. Only 2% of all African businesses have 10 or more employees. The majority are micro and small-scale enterprises that consist of one to three employees, mostly in the informal sector (McDade and Spring, 2005). Chisala (2008) sites informal small, medium, and micro enterprises (SMMEs) as one of the solutions to boosting Africa's deprived economies, and entrepreneurship development is often viewed as an intervention mechanism to create self-employment (Awogbenle and Iwuamadi, 2010). Conventionally, the informal sector is seen to encompass those enterprises which are not registered with government authorities and which are essentially survivalist in nature (Dasgupta, 2003; Hart, 1972; Rogerson, 2000). Despite this

however, the informal sector is increasingly being conceived of in terms of its entrepreneurial potential (Dasgupta, 2003). De Soto's (1989) seminal work, for instance, provides impetus for this by suggesting that the informal sector provides a rich and fertile space for the emergence of capitalists.

The informal economy provides an important but poorly understood means by which many South Africans earn a living (Ngiba, Dickinson and Wittaker, 2009; Olawale, Roberts-Lombards and Herbst, 2010). Notwithstanding this shift in conceiving of the informal sector as a fertile space for entrepreneurial activity, very little scientific attention has been paid neither to the entrepreneurial mindset nor the behaviours of informal traders. Entrepreneurial support initiatives typically look at business and technical skills training but not at developing an entrepreneurial mindset to change levels of perceived opportunities.

The entrepreneurial mindset has been described as the ability to sense, act, and mobilise within dynamic and uncertain environments, as is typically faced by entrepreneurs (Haynie, Shepherd, Mosakowski and Earley, 2008).

*Corresponding author. E-mail: boris.urban@wits.ac.za. Tel: +27 11 717 3762. Fax: +2786 664 3509.

It is the combination of these abilities, to sense and to act, which are required to exploit business opportunities. Understanding the entrepreneurial mindset, in particular the opportunity recognition process represents one of the core intellectual questions for the domain of entrepreneurship (Gaglio and Katz, 2001). Shane and Venkataraman (2001:11) suggest that research should focus on the central questions of entrepreneurship; why, when and how some people, and not others, discover and exploit opportunities. Individuals and opportunities are first order forces explaining entrepreneurship, with environmental forces as the second order, both of these might moderate the effects of the individual and opportunities, but they cannot explain it. Why, when and how certain individuals exploit opportunities appears to be a function of both the opportunity and the nature of the individual (Shane and Venkataraman, 2000). Moreover, rather than being characterised as a dispositional trait, researching the entrepreneurial mindset not only offers insights into entrepreneurial thinking, opportunity recognition and behaviours, but is represented as a dynamic, learned response that can be enhanced through experience and training.

Equally important are personal motives which affect both start-up decisions and the start-up processes. Many studies focus on aspects of entrepreneurial motivation in relation to starting a venture (Drnovsek and Glas, 2002; Douglas and Shepherd, 2002), however few studies focus on the determinants of various entrepreneurial motives such as the necessity motive, the independence motive and the wealth motive, and how the incidence of these various motives affect entrepreneurial behaviour (Hessels, Van Gelderen and Thurik, 2008; Shane, Locke and Collins, 2003). Moreover, investigating opportunity recognition and motives are important, as entrepreneurial activity does not occur in a vacuum, but instead is rooted in cultural and social contexts, more specifically within webs of community networks. If entrepreneurship is not valued in the community or culture of a particular country, then not only will it be associated with criminality and corruption but also other forms of economic encouragement will prove ineffective (Baumol, 1990).

Research aimed at developing a better understanding of the capacities and perceptions of informal traders is important in South Africa, particularly as the government applies itself to the development of the informal sector (The Presidency, 2008; Van Rooyen and Antonites, 2007). Such research may help target advisory and finance services more precisely so that entrepreneurial performance improvement is more likely. Understanding opportunity recognition behaviours and motives for engaging in entrepreneurship would assist national policy makers who are trying to encourage more opportunity focused entrepreneurial behaviour.

Against this background, the purpose of this study is therefore threefold: (1) to provide a descriptive understanding of the nature of entrepreneurs in the informal

sector in terms of a number of individual characteristics and business operating variables, (2) to advance understanding by investigating salient perceptions of opportunity recognition, motives for start-ups and community support, and (3) to identify any significant differences in the entrepreneurial mindset on individual and business characteristics. The paper proceeds by interrogating the theory and existing research to identify relevant variables and prepare the terrain for statistical analysis.

OVERVIEW OF SOUTH AFRICA'S INFORMAL SECTOR

South Africa has a dual-logic economy. On the one side there is a highly developed economic sector and on the other side a sector struggling for survival (Maas and Herrington, 2007). In this context the growth and development of the small and micro-enterprise (SME) business sector has been identified by many stakeholders as being of utmost importance in the efforts to create employment and address poverty (Olawale and Garwe, 2010; SAIRR, 2007). Informal micro-enterprises provide, on average, half of all economic activity in developing countries, however when compared to formal enterprises these enterprises are unproductive, serving mainly as a social security net keeping millions of people alive, but disappearing over time (La Porta and Schleifer, 2008). Although these small businesses serve a vital social function and help make the poor a little less poor; they do not provide much dynamism (SAIRR, 2007; SEDA, 2007).

In South Africa, the informal sector is said to constitute 25% of total employment, and between 5 and 6% of total GDP (GPG, 2008; Ligthelm, 2006). According to Statistics SA's Labour Force Surveys, a total of 2.5 million SMME's are recorded, reflecting an annual increase rate of 6.5% between 1994 and 2006 (SEDA, 2007: 7). The majority of these are black-owned and women-owned businesses currently not able to capitalise on opportunities in the broader economy; these SMMEs tend to exist on the fringe of what has been labelled the first economy (SAIRR, 2007). However, difficulties abound in estimating the size and extent of this sector. Conservatively, the informal sector accounts for some 25% of total employment (GPG, 2008: 51); however, size estimations are confounded by a variety of issues. Moreover, in South Africa there is no conclusive definition on the informal, unregistered, unregulated businesses which typically include service enterprises, production activities and vending. South Africa's recognition and in-depth knowledge of informal sector activities is still insufficient.

