

**AN ANALYSIS OF OPPORTUNITIES AND TRENDS IN THE SPORT  
BUSINESS INDUSTRY WITH A FOCUS ON ENTREPRENEURSHIP AND  
SMALL, MEDIUM, MICRO ENTERPRISES.**

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**A dissertation submitted to the Department of Sport and Movement Studies: Faculty of  
Management at the University of Johannesburg in partial fulfilment of the requirements of  
the Masters Degree in Sport Management.**

**SUPERVISOR: PROFESSOR C. SINGH**

**MAY 2012**

## DEDICATION

**To Melani....**

*my lifelong friend and partner who has endured and shared the best and worst of times with me.*

*Thank-you.*



**DECLARATION**

The Registrar (Academic)  
University of Johannesburg

Dear Sir / Madam

I, Kush Mothilall,

Registration Number: 200838010

Hereby declare that the dissertation entitled:

**An Analysis of Opportunities and Trends in the Sport Business Industry with a Focus on  
Entrepreneurship and Small, Medium, Micro Enterprises.**



Is the result of my own arduous investigation and diligent research in conception, execution, and completion. Any opinions and conclusions contained herein do not reflect the view of any other person or institution mentioned, except where specific acknowledgement is made to the work of others. Finally, this study has not been submitted in part or in full for any other degree or to any other University.

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**K. MOTHILALL**

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**DATE**

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## ABBREVIATIONS

ASGISA	Accelerated and Shared Growth Initiative for South Africa
BB-BEE	Broad-Based Black Economic Empowerment
BUSA	Business Unity South Africa
BCSA	Business Coalition South Africa
CIPRO	Companies and Intellectual Properties Registration Office
CATHSSETA	Culture, Arts, Tourism, Hospitality, and Sport Sector Education and Training Authority.
DOL	Department of Labor
DEAT	Department of Environmental Affairs and Tourism
DTI	Department of Trade and Industry
FIFA	Federation of International Football Associations
FASA	Franchise Association of South Africa
GEM	Global Entrepreneurship Monitor
GEAR	Growth, Employment and Redistribution Policy
IDC	Industrial Development Corporation
JIPSA	Joint Initiative on Priority Skills for South Africa
LARASA	Leisure and Recreation Association of South Africa
LED	Local Economic Development
MDG	Millennium Development Goals
NSDS	National Skills Development Strategy
NGP	New Growth Path
NDSR	National Department of Sport & Recreation
PMG	Parliamentary Monitoring Group

RDP	Reconstruction and Development Program
SMME	Small, Medium, Micro Enterprise
SEDA	Small Enterprise Development Agency
SMME	Small, Medium, Medium Micro Enterprise
SBE	Small Business Entrepreneur
SRSA	Sport and Recreation South Africa
TEA	Total Entrepreneurship Activity
THETA	Tourism, Hospitality, and Sport Education and Training Authority.
TQM	Total Quality Management



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## ABSTRACT

This exploratory study was a situational analysis of the sport business industry with a specific focus on SMME's and entrepreneurship. The study subsequently aimed to determine entrepreneurial opportunities in the sport domain. A survey questionnaire was administered to 250 small business entrepreneurs plying their trade in the broad South African sport industry. SMME's were identified through CIPRO, online business databases, and snowballing. A stratified sample was selected through various non-probability sampling techniques. The survey was administered through a combination of post, email, and hand-delivery. A satisfactory yet representative response rate of 49% was realized. Although the geographic specificity of the electronic and postal surveys are not evenly spread through-out the country, it does lean towards SMME's in the major urban and semi-urban metropolitan regions of the country. The hand-delivered survey was concentrated in the greater Durban region. Nonetheless, the researcher is of the opinion that the results obtained can provide an insightful and meaningful exposition into the opportunities and trends affecting SMME's in the sport business industry in South Africa. The SPSS program was utilized to descriptively and inferentially analyze the data.

The sport SMME sector in South Africa was found to be relatively young. The small business entrepreneur demographic profile found entrepreneurs to be mainly male, middle-aged and well-educated. Owner-managers were found to have had completed business or entrepreneurship training with varying years experience in the sport business industry. Company properties revealed that based on the age of sport businesses, SMME's were spread through the start-up, growth, and mature business stages. The vast majority of the sample was categorized as small enterprises. From a legal perspective, most businesses were registered as close corporations. About a third of all SMME's were registered with a plethora of business associations and agencies thus giving effect to the inherent cross-cutting nature of the sport industry being prominently felt in various spheres of business and industry. SMME's were also found to be complying to the principles of B-B BEE with encouraging signs of previously disadvantaged ownership.

The identification of viable business opportunities, having a passion for sport, the desire to earn more money, having prior business experience, and to be able to achieve self-fulfillment were found to be the main opportunity-based antecedent motivators for starting a business in sport. A Factor Analysis and Cronbach Alpha Co-efficient similarly showed that self-development, one's

predisposition to sport business, previous business experience, and job security and flexibility to be dominant pull factors to enter sport business. The personal satisfaction of self-employment, the future potential in the industry, the growth and presence of existing businesses, and the existence of an established market reputation were found to be the main factors prompting entrepreneurs to remain in the sport business market.

The findings further revealed that the South African sport industry is not a homogenous industry but a heterogeneous marketplace, highly segmented with a cross-cutting presence into industries such as tourism, media, medicine, education, manufacturing, and retail. Whereas several SMME's were content with niche markets, most SMME's were found to have multiple revenue streams in offering multiple, diversified products and services. This was found to be a defining characteristic of the South African sport marketplace. The study has further demonstrated that sport is by-and-large a consumer-led line of business as SMME's were found to have penetrated numerous markets thus reinforcing the mass market appeal of sport. Sport management, sport development, sport retail, education and training, health and fitness, sport goods manufacturing, and major event management were the found to be the most popular primary products that were being offered by SMME's in the sport business industry. As a mass market product, core markets and consumers were found to be the general public, followed by the sport community at large, government schools, private schools, sport federations, local municipalities, and corporate businesses.