The International Labour Organisation's (ILO) definition of the informal sector considers the informal sector in part to be '...a product of rational behaviour of entrepreneurs that desire to escape state regulations' (ILO, 1998). This is in keeping with Rogerson's (2000) conceptual differentiation between survivalist and micro-enterprises in South

Africa's informal sector, with the latter exhibiting growth potential, and hence, entrepreneurial tendencies, albeit that these ventures are largely unregistered and lack formality.

South Africa's informal sector is dynamic, vibrant and incredibly heterogeneous in nature, incorporating a wide range of service, manufacturing and retail enterprises (Van Rooyen and Antonites, 2007; Dongala, 1993). In the labour market there is a movement of workers between the informal and formal sectors, with some seeing the informal sector as a transient space (Devey, Skinner and Valodia, 2006). A zone of transition has been identified where SMMEs move from basic survivalist businesses to more formal entities. This transition represents a moving target (Finscope, 2006) for banks and mobile phone corporations who have an increasing interest to match strategies with growing SMME and consumer needs. At the same time, the informal sector is a haven for foreign nationals and particularly, those who have been displaced from their home countries because of war, famine and the like (Landau and Grindey, 2008). This influx of foreign nationals might equally turn the informal sector into somewhat of a moving target when it comes to measurement (Rogerson, 2000).

Understanding the informal sector as an entrepreneurial space is subject to some debate. Conventionally, the 'marginalists' understand people entering the informal sector as having little other option. This perspective is prevalent in the Global Entrepreneurship Monitor (GEM) series of reports which finds that entrepreneurial activity in Africa, in comparison to other regions, is heavily skewed toward low-expectation entrepreneurial activity. On the other hand, the 'structuralists' contend that people participating in the informal sector exhibit strong entrepreneurial tendencies, and more importantly, do so by choice (Yaw, 2007; Numazaki, 2001; Williams, 2007). While this perspective is arguably more contentious, it does underscore the notion that informal traders might be seen as innovative, opportunity-driven individuals (ILO, 2002), and indeed, that the informal sector gives rise to a 'hidden' enterprise culture which ultimately needs to be harnessed and drawn into the formal economy (Williams, 2007).

However, while micro enterprises or survivalists might have entrepreneurial characteristics, their ability to grow and create employment is restricted by their scarcity of skills, business knowledge and resources (Von Broembsen, Wood and Herrington, 2005). Although the majority of traders would like to see their businesses grow, the number of traders who may be considered entrepreneurial and who would like to expand their business toward formalisation is much smaller (Ngiba et al., 2009). Such low levels of entrepreneurial activity may be explained by situational considerations; Africa is often considered to be a continent of contradictions and in many African countries the blurring of borders between the state and the party has caused regulatory problems.

In many instances, party officials' business interests are being advanced through their links with, and hold over, government officials. In South Africa, Black Economic Empowerment (BEE), a strategy designed by government to introduce previously disadvantaged citizens into the business landscape (SA Business Guidebook, 2006), has also engendered an elite ruling class with strong links to government. The result is that entrepreneurs and people with good business ideas do not want to be involved with government departments or agencies unless they anticipate some corruptor or cronyist advantage (Klein, 2008; von Broembsen et al., 2005).

South Africa's early-stage entrepreneurial activity (TEA) index, the primary measure used to compare the rate of new business start-ups amongst countries, was relatively low (5.9%) for 2009 (Bosma and Levie, 2009). The profile of people who are categorised as necessity-driven versus opportunity-driven entrepreneurs, in the latest GEM report, indicates that in South Africa approximately 41% of TEA is necessity-driven and 46% is opportunity-driven. The ratio of opportunity-motivated entrepreneurship to necessity-motivated entrepreneurship is 3.8, which indicates that the proportion of opportunity-driven entrepreneurs is almost four times higher than necessity-driven entrepreneurs and is substantially higher than the average ratio of 2.5 across all GEM countries (Herrington, Kew and Kew, 2008). This large portion of opportunity-driven entrepreneurship validates further investigations into opportunity recognition behaviours of informal traders.

In South Africa, the growth and development of the informal sector has the potential to create employment and address poverty (SAIRR, 2007). While increasing attention is being paid to the informal sector as an entrepreneurial space, and advances are being made in entrepreneurial mindset literature, there has been very little research which directly examines the thinking-doing connection of informal traders. This is a caveat, considering that the entire entrepreneurial process unfolds because individual entrepreneurs act and are motivated to pursue opportunities.

Conceptualising entrepreneurship

Opportunity recognition

Opportunities are a central theme in entrepreneurship and constitute part of how we conceptualise entrepreneurship. Opportunities and entrepreneurs have been linked since the field of entrepreneurship has first been studied (Shane and Venkataraman, 2000; Venkataraman, 1997). In broad terms, an opportunity may be perceived as the chance to meet a market need (or interest or want) through a creative combination of resources to deliver superior value (Ardichvili, Cardoza and Ray, 2003). In general, individuals discover

opportunities that others do not identify for two reasons. First, they have better access to information about the existence of the opportunity. Second, they are better able than others to recognise opportunities, given the same amount of information about those opportunities, because they have superior cognitive capabilities.

Opportunities develop as individuals shape elemental ideas into full-blown business concepts and plans. Moreover, having experience and knowledge within an industry facilitates entrepreneurs in recognising market gaps and assessing the market potential of a new venture.

Social encounters are a source of business ideas and can therefore lead to opportunity recognition (Christensen and Peterson, 1990). What most literature in entrepreneurship calls 'opportunity recognition' appears to include three distinct processes; perception, discovery, and creation, and not simply 'recognition' (Shane, 2000):

1. Sensing or perceiving market needs and/or under-employed resources,
2. Recognising or discovering a 'fit' between particular market needs and specified resources, and
3. Creating a new 'fit' between previously separate needs and resources in the form of a business concept.

It has been suggested that the opportunity identification process begins when alert entrepreneurs notice factors in their domain of experience that result in the recognition and evaluation of potential business opportunities (Ardichvili et al., 2003). Furthermore, it is possible that certain opportunity recognition behaviour and actions help to reduce the liability of newness and improve the chances for success. Failures and false starts are a normal part of the opportunity recognition process, and the knowledge gained from such experiences often leads to future gains that are more solid (Hills and Singh, 2004).

Motives for start-ups

Based on established literature, there are a plethora of findings on reasons for start-ups, which include: the need for personal development, independence, seeking approval, following others example, financial success, and self-realisation (Drnovsek and Glas, 2002; Douglas and Shepherd, 2002; Shane, Kolvareid and Westhead, 1991). Hessels et al. (2008) provide a succinct overview of the many individual-level studies on entrepreneurial motivations, which they categorise into four types: (1) Studies of reasons or motives to start a business. Often broadly classified as necessity versus opportunity motives; akin to push and pull factors driving entrepreneurial activity. (2) Cost-benefit type of studies that try to explain entrepreneurship decision (intent) to start a venture. (3) Studies of entrepreneurial motivation investigating psychology motives, e.g., need for achievement.

(4) Multinomial logit-type studies explaining the odds of being at a certain stage of the entrepreneurial process or the odds of actually running a business, vis-à-vis the nascent stage.

Models and theories that delineate how motivations influence the entrepreneurial process are copious. For instance a model used by Shane et al. (2003) explains the relative magnitude of how much a particular motivator matters, which varies depending on which part of the entrepreneurial process is being investigated. Review of the literature finds strong arguments for intentions, with existing applications of intentional models showing consistent support (Krueger and Brazeal, 1994). Entrepreneurial intentions are seen as a commitment to starting a new business (Krueger, 1993). This is accepted as a more encompassing concept than merely to own a business, since the creation of a venture is central to the definition of entrepreneurship. Entrepreneurial intentions are the result of motivation and cognitions, the latter including intellect, ability and skills. Starting a business or initiating a new venture is often described as purposive and with intentional choice. Understanding the antecedents of intentions increases the understanding of intended behaviour. Attitudes influence behaviour by impacting on intentions. Path analysis confirms that the correlation between attitudes and behaviour is fully explained by attitude – intentions, and intentions – behaviour links (Kim and Hunter, 1993). Two intention-based models that are widely recognised, and offer a well-developed theory base, are Ajzen's (1991) theory of planned behaviour (TPB) and Shapero's (1982) model of entrepreneurial event (SEE). These models which have considerable overlap, suggest that to encourage new venture creation, it is important first to increase perceptions of feasibility and desirability (Krueger, Reilly and Carsud, 2000). Perceptions of desirability refer to the personal attractiveness of starting a venture. Perceptions of feasibility refer to the degree to which one feels personally capable of starting a venture (that is, self-efficacy). The propensity to act can be seen as the personal disposition to act on one's decisions (I will do it). Evidence is persuasive that perceived desirability and propensity to act explain well over half the variance in intentions toward entrepreneurship, with feasibility perceptions explaining the majority.

Similarly, by extending existing motivational models to integrate the start up decision with issues of strategy formulation and implementation, entrepreneurial behaviour is identified at the core of these models (Naffziger, Hornsby and Kuratko, 1994). Gatewood, Shaver, Powers and Gartner (2002) investigate the role that expectancy has on entrepreneurial performance, where findings suggest that the feedback which an individual receives regarding their entrepreneurial ability changes expectancies regarding future business start-ups, but does not alter task effort or quality of performance. Other less researched motivational concepts linked to entrepreneurial intentions and start-ups, include, the need for

independence, drive, and egoistic passion (Shane et al., 2003).

Research also demonstrates that there are no universal reasons leading to new business formation across gender and national boundaries. Research supports the supposition that men and women follow different business start-up processes. Women are more likely than men to balance work and family roles and to consider time and space constraints as they create new firms (Brush, 1992; Carter, Reynolds and Gartner, 2003). Even though the ratio between men and women entrepreneurs in South Africa is roughly equal, the majority of South African women entrepreneurs operate within the crafts, hawking, personal services and retail sectors, where low technology is utilised in these 'me-too' businesses. Some form of gender division of labour still persists in South Africa, where women are still locked into traditional female functions and they tend to concentrate on activities compatible with their domestic and reproductive roles (Mahadea, 2001).

Community norms

Entrepreneurial activity does not occur in a vacuum, but instead is rooted in cultural and social contexts, specifically within webs of personal and institutional networks (Chan, Bhargava and Street, 2006). Not only can an individual's social network be influenced by a variety of social relations and support factors, but the greater the political and societal legitimacy of entrepreneurship in a particular region, the greater the rate of business formation (Carter et al., 2004). Community enterprise is often considered in the context of traditional economically-relevant characteristics of the location, the business and the entrepreneur. Communities are centred on the notion of 'place', which may be construed as a social evaluation of location based on meaning. These are locations of socialisation and cultural acquisition. Place provides and builds identities, creates a distinct culture and contains meaning (Flora and Flora, 1993:529). Entrepreneurs are an active part of a community providing mutual, symmetric, reciprocated support (Kilkenny, Nalbarte and Besser, 1999: 231-246).

In the series of Global Entrepreneurship Monitor (GEM) reports, cultural and social norms are emphasised as the major strength of entrepreneurial orientation and seem to be the differentiating factor for high levels of entrepreneurial activity in different countries (Minniti and Bygrave, 2003). Reviewing earlier work on community and enterprises, explanations emerge which focus on community as a set of connections and regular patterns of interaction among people sharing common national background or migratory experiences. Membership of associations (as opposed to the group) is voluntary, not compulsory, and these associations do not only pursue narrow ethnic interests. Rather, associations operate in the area of the supposed civic realm, functioning as co-operatives, credit

societies, women's organisation and social clubs. Associations are particularly important in this regard because they not only express differences but also perform the judicial function of settling disputes involving members of the in-group and the out-group. To exclude associations is to miss the lesson of the overall implication of ethnic division for civil society (Eghosa and Osaghae, 2005).