In conclusion, from a holistic perspective, the study has revealed that there is indeed a presence of embedded multiple business opportunities for new venture creation and income-generation in the sport industry. The study has furthermore demonstrated that there is a positive indication of future business potential in the sport industry. The need to showcase, profile, and give greater exposure to successful entrepreneurs and use them as role models is recommended. The need for a professional sport business association is mooted. The need to host regular sport business expos is also proposed. The need to mentor and support youth entrepreneurs until the take-off stage in new venture creation programs is further recommended. Entrepreneurially-inclined individuals need to be encouraged to start, stay, and succeed in self-employment in the sport industry.



**CHAPTER 1****INTRODUCTION:  
CONTEXTUALISING THE STUDY**

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### 1.1. Problem Background

One in four adult South Africans are unemployed (Davis & Sanpath, 2009). Furthermore, only one in eight working-age adults under 25 years of age has a job compared with 40 per cent in most emerging economies (Treasury, 2011). The global entrepreneurial movement has resulted in people looking for self-employment, business ownership, upward-mobility, and economic well-being. Entrepreneurship is revitalizing economies, generating wealth, creating jobs and forging new prosperity (Morrison, Rimmington & Williams, 1999). Since the dawn of democracy in South Africa in 1994, entrepreneurship and Small, Medium, Micro Enterprise (SMME) development has often presented the panacea for the socio-economic problems of the country. Saayman and Olivier (2005) regard the SMME sector as South Africa's only real hope for meaningful economic growth, job creation, and wealth re-distribution. The SMME sector is regarded as the vehicle through which low-income people can gain access to economic opportunities and improve their livelihoods.

The importance of SMME's to economic growth in South Africa has been consistently reinforced through the enactment of official policy and legislation that attempted to address the legacy of inequalities and the disempowerment of black businesses, as well as to create jobs and stimulate economic growth. Since 1994 to present, one has witnessed the foundational Reconstruction and Development Programme (RDP, Act 16085 of 1994) that sought to promote transformation and inclusive service delivery in the SMME support sector. The emphasis on SMME's was re-affirmed with the promulgation of the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (DTI, Notice 213 of 1995) which provided the framework infrastructure for creating an enabling environment for small business in South Africa. The enactment of the National Small Business Act (No. 102 of 1996) added a semblance of structure to the small business environment and provided guidelines to the organs of state to promote small business. Subsequently, in the implementation of Growth, Employment, and Re-distribution (GEAR, 1996), the Accelerated and Shared Growth Initiative for South Africa (ASGISA, 2006), and recently, the New Growth Path (NGP, 2010), the SMME sector and entrepreneurship have been presented as the solution to South Africa's unemployment and as the link bridging the gap between South Africa's first and second economies.

The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa described SMME's as multitudinous suppliers of employment, creators of work

opportunities, innovators and initiators, and responsible for the manifestation of the free market system. Contrary to the numerous policy initiatives to promote SMME development, Herrington and Maas (2007) who compiled the 2006 Global Entrepreneurship Monitor (GEM) report on South Africa, have postulated that South Africa did not have enough new, emerging, or start-up businesses to sustain a growth rate of six percent or higher. The 2006 GEM report provided damning evidence on two fronts: firstly, it was found that entrepreneurship was not a natural process or an ordinary part of daily existence in the country, and secondly, it was noted that the promotion of entrepreneurship in South Africa was below international standards and benchmarks for developing countries. South Africa's poor comparative entrepreneurship performance with other developing countries does not necessarily mean that the country lacks entrepreneurial potential (Bernstein, 2007). Within the realm of sport, several ordinary individuals and former athletes have defied the odds to become successful entrepreneurs and business owners in the sport industry.

Cronje, Du Toit, Marais, and Molatla (2004) stated that the strategic role of small businesses in the South African economy was to produce products and services, promote innovation, aid big business in the supply chain, stimulate competition, improve productivity, engage in global trade, and assist with employment generation opportunities. Van Der Merwe (cited in Nieman et al., 2008) regarded small business entrepreneurs as primary creators and drivers of new business and as a catalyst for economic activity. In a climate of high poverty, widespread unemployment, declining economic growth, and the after-effects of the recent economic recession, it thus stands to reason that entrepreneurship becomes a critical solution to economic stabilization and recovery. Ladzani and Van Vuuren (2002) describe South African entrepreneurship as an uncultivated field, implying that there are endless opportunities for prospective entrepreneurs to incubate and nurture successful careers. Government and the private sector are offering a plethora of support measures for small business development in specific growth areas. Creating and sustaining viable small businesses translates into some form of job creation that can impact on South Africa's chronic unemployment. The SMME sector is relatively under-developed in South Africa. There is enormous potential for income-generating opportunities provided those who are entrepreneurially inclined assume the inherent risk of self-employment and relentlessly pursue business opportunities (Gibson, 2009).

The World Bank reported that post-1994, South Africa has achieved much in terms of macro-economic stability, public expenditure, human capital development, bilateral trade, improvement in

the business and investment climate, attracting direct foreign investment, and the development of business support measures (World Bank, 2006; Lewis, 2002). Against this scenario, the enactment of White Paper on the National Strategy for the Development and Promotion of Small Business (DTI, 1995) and the National Small Business Act (DTI, 1996) were watershed policies in the evolution of the culture of entrepreneurship and the promotion of small businesses in South Africa. Based on the foundation stones of the RDP and GEAR, these policies basically changed the face of entrepreneurship and small business development which has since taken on radical developments mainly due to the measures instituted to promote SMME growth and stimulate entrepreneurial activities.

While there has been progress in this regard, Lewis (2002), Foxcroft, Wood, Kew, Herrington and Segal (2003) and Orford, Herrington and Wood (2005) were not entirely convinced that there has been a commensurate growth in economic development, job creation and employment. The reasons attributed by these researchers include South Africa's consistently low levels of Total Entrepreneurship Activity (TEA), inadequate and ineffective government support, a bureaucratic regulatory climate, the high rate of business failure, and most importantly, the low rate of start-up enterprises considering that such businesses have been proven to create most jobs during the incubation phase of business growth. In the same vein, Driver (2001) cited in Burger and O'Neil (2004) highlighted that the perceived availability of business opportunities and business skill levels of people studied in the 2001 and 2003 South African Global Entrepreneurship Monitor reports were well below international standards.