METHODOLOGY

The design for this exploratory study was cross-sectional and survey based, and aims for a descriptive analysis on informal traders. The justification for using a quantitative approach to address the study objectives, rather than rely on a qualitative methodology, is supported in previous investigations (Busenitz and Lau, 1996; Davidsson, 2004).

Responses were solicited in a manner to allow for quantitative analysis and items were measured with interval scales. Apart from the respondent's biographic details, the questionnaire surveyed a number of variables measuring their business activity. Data was collected through a survey, which elicited the views of respondents on issues pertaining to opportunity recognition, motives for start-up and perceptions of community support, predominantly by means of 5-point Likert scales (Cooper and Emory, 1995).

Sample characteristics

The respondents consisted of informal traders who were attending the fifth roll out of the 'Grow Your Business' Programme. The programme, which is a partnership between the University of the Witwatersrand, Johannesburg, and the City of Johannesburg, seeks to impart entrepreneurial skills to informal traders in the greater Johannesburg area.

Researchers suggest that samples of students or individuals undertaking training programmes add control and homogeneity to such studies because individuals studying business already have an interest in pursuing entrepreneurial related careers and they have the necessary education required to run a business (i.e., they have a basis for evaluating self-efficacy in some skills and abilities used in entrepreneurial careers) (Scherer, Adams, Carley and Wiebe, 1989). Such individuals have already committed to starting a business; therefore, their perceptions of intentions must be inherently retroactive. Under these circumstances as Markman, Balkin and Baron (2002) admit it is quite difficult to determine the causal direction of intentions. In other words, does the creation of a new venture increase one's intentions, or do high intentions lead one to start a new company? Notwithstanding these concerns, the influence is not large and several reasons are offered in this regard (Forbes, 2005). Firstly, entrepreneurial performance is influenced by a wide variety of factors including not only cognitions of the individual but also the size of the firm, as well as the cultural and environmental contexts. Secondly, the very decision to start a venture requires a certain minimum level of entrepreneurial self-efficacy which in turn restricts variations in intentions among existing entrepreneurs at least at the phase of venture founding. This restricted variation further reduces the likelihood that pre-existing intention levels account for large differences in performance.

Some 450 surveys were distributed by individual facilitators to their respective classes, and collected once completed. Of the surveys distributed, 227 were returned; of which 197 were usable serving as the final sample, indicating a response rate of 44% (Table 1). Although no distinct profile of the informal trader emerges, this sample is characterised as mostly male, Zulu speaking, with some training/education, operating as a micro or

very small enterprise in existence for more than 42 months across business sectors.

Survey instrument

Most models of opportunity recognition emphasise the importance of perceptions in opportunity recognition, and subsequently variables for the opportunity recognition perceptions are consistent with established conceptual frameworks discussed earlier in the literature review and include items on experience, learning and the creativity process. The opportunity recognition behaviour items were selected from the Panel Study of Entrepreneurial Dynamics (PSED) survey (Carter et al., 2004). The PSED provides systematic, reliable data on those variables that explain and predict nascent entrepreneurship. It is acknowledged that opportunity recognition is highly complex, influenced throughout the entrepreneurial process by a variety of factors, e.g. human capital, networking, etc, however in this present study items focus exclusively on perceptions of opportunity recognition. Next, by extending the opportunity recognition debate, it seemed reasonable to explore informal traders' motivations for starting their ventures, and reasons for start-ups which included items such as: the need for personal development, independence, seeking approval, following others example, financial success, and self-realisation (Drnovsek and Glas, 2002; Shane et al., 1991; Douglas and Shepherd, 2002). The last section of the instrument concentrated on community norms which were measured with eleven items focusing on those social norms and culture which influence entrepreneurship.

Data analysis

The various instruments were tested for reliability, and for each of the different sections descriptive statistics were calculated to determine how respondents scored on opportunity recognition behaviours, motives for start-ups and perceptions of community norms influencing entrepreneurship. Inferential statistics were then calculated to identify any significant differences on pertinent personal and business variables.

RESULTS

The proposed measures have been previously subjected to factor analysis, with satisfactory results achieved in terms of factor loadings and reliability (Carter et al., 2004). Nonetheless reliability was re-tested, and item statistics were calculated using the Cronbach's Alpha. Satisfactory Cronbach's alpha of 0.772, 0.712, and 0.733 were obtained for the opportunity recognition section, the motives for start-up section, and the community norms section, respectively.

Table 2 provides mean and standard deviation scores on all the variables used to measure the entrepreneurial mindset in the instrument.

Descriptive analysis of the opportunity recognition items revealed a mixture of scores focused on each end of the scale, where for instance respondents strongly agreed that 'new opportunities arise in connection with a specific problem' and conversely where they highly disagreed with 'my experience with new venture ideas results in both failures and successes'. A relatively mixed

picture emerged for this scale, suggesting that a more fine-grained analysis of opportunity recognition needs to be conducted. In a few instances the variance, as measured by the standard deviation, is relatively high, where for instance the score is 1.67. This indicated that there was a lot of variation among respondents with regard to some of the opportunity recognition items.

Mean and standard deviation scores on the motives for start-up items, revealed a less dispersed mixture of scores. The highest agreement, in terms of motives for start-up, was the independence motive. This resonates with established literature (Vecchio, 2003) and has been offered as an underlying motive for why some individuals are strongly motivated to be entrepreneurs. It is interesting to note that the highest level of disagreement of motive for start-up was on the 'needed to make a living', which contradicts the notion of the necessity motive being prevalent among informal traders.

The community norm items mean scores tended to be more centred on the midpoint average of 2.5. Respondents disagreed with several items in terms of community norms where the highest level of disagreement was on 'leaders in your community are people who own their own businesses'. These scores may be interpreted in light of similar investigations where entrepreneurs report negative sentiments in terms of how and why the prevailing social, historical, political and ideological systems and norms in contemporary society foster or inhibit the spirit of entrepreneurship among particular societal groups (Ogbor, 2000).