The country's policy shift towards ameliorating a culture of small business development and entrepreneurship has also translated to and manifested itself in the sport industry. Within this industry, the sport business landscape has been transformed by the propagation of sport and leisure enterprises with a primary objective of turnover, profit, and an adequate return on investment.

It is enshrined in the Constitution of the country and embedded in the Bill of Rights that every person has a right to participate in sport. Sport and leisure has emerged over history as an important sphere of life as a choice of lifestyle and a form of personal expression (Torkildson, 2004). Sport is about emotion, passion, and excitement. Sport as a medium has demonstrated the potential to build social cohesion and national unity and thus occupies a very close place in the social fibre of South African society. The renaissance of the sport industry in the country not only

revitalised sport at grassroots and elite levels but also resulted in the discovery of opportunities in sport business. Beyond recreation and competition, the business context of sport has grown significantly in size, stakes, and diversity in South Africa. The sport business industry has evolved into one of the fastest growing industries worldwide (Coakley, 2001; Gratton & Taylor, 2000; Cashmore, 2000; Foster, Greyser & Wlash, 2006; Smith & Westerbeek, 2004, and Fort, 2006).

Post-admission to the international sport arena, one has witnessed significant changes to the South African sport context. Such changes have unfolded exponentially over the last fifteen years as evident in *inter alia*, the promulgation of national policies that address sport management in all its manifestations, the streamlining of national executive sports structures and clarification of powers and mandates, transformation in the management and participation of competitive sport, the building of sophisticated world-class facilities, innovative programmes and services, growth of sports provision at provincial and local government level, more university degrees in the diverse elements of sport and recreation, the overhauling of the industry-based sport education set-up, and the emergence of internationally-benchmarked sport medicine and high performance centres.

Other developments in the re-invigoration of the sport industry were the proliferation of sport websites and sport publications, the introduction of the franchise system in major sporting codes, the subsequent advent of professionalism and international club competitions, the commercialisation of major sporting codes, and the selling of broadcasting rights. Further changes in the macro South African sport industry included the opening of more sport retail outlets, an enhanced spending on sport goods and merchandise, the introduction of legalised sport betting, the national lottery sport distribution fund, the hosting of regular mega international events, sport travel and sport tourism initiatives, sport management software applications, the undeniable entertainment value of sport, mass media exposure, unprecedented major sport sponsorships, sport marketing and sport advertising, and player management initiatives. Although not empirically proven, the implications of the above changes have contributed to the establishment of a robust sport business culture and a lucrative commercial sport sector driven by enterprising small business owners who have created a market niche and capitalised on ideas and opportunities.

Sport business is an industry through which services and products are offered to consumers of sport in exchange for money. The growth of commercial sport leisure products such as extreme sports, fitness clubs, theme parks, casinos, and the emergence of the sport entertainment arena such as

Sevens Rugby, Pro Twenty Cricket, Futsal, and the beach versions of football, cricket and volleyball are further indicators of the country's transformed sport culture. Considering that modern sport is now firmly focused on entertainment, it has given rise to an enormous consumer market. However not much is known about the entrepreneurial and business dimensions of small businesses delivering such products. Several relevant questions arise. What are the characteristics of small business entrepreneurs and small enterprises? Why do small business owners start a business in sport? What motivates small business entrepreneurs to remain in sport business? How does entrepreneurialism fit into the picture? Such themes have received scant attention from academics, researchers, and practitioners in the field. Therefore, further insight is needed into these issues. Gaining an understanding of these matters would assist in formulating a picture of SMME's in the South Africa sport business landscape.

Major expenditure in the sport sponsorship sector over the last fifteen years bear testimony to the growth of the sport industry in South Africa (Grobelaar cited in Lunsche, 2008; Van Heerden, 2005; Tudhope, 2007). Tudhope further established that the worldwide sponsorship spend increased by a massive 81% in the last decade. Sport sponsorship expenditure in South Africa grew at a calculated growth rate of 19.6% between 1990 and 2002 (SA Tourism, 2005) with the 2002 sponsorship spend in South Africa totaling R2.7 billion (Van Heerden, 2005). On a global scale, Monteith (2007) stated that the worldwide sponsorship market was valued at \$30.3 billion in 2006, further reinforcing the scale of the sport industry.

A range of leisure services are provided by public, institutional, voluntary, and commercial sectors to meet the diverse needs and demands of individuals. Public sector leisure provision, namely sport, recreation, parks, and arts constitute the traditional tried and trusted component of leisure in South Africa. However, in the increasingly mixed economy of leisure – especially in the United States and United Kingdom, the public sector is no longer a monopoly provider. The growing influence of consumerism in response to the commoditization of sport and leisure (Coalter, 2000) is making an indelible mark on the sport and leisure industry. In no uncertain terms, sport has been transformed into a profit-seeking commodity.

Sport is a distinctive social activity that is frequently the basis of a persons' social identity (Coakley, 2001). Peoples' expectations of sport and leisure are rising rapidly. Torkildson (2004) maintains that attitudes to sport and leisure are shifting and customers are becoming more

discerning and knowledgeable and therefore demand value for money. In terms of community leisure, residents expect to be provided with excellent facilities and an exceptional quality of service. However, the standards of grassroots community sport and leisure provision in South Africa do not compare favorably with international benchmarks. Hence, private commercial businesses are targeting the market of discerning sport enthusiasts to provide an exceptionally high standard of facilities, programmes, and services that appeal to their specific needs. Torkildson (2004) highlighted the trend of commercially-operated leisure concerns which are increasingly changing from offering standardized leisure products to being more flexible and targeting the broader and segmented leisure markets.

The industry of sport has changed substantially as a result of social, economic, political, technological, and environmental changes. At a macro-level, the sport business field in South Africa has incrementally experienced greater market expansion, more revenue growth opportunities, ongoing investments, new product innovation, a more professional image, more formalised structures, and is beginning to enjoy professional identification and status as a fully-manifested industry in South Africa. The sport industry has advanced to such a level in South Africa that it now lends itself to being a player in the global marketplace of sport where reputable and world-renowned small business owners and entrepreneurs have entered the global field of international business. Commensurate developments in bilateral trade agreements, state-of-the-art communication technology, and modern transport infrastructure have also contributed significantly to a positive growth in international business for local sport enterprises.

The sport industry is experiencing an unprecedented rate of growth (Arnold, 2008). From a business perspective, sport is now seen as a lucrative and profitable industry with the potential for high returns on investment. O' Beirne (2004) studied the business of sport and postulated that professionalism has preceded commercialism in sport. The advent of professionalism has also led to a need for professional coaching, scientific support, and medical support services which are being offered by entrepreneurial businesses at a cost.

At the heart of the sport business industry is the sport consumer. In the last few decades, sport has been commoditized, produced, and consumed by a rapidly expanding sport consumer market. The literature has highlighted the point that articles and texts increasingly refer to participants in leisure as 'customers' or 'consumers' (Kraus, 1995). The commercial sport industry is a diversified one consisting of many businesses ranging from a local gymnasium to giant multinational sport

management concerns like Octagon and the International Management Group. In explaining the expansion of the British commercial leisure market, Torkildson (2004) and Watt (2004) described the British commercial leisure marketplace as consisting of an array of commercial sport activities such as sport clubs, squash clubs, indoor tennis, indoor bowls, sport villages, country clubs, amusement parks, ice skating, cinemas, greyhound racing, holiday camps, speedway tracks, themed restaurants, tenpin bowling, and bingo.

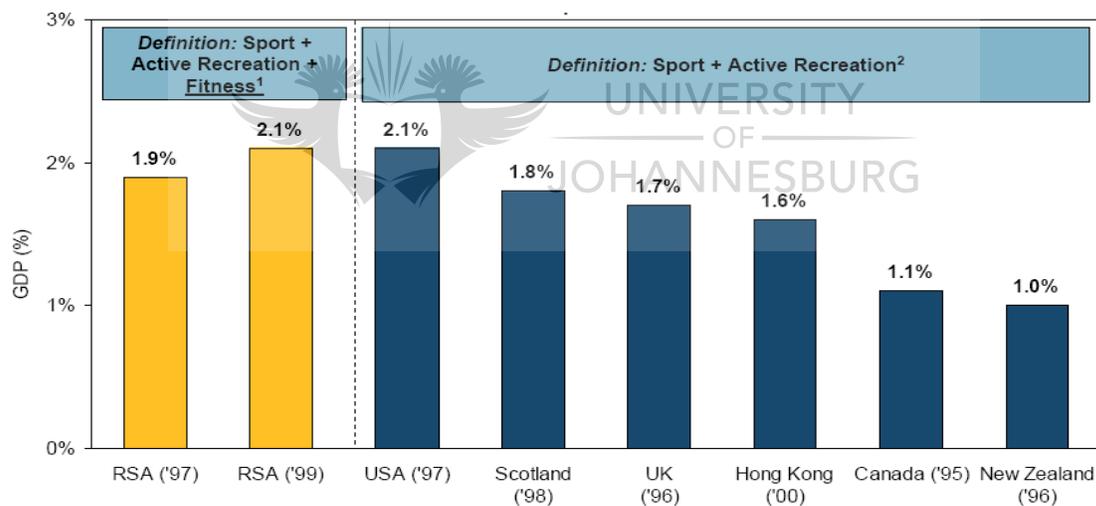
In hindsight, it was difficult for anybody to have foreseen the changes that have transformed the sport business sector: the universal movement from amateurism to professionalism, sponsorship revenues, absurd prize moneys, the relentless surge of commercialism driven by broadcast rights, extraordinary revolution in sport technology, groundbreaking stadium and venue designs, and modern footwear and equipment (Smith & Westerbeek, 2004). The Sporting Goods Manufacturing Association in the United States estimated annual expenditure on sport clothing and equipment at upward of \$50 billion in the United States in 2004 (Woods, 2007). From a South African perspective, it was reported that 208 new general retail sports stores opened in South Africa over the last five years thereby highlighting the commercial value of sport goods and clothing (Anon, 2006).



The growth of the sport industry in general has also been positively influenced by the evolution of the grassroots sport sector. Parkhouse (2005) agrees that the largest segment of sport is not professional sport, but participation sport that millions of people participate in everyday on a recreational and competitive basis predominantly for health, fitness, and leisure purposes. More people are investing in their health and vitality. Grassroots, community sport involvement has fulfilled an under-rated role in emergence of sport businesses in the private sector. Woods (2007) established that recreational sport was steadily growing as an avenue of business in the United States. On the South African front, several well-known small businesses have established themselves in the grassroots sport sector such as Playball, Ruggakids, Active Education, Kidi Sportz, Little Champs Sports Academy, Sport-for-All, Sporting Chance, Play Sport, and Future Factory.

In 2007, sport contributed approximately R4.1 billion to the South African national economy (SRSA, 2008). The 2007 Sport and Recreation South Africa Annual Report further stated that this figure accounted for approximately 2.1 % of the country's GDP which was estimated at R1 987

billion for 2007. This compares favorably with the 1.9% contribution to the GDP in 1997. Furthermore, in 2007, sport contributed to the creation of 40 700 full-time jobs and a further estimated 6900 part-time jobs in South Africa (SRSA, 2008). Similar statistics were discovered by the former Department of Environmental Affairs and Tourism (DEAT) and South African Tourism which estimated the overall sport industry as making a 2.1% contribution to the country's GDP in 1999 (SA Tourism, 2005). It is acknowledged that the sport industry is of moderate size relative to other industries in South Africa in terms of GDP contribution. However, this contribution – although small - is globally comparable to that in developed countries as reflected in Figure 1.1. The sport industry consisting of such segments as sport marketing, sport sponsorship, professional sport, recreational sport, sport media and sport goods is estimated to be the 11<sup>th</sup> largest industry in the United States (Parkhouse, 2005). Parks, Quarterman and Thibault (2007) also listed the sectors of international sport, sport information, sport communication, sport tourism, sport medicine, and consulting as having significant business prospects.