The next step in the analysis used the resultant output of the afore descriptives detailed which was then analysed in terms of selected characteristics of the sample. Paired analysis was used to establish if gender influences the way respondents answered on opportunity recognition, motives and cultural norms. In all instances the response set was adequate, and subsequently F-Tests were calculated, with few significant differences detected across the motives for start-up variable: 'noticed opportunity to develop a business' ($F = 0.55$; $p = 0.001$). For opportunity recognition items and community norm items the F-Test results revealed no significant differences over gender (not shown).

These results may be interpreted as gender not accounting for significant variation in determining opportunity recognition or community norms influencing start-ups.

This procedure was repeated for different variables on aggregate scores where previous research found SMMEs to differ according to business size and business age (Devey et al., 2007; Autio, 2007). Tables 3 to 8 represent the ANOVA results with two significant scores detected at the $p = 0.01$ level for SMME size and opportunity recognition and SMME size and motives for start-ups. For SMME age no significant scores were detected across the various measures. It seems SMME age does not account for significant variation across the study

Table 1. Sample characteristics.

Variable	Percentage
Gender	
Female	36.7
Male	63.3
Level of education	
Matric incomplete	8.6
Matric completed	23.5
Short programme completed	34.7
Diploma /degree completed	25
Postgraduate studies completed	8.2
Language groups	
Afrikaans	5.2
English	9.5
Xhosa	26.7
Zulu	35.9
Sotho	15.9
Other	6.8
Parents, friends or relatives who are or have been entrepreneurs	
Yes	81.3
No	18.7
Business sector	
Agriculture	6.2
Manufacturing	17.2
Construction	14.8
Retail, motor trade and repair services	10.2
Wholesale trade and commercial agents	11.6
Catering, accommodation and other trade	14.8
Transport, storage and communications	11.2
Finance and business services	1.7
Community, social and personal services	12.3
Size of business in number of employees	
Micro = 5	36.8
Small = 50	17.5
Very small = 20	35.7
Medium = 200	6.3
Co-operative	3.7
Business age	
3 months or less	2.6
4-42 months	32.5
More than 42 months	64.9
Business location	
Street trader or hawker	10.3
Craft market	10.9
At home or friend's home	22.3
Container or caravan	24.8
Formal building	12.9
Shopping centre	2.7
Other	15.8

Table 2. Descriptive statistics.

Variable	Mean	Std. Dev.
Opportunity recognition		
New business opportunities often arise in connection with a solution to a specific problem.	1.01	0.14
I listen well to what customers say they want and don't want as a way of identifying opportunities	1.38	0.51
Being creative is very important to identifying business opportunities.	3.64	1.67
Identifying opportunities is really several learning steps over time, rather than a one-time occurrence.	3.81	0.97
My experience with new venture ideas results in both failures and successes.	4.13	0.33
Other people bring new venture business ideas to me.	2.69	0.80
Motives for start-up		
Noticed opportunities to develop a business	2.78	0.39
Wealth creation	3.05	0.43
Strong desire to work on their own	1.09	0.28
Did not want to retire	1.78	0.76
Needed to make a living	3.14	1.04
Always wanted to run own company	2.08	0.95
Family reasons	2.07	1.04
Could not find work	2.58	1.22
Wanted to have something to hand down to others		
Community norms		
The social norms and culture of the community are supportive of one's own personal efforts	2.54	1.07
The social norms and culture of your community emphasise self-sufficiency, autonomy, personal initiative	2.45	1.12
The social norms and culture of your community encourage entrepreneurial risk-taking	2.58	1.26
The social norms and culture of your community encourage creativity and innovativeness	2.70	1.17
The social norms and culture of your community emphasise the responsibility in managing own life.	2.61	1.31
Young people in your community are encouraged to be independent and start their own businesses.	3.11	1.28
State and local governments in your community provide good support for those starting new businesses.	3.18	1.27
Bankers and other investors in your community go out of their way to help new businesses get started.	2.96	1.29
Community groups provide good support for those starting new businesses.	2.78	1.31
Many of your friends have started new businesses.	3.04	1.19
Many of your relatives have started new businesses.	3.11	1.26
Most of the leaders in your community are people who own their own businesses.	3.60	1.22

Questions were measured on a 1-5 Likert scale where 1 = Highly agree to 5 = Highly disagree.

variables.

DISCUSSION

The overall research objective of this study was exploratory and aimed to describe the informal traders' mindset with regard to entrepreneurship. Opportunity recognition behaviours, motives for start-ups and community norms influencing entrepreneurial behaviour were scrutinised in the context of informal traders. In terms of the characteristics of the respondents and their businesses, the results confirm that South Africa's informal sector is dynamic, vibrant and incredibly heterogeneous in nature, incorporating a wide range of individuals and enterprises (Van Rooyen and Antonites, 2007). Due to the limited

understanding of these aspects, as they apply to informal traders, the importance of all these factors needs to be understood so that the behaviour of this important category of entrepreneurs can be replicated. A broad interpretation of this study's empirical findings is that perceptions of opportunity recognition behaviours are mixed across the sample of informal traders. Additionally these informal traders are motivated by a variety of reasons for business start-ups, but it seems the drive for independence is the most important reason for engaging in entrepreneurship. Contradicting accepted wisdom, few respondents cite reason for start-up was out of necessity. These results must be read in conjunction with the study sample selection bias, which may have accounted for the more opportunity focused entrepreneurial motives. Moreover it seems that many respondents find community

Table 3. ANOVA results for opportunity recognition behaviour and SMME size.

	Micro businesses	Small business	Very small business	Medium business	Co operative
Micro businesses		0.912	0.090	0.697	0.801
Small business	0.912		0.110	0.780	0.887
Very small business	0.090	0.110		0.178	0.141
Medium business	0.697	0.780	0.178		0.890
Co operative	0.801	0.887	0.141	0.890	

ANOVA						
Source of variation	SS	df	MS	F	P-value	F crit
Between groups	1.2713709	4	0.31784272	5.9298882	0.001691**	2.75871059
Within groups	1.34000303	25	0.05360012			
Total	2.61137393	29				

Table 4. ANOVA results for motives for start-ups and SMME size.