**Figure 1.1.: GDP Contribution of the Sport Industries across Countries**

Source: SA Tourism: Overview of South African Sport Industry Competitiveness (2005)

The country's vibrant sporting culture has predisposed the prolific growth of the sport industry in South Africa. Businesses have reinvented and established themselves in the country's robust sport industry with companies like Octagon, Megapro, BMI Sports Info, Sail, Circa, MCS Sports, In-site Athlete Management, Proactive, Sportsvendo, Sterling Sport Management, and Warwick Sport among the frontrunners. Sport personalities have also joined the entrepreneurship bandwagon with

former competitive athletes, coaches, and administrators venturing into successful sport entrepreneurial initiatives. Cashmore's (2000) remark that the commercialization of sport is part of an irreversible and inexorable movement that has affected every aspect of contemporary culture appears to be valid.

This study examines current trends in the sport industry. Trends are normally indications of national movements and are important indicators of future needs and demands (Torkildson, 2004). The value of analyzing trends in sport is to draw attention to specific problems, to predict the future behavior of companies, to inform policymaking and to give effect to effective decision-making in the industry.

From a legislative perspective, in the first White Paper on Sport and Recreation, the economic value of sport was barely mentioned (SRSA, 1998). On the contrary, the updated Draft White Paper on Sport and Recreation boldly alludes to the business of sport in terms of promoting a dynamic and robust sport economy (SRSA, 2010). This is indicative of the steady growth of the sport industry and its relevance to the country's economy.

It can be deduced that employment opportunities in the South African sport marketplace are diverse in nature but low in volume. As universities, FET colleges, learnership programmes and graduate programmes continue to produce graduates, the rate of formal employment opportunities is not growing at a commensurate pace in order to accommodate these job seekers. Hence, the supply of qualified sport administrators is outstripping demand. The problem of unemployed graduates thus intensifies. This scenario was highlighted by Chuene (PMG, 2007). The harsh realities of South Africa's unemployment problems will inevitably drive job seekers and graduates down the entrepreneurial path to become job creators instead of job seekers (Burger & O' Neil, 2004).

The ushering of a new sport dispensation in South Africa in 1994 has arguably revolutionised the sport management industry. Of particular interest, has been the emergence of the sport business sector - an under-researched field of sport management in South Africa. One of the areas of the first-world economy where there has been a relatively rapid growth of small businesses is the sport industry (Berrett, Burton & Slack, 1993). In this field, small business entrepreneurs have conceived smart entrepreneurial ideas and created opportunities which have been transformed into

viable businesses. In essence, this study expects to unearth groundbreaking information through a multitude of probing and informed research questions targeting small business entrepreneurs engaged in self-employment and business entrepreneurship in the sport industry. Against this background, this study examines the pre-disposing conditions to small business entrepreneurship in sport as well as current business trends and opportunities in small business entrepreneurship.

## 1.2. Statement of Problem

SMME's and entrepreneurship could contribute to job opportunities and alleviate unemployment in South Africa. Sport, by its very nature, has inherent entrepreneurial potential. How can one gauge or assess this potential? One avenue is to critically determine current entrepreneurial opportunities within the sport business sector from the perspective of practicing small business entrepreneurs who are currently grappling with the entrepreneurship process and small business management within a legislative SMME environment. Hence, in framing the research problem for this study, it is necessary to view the problem in the context of the interplay between sport, entrepreneurship, business management, and the SMME landscape.



### 1.2.1. Aims

1.2.1.1. The primary aim of this exploratory study is to conduct a situational analysis of the sport industry with reference to entrepreneurship and SMME's.

1.2.1.2. The secondary aim is to assess potential opportunities for new venture creation and self employment in sport business.

### 1.2.2. Objectives

In order to investigate the broad aims of the study, concise objectives were proposed within the research framework. The researcher endeavoured to:

1. Examine the biographical characteristics of sport entrepreneurs.
2. Investigate the underlying factors motivating small business entrepreneurs to establish an enterprise in the sport sector.

3. Gain insight on the biographical profile of small businesses entrepreneurs in the sport.
4. Obtain insight into the business profile of SMME's in the sport industry.
5. Examine the reasons motivating small business entrepreneurs to stay in sport business.
6. Propose recommendations based on the above objectives that should stimulate entrepreneurship in the sport industry further.

### 1.3. Motivation for the Study

In conjunction with the overriding theme of the study, the following background factors accentuate and reinforce the significance of the study:

1. The stated topic is under-researched. The study is expected to make a meaningful addition to the existing body of knowledge on entrepreneurship and small business management in sport in South Africa.
2. From an academic perspective, Morrison et al. (1999) confirmed that academia has been requested to respond to contemporary socio-economic challenges such as entrepreneurship, unemployment, job creation, and economic growth. From a South African leisure perspective, Goslin (2003) assessed ensuing leisure research in Africa, and reiterated the need for research which could quantitatively substantiate the role of leisure in addressing social issues such as poverty alleviation and stimulation of the economy.
3. A lack of research on entrepreneurship and SMME's in Africa (Naude & Havenga, 2005), South Africa (Mitchell & Co, 2004) and in low-income, developing countries (Cook, 2001).
4. From a legislative standpoint, the National Small Business Act (DTI, Act 102 of 1996) and the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa provide a statutory mandate to undertake this study in an effort to achieve sustainable and equitable economic growth through small business development in South Africa.
5. The 2006 Global Entrepreneurship Monitor (GEM) report emphasised the need for future entrepreneurship research in South Africa to focus on establishing a stronger

entrepreneurship culture (Maas & Herrington, 2007). It is expected that the research will enhance the entrepreneurship culture in the country and mobilize the entrepreneurial spirit of South Africans to consider self employment in the sport industry.

6. Research, discussions, debates, and conferences such as the Youth Entrepreneurship Conference in 2004 (UNECA, 2008) and the Youth Entrepreneurship for 2010 and Beyond Conference hosted in July 2008 by the Umsobomvu Youth Fund (UYF, 2008) are continuously exploring techniques, strategies, solutions, innovations, and research on how to increase the Total Entrepreneurial Activity (TEA) of young people.
7. Levels of unemployment among young South Africans are far higher than any other age group. According to official statistics, in 2010, the strict unemployment rate for youth between 15-24 years was 53.4% - double the national unemployment rate of 25.2% (Stats SA, 2010). Officially, the First Quarterly Labor Force Survey of 2010 found that the total number of unemployed people in South Africa was 4.3 million (Stats SA, 2010).
8. In comparison with international benchmarks, South Africa lags behind in the size and performance of its small business sector (Anon, Business Day, 2004).
9. The value of SMME's in South Africa: they represent 98% of the total number of firms in South Africa (World Bank, 2006; SEDA, 2008a), absorb between 50% and 60% of the formally employed labor force (DTI, 2008; World Bank, 2006), and contributed 36% to South Africa's GDP in 2002 (Malagas, cited in Nieman, 2006).
10. Self-employment interventions' as a key Apex Priority was included as part of Governments Programme of Action as identified in the State presidents 2008 State of the Nation Address (The Presidency, 2008). National macro economic programmes and policies such as ASGISA and the National Skills Development Strategy support new venture creation to achieve an economic growth rate of 6% and halve unemployment by 2015 (ASGISA, 2006).
11. Governments' latest economic development, poverty alleviation, and job creation policy, namely the New Growth Path reinforces its commitment to new venture creation and

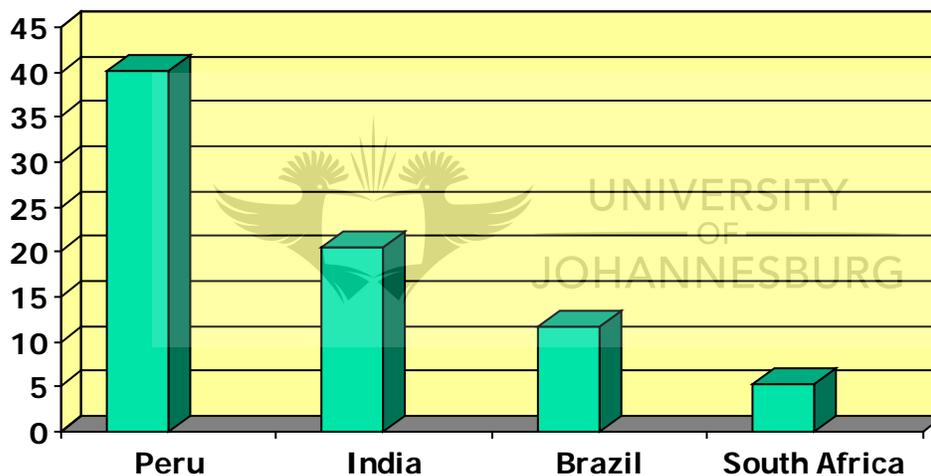
entrepreneurship development. Program 4 of the policy, namely '*Enterprise development: promoting small business and entrepreneurship; and eliminating unnecessary red-tape,*' espouses the need to stimulate SMME growth and development and the need to support and regulate the burgeoning small business sector as a prime creator of jobs (NGP, 2010).

12. A mere academic qualification does not guarantee one a job. Research conducted for JIPSA by the Development Policy Research Unit at the University of Cape Town showed that there are approximately 200 000 unemployed graduates in South Africa with a mix of certificates, diplomas, technical qualifications, and degrees (Anon, 2008a; JIPSA, 2006a).
13. Similarly, the Sport Careers Colloquium hosted by SRSA revealed that sport graduates were struggling to find employment and reiterated the possibility to create their own employment (Durand, 2007a).
14. The Phase Two review of the National Skills Development Strategy 2005-2010 identified major challenges in the placement of learners in formal jobs across all twenty five industry sectors (Department of Labor – DOL, 2005).
15. The former THETA (now CATHSSETA) highlighted a worrying scenario where 80% of learners who had completed learnerships with THETA were failing to secure meaningful employment in the sport industry (Parliamentary Monitoring Group, 2007).
16. With South Africa's hosting the FIFA World Cup in 2010 - its fourth major world cup within fifteen years - small business enterprises leveraged of the spin-offs from related business in either benefiting from procurement contracts and tenders, supporting large businesses, or even exploiting niche business opportunities related to the mega event.
17. The Global Entrepreneurship Monitor (GEM) refers to Total Entrepreneurship Activity (TEA) as all activity related to entrepreneurship in a country (GEM, 2008). The GEM provides unquestionable evidence that South Africa's TEA ranking with other participating countries has been consistently dismal over the past eight years as indicated in Table 1.1 (Maas & Herrington, 2007).

Table 1.1: South Africa's Total Entrepreneurship Activity Ranking

YEAR	2001	2002	2003	2004	2005	2006
SA's TEA POSITION	14 <sup>th</sup> /28 countries	20 <sup>th</sup> /37 countries	22 <sup>nd</sup> /31 countries	20 <sup>th</sup> /34 countries	25 <sup>th</sup> /34 countries	30 <sup>th</sup> /42 countries

18. Figure 1.2 graphically illustrates that in 2006, the GEM measured the global TEA as 9.43%, while the global TEA for developing countries was 14.80%. In comparison with countries with similar emerging economies, South Africa's TEA was 5.29%. Being placed a lowly 30<sup>th</sup> out of 42 participating countries, South Africa was ranked lower than India, Brazil and Peru. The GEM 2006 report on the status of South African entrepreneurship concluded that the promotion and support of entrepreneurship was below international benchmarks (Maas & Herrington, 2007). Hence, this finding provides ample justification to pursue this study.



**Figure 1.2: 2006 Global TEA for Developing Countries.**

19. Finally, the study is expected to further benefit academics, practitioners, latent and nascent entrepreneurs, and students in the sport management profession.