	Micro businesses	Small business	Very small business	Medium business	Co operative
Micro businesses		0.798	0.951	0.921	0.754
Small business	0.798		0.752	0.875	0.953
Very small business	0.951	0.752		0.873	0.708
Medium business	0.921	0.875	0.873		0.829
Co operative	0.754	0.953	0.708	0.829	

ANOVA							
Source of variation	of	SS	df	MS	F	P-value	F crit
Between groups		1.6372	4	0.4093	3.5114548	0.0150**	2.6060
Within groups		4.6624	40	0.1166			
Total		6.2996	44				

Table 5. ANOVA results for community norms and SMME size.

	Micro businesses	Small business	Very small business	Medium business	Co operative
Micro businesses		0.315	0.049	0.654	0.342
Small business	0.315		0.262	0.160	0.953
Very small business	0.049	0.262		0.022	0.240
Medium business	0.654	0.160	0.022		0.176
Co operative	0.342	0.953	0.240	0.176	

ANOVA						
Source of variation	SS	df	MS	F	P-value	F crit
Between Groups	1.04469654	4	0.26117413	1.7813011	0.1457389	2.53968579
Within Groups	8.06409259	55	0.14661987			
Total	9.10878913	59				

Table 6. ANOVA results for opportunity recognition and SMME age.

Age	3 months or less	4-42 months or less	More than 42 months
3 months or less		0.841	0.601
4-42 months or less	0.841		0.740
More than 42 months	0.601	0.740	

ANOVA						
Source of variation	SS	Df	MS	F	P-value	F crit.
Between groups	0.23316	2.00000	0.11658	2.84396	0.08970	3.68232
Within groups	0.61489	15.00000	0.04099			
Total	0.84805	17.00000				

Alpha=0.05.

Table 7. ANOVA results for start-up motives and SMME age.

	3 months or less	4-42 months or less	More than 42 months
3 months or less		0.128	0.128
4-42 months or less	0.128		0.972
More than 42 months	0.137	0.972	

ANOVA						
Source of variation	SS	Df	MS	F	P-value	F crit
Between groups	0.30781864	3	0.10260621	0.8404773	0.4817923	2.90111757
Within groups	3.90658839	32	0.12208089			
Total	4.21440702	35				

Table 8. ANOVA results for community norms and SMME age.

Age	3 months or less	4-42 months or less	More than 42 months
3 months or less		0.620	0.708
4-42 months or less	0.620		0.903
More than 42 months	0.708	0.903	

ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between groups	1.0447	4	0.2612	1.7813	0.1457	2.5397
Within groups	8.0641	55	0.1466			
Total	9.1088	59				

norms not to be suitable for entrepreneurial activity. Addressing the lack of community norms supporting entrepreneurship, research supports the notion of community support and has found that small-business entrepreneurs who contribute personally and professionally to their community, and who are supported by their community, are more likely to be successful (Kilkenny et al., 1999). This requires changing the com-

munity's perceptions of entrepreneurs and increasing the influence of role models to enhance the societal legitimisation of entrepreneurs.

IMPLICATIONS AND RECOMMENDATIONS

The results of this study resonate with the view that in

South Africa the small business market is so varied and diverse that it requires a classification tool that is not reliant on a one-dimensional view of the formality of the business (Finscope, 2006). Several distinctions within informal traders can be made and may prove useful in targeting interventions to these traders. There is a need for segmentation of different types of entrepreneurs; to go beyond targeting a single parameter of defining a small business thus ensuring the effective targeting of policies and services (SAIRR, 2007).

As part of the business landscape, initiatives to empower and enhance the skills of SMME owners should encourage the development of specific behavioural skills of which opportunity recognition must be central. An awareness of the fact that business opportunity recognition may be enhanced through education and training (Corbett, 2007), it is further recommended that the informal traders not only receive formal training to enhance opportunity recognition behaviours, but that they are mentored in these skills to be able to exploit such opportunities to their fullest extent.

Skills transference by means of training and education, using interactive workshops based on action learning and role playing, are recommended. As the literacy levels of many SMMEs owners are low, traditional training methods such as lectures, seminars and short courses may not always be the most suitable for the transference of these skills. Customised interventions are called for where informal traders can learn how to formalise and expand their businesses, thus enabling them to take advantage of opportunities.

Moreover opportunity-driven entrepreneurship can drive structural transformation in both the modern and traditional sectors through innovation, the provision of intermediate inputs and services and by increasing employment and productivity (Gries and Naude, 2010).

LIMITATIONS AND FURTHER RESEARCH

Limitations of the present study include using surveys to measure behaviours, motives and perceptions which are all retrospective self-report. These self-assessments may not accurately reflect opportunity recognition behaviour and are prone to cognitive and motivational bias. Moreover cross-sectional studies do not allow for true testing of causal relations. In order to build a solid theory there is a need to test the influence of the variables as conceptualised in this study on business sustainability. Clearly, more and more scholars today are underscoring the critical importance of opportunity recognition to entrepreneurship (Gaglio and Katz, 2001; Taplin, 2004; Lumpkin, Hills and Shrader, 2004), where several gaps are evident in the literature, providing fertile ground for future research. Investigations into opportunity recognition and motives for start-ups could allow researchers to examine and compare opportunity exploitation

behaviours in different environmental contexts. Moreover, research could identify business opportunities that create and deliver value for stakeholders in prospective ventures.

REFERENCES

- Ajzen I (1991). Theory of planned behaviour. *Org. Behav. Hum. Dec. Proc.*, 50: 179-211.
- Ardichvili A, Cardoza R, Ray S (2003). A Theory of entrepreneurial opportunity identification and development. *J. Bus. Vent.*, 18: 105-23.
- Autio E (2007). GEM 2007 Report on High-Growth Entrepreneurship. Babson College, London Business School and Global Entrepreneurship Monitor.
- Awogbenle AC, Iwuamadi KC (2010). Youth unemployment: Entrepreneurship development programme as an intervention mechanism. *Afr. J. Bus. Manage.*, 4(6): 831-835.
- Baumol WJ (1990). Entrepreneurship: Productive, Unproductive and Destructive. *J. Polit. Econ.* 98(5): 893-921.
- Bosma N, Levie J (2009). Global Entrepreneurship Monitor 2009 Global Report. Babson College: MA.
- Brush CG (1992). Research on women business owners: past trends, a new perspective and future directions. *Entrep. Theo. Pract.*, 16: 5-26.
- Busenitz LW, Lau C (1996). A cross cultural cognitive model of new venture creation. *Entrep. Theo. Pract.*, 20(4): 25-39.
- Carter NM, Reynolds PD, Gartner WB (2004). Perceptions of entrepreneurial climate. In Gartner WB, Shaver KG, Carter NM, Reynolds PD (Editors), *Handbook of Entrepreneurial Dynamics: The Process of Business Creation*. Sage Publications: California.
- Chan YE, Bhargava N, Street CT (2006). Having arrived: the homogeneity of high-growth small firms. *J. Small Bus. Manage.*, 4(3): 426-440.
- Chisala C (2008). Unlocking the Potential of Zambian Micro, Small and Medium Enterprises: Learning from the international best practices – the Southeast Asian Experience. Paper provided by Institute of Developing Economies, Japan External Trade Organization (JETRO), IDE Discussion Paper No. 134, February.
- Christensen PS, Peterson R (1990). Opportunity identification: mapping the sources of new venture ideas. Paper Presented at the 10th Annual Babson College Entrepreneurship Research Conference, Aarhus, Denmark.
- Cooper RD, Emory CW (1995). *Business Research Methods* (5th ed.). Irwin Inc, Chicago.
- Corbett AC (2007). Learning symmetries and the discovery of entrepreneurial opportunities. *J. Bus. Vent.*, 22: 97-118.
- Dasgupta S (2003). Structural and behavioural characteristics of informal service employment: evidence from a survey in New Delhi. *J. Dev. Stud.*, 39(3): 51-80.
- Davidsson P (2004). *Researching entrepreneurship: International Studies in Entrepreneurship*. Springer: New York.
- De Soto H (1989). *The Other Path: The Invisible Revolution in the Third World*. Harper and Row: New York.
- Devey R, Skinner C, Valodia I (2006). The State of the Informal Economy. In Buhlungu S, Daniel J, Southall R, Lutchman J (Editors) *State of the Nation: South Africa 2005-2006*. HSRC Press: Cape Town.
- Dongala J (1993). The informal sector trade among sub-Saharan African countries: a survey and empirical investigation. *Dev. Econ.*, 31(2): 151-172.
- Douglas EJ, Shepherd DA (2002). Self-Employment as a career choice: attitudes, entrepreneurial intentions and utility maximization. *Entrep. Theo. Pract.*, 40: 81-90.
- Drnovsek M, Glas M (2002). The entrepreneurial self-efficacy of nascent entrepreneurs: the case of two economies in transition. *J. Enterp. Cult.*, 10(2): 107-131.
- Eghosa E, Osaghae O (2005). Civil society and ethnicity in Africa. *Politeia*, 24(1): 64-84.
- Finscope (2006). Small business survey report, Gauteng 2006. African Response: Johannesburg.
- Flora CB, Flora JL (1993). Entrepreneurial social infrastructure: a