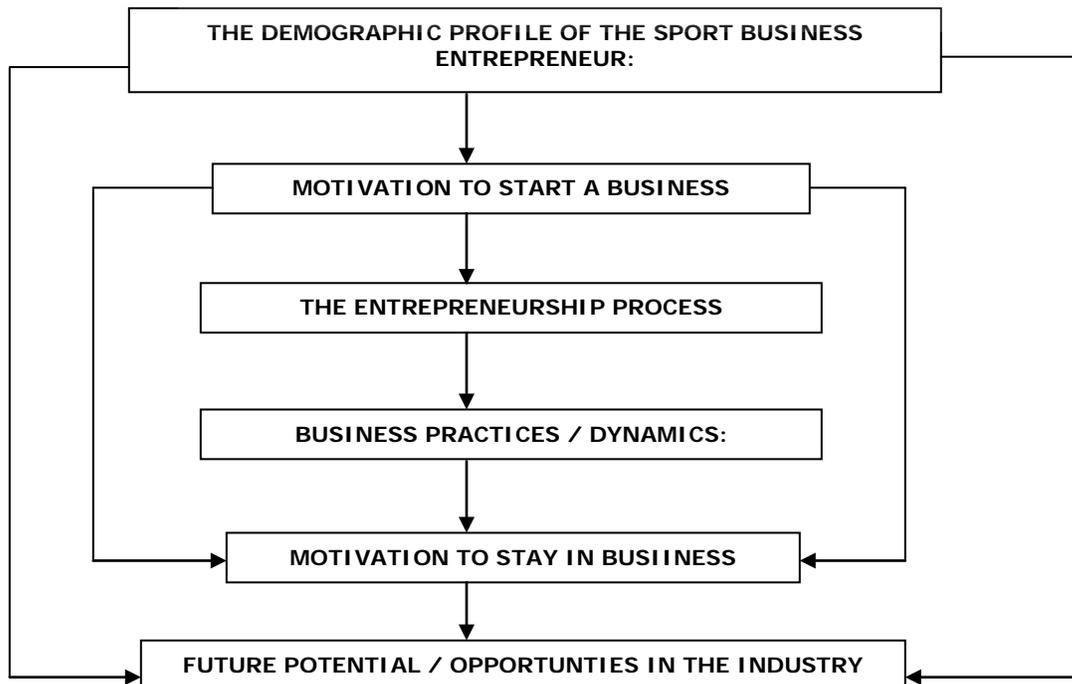
#### 1.4. Conceptual Framework

Miles and Huberman (1994) cited in Veal (2006), and Gratton and Jones (2004) state that a conceptual framework identifies, defines, and explains the key concepts, constructs, or variables to be used in a study and the relationships between them either graphically or narratively. Concepts, according to Veal are the building-blocks of a study. In short, a conceptual framework

conceptualises the study. Considering that the stipulated topic is of a broad nature; a conceptual framework helps to focus the topic and determines what exactly should be researched (Veal, 2004).

In the context of this study, the concept ‘Analysis’ from the title of the study is operationalised and measured in several ways as depicted in Figure 1.3. This diagram graphically illustrates a conceptual framework based on SMME’s and entrepreneurship in the sport industry. This framework helps to structure and guide the study. This model further illustrates the linkage between the literature review, methodology and data analysis. The diagram articulated in Figure 1.3 was structured from a broad set of ideas and theories drawn from the literature to assist the researcher to identify and clarify the problem and correctly frame the research aims.

Figure 1.3 is self-explanatory. An analysis of the demographics is firstly undertaken. The antecedent motivation to engaging in self-employment in sport is also determined. In terms of the theoretical application, the framework illustrates in conceptual form, the linkages between the role of the small business entrepreneur and the entrepreneurship process. Figure 1.3 further reflects that selected business performance areas are also explored. The conceptual framework also highlights the reasons motivating small business entrepreneurs to remain in sport business. Finally, it reflects the need to gauge future business potential, prospects, and opportunities in the sport industry.



**Figure 1.3: Conceptual Framework of Study**

## 1.5. Context of the Study

### 1.5.1. Socio-economic context

This study was conducted in midst of the euphoria, hope, and optimism of South Africa hosting the 2010 FIFA World Cup – an event that unlocked business opportunities linked to football and beyond. The 2010 FIFA World Cup presented more than an opportunity to speed up growth and development or to market South Africa to the world; it was also an opportunity to grow local entrepreneurship and small businesses in the sport industry. This mega event has broadened local participation in the economy and played a small but meaningful role in firmly ensuring that Government meets its objective in line with the Millennium Development Goals of halving poverty and unemployment by 2015. On the contrary, this study was further shadowed amid the ominous world economic crisis and unprecedented job losses with South Africa officially entering economic recession in May 2009 (Mtshali & Mahlangu, 2009).

### 1.5.2. Sport Management Context

This study is quite unique in that it demonstrates a multi-pronged focus. Foremost, this study is situated within the sport management realm, primarily in the sport business industry which, according to Parks et al. (2007), is an all-encompassing field consisting of a myriad of segments that can be categorised into three broad dimensions, namely sport promotion, sport production, or sport activity. On this basis, Veal (2006) describes leisure studies as a multi-disciplinary, cross-disciplinary, and inter-disciplinary field of study. To reinforce the focus of the study from contemporary viewpoint, Parkhouse (2005) broadly described sport management as the study and practice involved in relation to all people, activities, organisations and businesses involved in producing, facilitating, promoting or organising any product that is sport, fitness, and recreation related. They further refer to sport products as goods, services, people, places, or ideas. On a secondary basis, due to its cross-cutting approach, the study explores the fusion between small business management, entrepreneurship, and sport.

Amis and Silk (2005) cited in Parks et al. (2007) highlighted the problem of the gap between research and practice and the subsequent need for synergy between what researchers choose to investigate and the needs of those in the field. Hence, a question has always been asked: how best to translate sport management theory into practice? This study thus serves as a convenient vehicle

of promoting linkages between academia and the applied sport management industry. In this sense, the academic development of potential and preparatory sport entrepreneurs can be integrated with, rather than divorced from the experiences of practising entrepreneurs (Morrison et al., 1999). Therefore, this study is both theoretically and practically oriented, occupying common ground where both researchers and practitioners can benefit.