- necessary ingredient. *Ann. Am. Acad. Polit. Soc. Sci.*, 529(1): 48-58.
- Forbes DP (2005). The effects of strategic decision making on ESE. *Entrep. Theo. Pract.*, 599-626.
- Gaglio CM, Katz JA (2001). The psychological basis of opportunity identification: entrepreneurial alertness. *J. Small Bus. Econ.*, 16: 95-111.
- Gatewood EJ, Shaver KG, Powers JB, Gartner WB (2002). Entrepreneurial expectancy, task effort, and performance. *Entrep. Theo. Pract.*, 52: 187-206.
- Gauteng Provincial Government (2008). Provincial Economic Review and Outlook. Marshall Town: Gauteng Provincial Government.
- Gries T, Naude W (2010). Entrepreneurship and structural economic transformation. *Small Bus. Econ.*, 34: 14-29.
- Hart K (1972). *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya*. Geneva: International Labour Office
- Haynie MJ, Shepherd D, Mosakowski E, Earley C (2008). A situated metacognitive model of the entrepreneurial mindset. *J. Bus. Vent.*, Article in Press.
- Herrington M, Kew J, Kew P (2008). *Global Entrepreneurship Monitor*. UCT Centre for Innovation and Entrepreneurship.
- Hessels J, Van Gelderen M, Thurik R (2008). Entrepreneurial aspirations, motivations, and their drivers. *Small Bus. Econ.*, 31: 323-339.
- Hills GE, Singh RP (2004). Opportunity Recognition. In Gartner WB, Shaver KG, Carter NM, Reynolds PD. (Editors), *Handbook of Entrepreneurial Dynamics: The Process of Business Creation*. Sage Publications: California
- International Labour Organization (1998). *World Labour Report*. International Labour Organization: Geneva
- International Labour Organization (2002). Resolution concerning decent work and the informal economy. ILC. 90. International Labour Organisation: Geneva
- Kilkenny M, Nalbarte L, Besser T (1999). Reciprocated community support and small town – small business success. *Entrep. Reg. Dev.*, 11: 231-246.
- Kim M, Hunter J (1993). Relationships among Attitudes, Intentions and Behaviour. *Com. Res.*, 20: 331-364.
- Klein M (2008). Government not doing a good job. *Sunday Times*, 20 January: 3.
- Krueger NF (1993). The impact of prior entrepreneurial exposure on perceptions of new venture feasibility and desirability. *Entrep. Theo. Pract.*, 18(1): 5-23.
- Krueger NF, Brazael DV (1994). Entrepreneurial potential and potential entrepreneurs. *Entrep. Theo. Pract.* 18: 91-105.
- Krueger NF, Reilly MD, Carsrud AL (2000). Competing models of entrepreneurial intentions. *J. Bus. Vent.*, 15: 411-432.
- Landau LB, Gindrey V (2008). Migration and population trends in Gauteng province 1996-2055. *Migration Studies Working Paper Series #42, Forced Migration Studies Programme*. University of the Witwatersrand: Johannesburg
- La Porta R, Schleifer A (2008). The unofficial economy and economic development. National Bureau of Economic Research, Working paper No. 14520. National Bureau of Economic Research: Massachusetts.
- Ligthelm A (2006). Size Estimate of the Informal Sector in South Africa. *South Afr. Bus. Rev.*, 10(2): 32-52.
- Lumpkin GT, Hills GE, Shrader RC (2004). Opportunity recognition. In Welsch H (Editor) *Entrepreneurship: The Road Ahead*. Routledge: London.
- Maas G, Herrington M (2007). *Global Entrepreneurship Monitor*. South African Report. UCT Graduate School of Business.
- Mahadea D (2001). Similarities and differences between male and female entrepreneurial attributes in manufacturing firms in the informal sector in the Transkei. *Dev. South Afr.* 18(2): 189-199.
- Markman GD, Balkin DB, Baron RA (2002). Inventors and new venture formation: the effects of general self-efficacy and regretful thinking. *Entrep. Theo. Pract.*, 149-165.
- McDade BE, Spring A (2005). The New generation of African entrepreneurs: networking to change the climate for business and private sector-led development. *Entrep. Reg. Dev.*, 17: 17-42.
- Minniti M, Bygrave WD (2003). National entrepreneurship assessment, United States of America. *Global Entrepreneurship Monitor*. Babson College.
- Naffziger DW, Hornsby JS, Kuratko DF (1994). A proposed research model of entrepreneurial motivation. *Entrep. Theo. Pract.*, 31: 29-42.
- Ngiba CN, Dickinson D, Whittaker L (2009). Dynamics of trade between the formal sector and informal traders. *South Afr. J. Econ. Manage. Sci.*, 12: 462-474.
- Numazaki I (1997). The Laoban-Led Development of Business Enterprises in Taiwan: An Analysis of the Chinese Entrepreneurship. *Dev. Econ.*, 35(4): 440-457.
- Olawale F, Garwe D (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. *Afr. J. Bus. Manage.*, 4(5): 729-738.
- Olawale F, Roberts-Lombards M, Herbst G (2010). An investigation into the impact of the usage of debt on the solvency of SMEs in the Buffalo City Municipality, South Africa. *Afr. J. Bus. Manage.*, 4(7): 1266-1273.
- Ogbor JO (2000). Mythicising and reification in entrepreneurial discourse: ideology-critique of entrepreneurial studies. *J. Manage. Stud.*, 37(5): 605-635.
- Rogerson CM (2000). Emerging from Apartheid's shadow: South Africa's informal economy. *J. Int. Aff.*, 53(2): 673-695.
- Scherer FR, Adams JS, Carley SS, Wiebe FA (1989). Role model performance effects on development of entrepreneurial career preference. *Entrep. Theo. Pract.*, 24: 53-71.
- SEDA (2007). Review of trends on entrepreneurship and the contribution of small enterprises to the economy of South Africa, 2000-2006. Johannesburg: South African Enterprise Development Agency.
- Shapiro A (1982). Social dimensions of entrepreneurship. In Kent C, Sexton D, Vesper K (Editors). *The Encyclopaedia of Entrepreneurship*. Prentice Hall: Englewood Cliffs.
- Shane S (2000). *A General Theory of Entrepreneurship*. The Individual-Opportunity Nexus. Entrepreneurship Education Series. Edward Elgar: USA.
- Shane S, Kolvareid L, Westhead P (1991). An exploratory examination of the reasons leading to new firm formation across country and gender. *J. Bus. Vent.*, 6: 431-446.
- Shane S, Locke EA, Collins CJ (2003). Entrepreneurial motivation. *Hum. Res. Manag. Rev.*, 13: 257-279.
- Shane S, Venkataraman S (2000). The Promise of Entrepreneurship as a Field of Research. *Acad. Manag. Rev.*, 25: 217-235.
- Shane S, Venkataraman S (2001). Entrepreneurship as a field of research: a response to Zahra, Dess, Singh, Erikson. *Acad. Manag. Rev.*, 26: 13-18.
- South Africa Business Guidebook (2006). *Your essential a-z business resources with an investment focus* (9th edition). Write Stuff Publishing: South Africa.
- SAIRR (2007). *South African Survey 2006-2007*. Johannesburg, South Africa: South African Institute of Race Relations.
- Taplin S (2004). Serial entrepreneurs: An in-depth look at the phenomenon of habitual entrepreneurs. In Welsch H (Editor), *Entrepreneurship: The Road Ahead*. Routledge: London.
- The Presidency (2008). Accelerated and shared growth initiative – South Africa (AsgiSA). Government Printer: Pretoria. pp. 240-252
- Van Rooyen E, Antonites A (2007). Formalising the informal sector: a case study on the City of Johannesburg. *J. Pub. Adm.*, 42(3): 324-346.
- Vecchio RP (2003). Entrepreneurship and Leadership: common trends and common threads. *Hum. Res. Manag. Rev.*, 13: 303-327.
- Venkataraman S (1997). The distinctive domain of entrepreneurial research. *Advances in Entrepreneurship, Firm Emerg. Growth*, 3: 119-138.
- Von Broembsen M, Wood E, Herrington M (2005). *Global Entrepreneurship Monitor: South African Report*. Graduate School of Business: University of Cape Town.
- Williams CC (2007). The nature of entrepreneurship in the informal sector: evidence from England. *J. Dev. Entrep.*, 12(2): 339-254.
- Yaw DA (2007). Promoting the informal sector as a course of gainful employment in developing countries: insights from Ghana. *Int. J. Hum. Res. Manage.*, 18(6): 1063-1084.