The sport industry focused on in this study is an all-encompassing concept. Pitts and Stotlar (1996) cited in Gouws (2001) define the sport industry as a market that includes a variety of sport-oriented products and buyers where the products offered to its buyers are sport, fitness, recreation, or leisure-related and may be activities, goods, services, places, people, or ideas that satisfy a consumer's sport, fitness or recreation-related needs and desires. As a collective noun, sport in this context is a broad term that typically connotes a wide range of sporting activities (Parks et al. 2007). The sport management profession in South Africa is taking on a new commercial and business identity. In the private sector, over and above traditional businesses of sport goods manufacturing and sport retail, there is a vast range of areas where sport and recreation are commoditized and commercially managed, for example health clubs, tourism attractions, leisure centres, and private sports coaching. In professional sport, commercialism has also entered the fray in the form of sport marketing, sport advertising, sport branding and merchandising, event management, sport hospitality, and player and team management. In this expanding sport industry, both existing and nascent entrepreneurs stand to capitalise on niche opportunities while small businesses are becoming more prominent in the supply chain of offering goods and services.

#### **1.6. Focus of the Study**

The researcher has discovered that very little research has been undertaken on small business entrepreneurship in the sport industry. As such, this is an area yet to be adequately explored. According to Veal (2006), research for sport and leisure business management is presented in either two main contexts, namely market profiles relating to consumers or businesses and market research relating to the scale and nature of the market. The core focus of the study is on small business entrepreneurs engaged in self-employment who are primarily concerned with delivering diverse products (goods and services) within the wide spectrum of sport.

Entrepreneurship and small business development has been a subject of much debate and discussion in South Africa. Developing an entrepreneurial culture in the country is increasingly engaging the attentions of decision-makers, policy makers, social scientists, and administrators. Arising from the literature on small business management and entrepreneurship in sport, a list of integrated research questions are identified and embedded in the study, namely what factors shape the thought-processes, attitudes and approaches of entrepreneurs to take on the challenge of embarking on an entrepreneurial occupation and what are the common drivers to stay in sport business. This dissertation also endeavors to explore and understand the interrelated aspects of entrepreneurial behavior and character traits of sport entrepreneurs. Furthermore, entrepreneurial business opportunities are identified in terms of products and services being offered. The spotlight is firmly on selected biographical and business principles that characterise small business owners and their enterprises in sport.

### 1.7. Delimitations

Whilst the study sought to target SMME's in the broad, stratified sport business sector, some form of delimitation was applied to give the study focus. It was necessary to impose such restrictions to ensure streamlining and efficiency. The study was delimited to a manageable level along the following lines:

1. SMME's in 15 different categories of sport business were selected.
2. This study was delimited to the data obtained from the questionnaires which were administered to 250 business owners.
3. Due to the nature of the study, a non-probability sample was used.
4. A three-fold survey approach comprising a postal, electronic, and hand-delivered survey was employed. Geographically, the postal and electronic survey targeted SMME's nationally. However, the hand-delivered survey was restricted to SMME's in the urban metropolitan region of Durban due to cost implications, convenience and practicality.

5. The study was further restricted to dimensions of entrepreneurship and small business management that would have a bearing on the objectives of the study. Given that entrepreneurship and small business management are extensive subject areas, cognisance was taken to be selective of those aspects of relevance.
6. The author acknowledges that there are unregistered, survivalist, informal, but economically active firms doing business in the sport industry. However, in the interests of reliability, the study was delimited to legal businesses.
7. In view of the above point, the study was delimited to include only bona-fide, formal business enterprises which are registered on the Companies and Intellectual Property Registration Office (CIPRO) database.

#### 1.8. **Limitations**

While the present study is an intensive piece of research which seeks to address as many factors as possible, it was constrained by limitations. The researcher acknowledges the following inhibiting factors:

1. Firstly, there were limitations with the review of literature. Research focusing exclusively on small business entrepreneurs in the sport industry was virtually non-existent within a South African context. On an international basis, such research was fragmented and limited.
2. Questionnaires by nature always have inherent limitations. However, every precaution was taken to control the variables that may affect the answering of questions.
3. The lack of a readily available all encompassing sport SMME database.
4. The un-user friendly nature of the CIPRO website.

5. The non-existence of a comprehensive sport business directory of companies which depicts the breakdown of companies according to geographic location and according to products and services.
6. The existence of outdated company data on CIRPO (for example the postal addresses for several companies on the CIPRO database were outdated).
7. The limited sorting or searching functions on the CIPRO website. This precluded the researcher from distinctly identifying which companies are rural or urban-based. While the electronic and postal surveys were certainly spread nationally, the researcher is unable to pinpoint geographic specificity. In terms of the country's business geography, businesses were inherently concentrated in major metropolitan hubs and semi urban city centres.

### 1.9. Hypothesis

The following hypotheses were postulated:

1. It is hypothesized that presently there are diverse entrepreneurial business opportunities within a highly segmented sport industry in South Africa.
2. It is hypothesized that the identification of business opportunities is a strong motivating variable persuading individuals into new venture creation.
3. It is hypothesized that there is good future prospects for business sustainability.

### 1.10. Assumptions

The following assumptions are postulated:

1. It was assumed that the geographic spread of the sample selected for the postal, electronic, and hand-delivered surveys did give semblance to a microcosm of the broader national sport business geography.

2. The hand-delivered survey was concentrated in the Durban Metropolitan area, and the responses accounted for a quarter of the entire survey. Hence, it was assumed that the overall findings of the total survey could still be meaningfully extrapolated to the national sport industry.
3. It was assumed that survey questions were reliably answered by small business owners and entrepreneurs within the limitations of the study.
4. It was also assumed that the anonymity of the survey allowed small business entrepreneurs to answer the questions honestly and objectively.
5. It was further assumed that any minor degree of inconsistent information supplied by the respondents would not be sufficient to reduce the significance of the findings.

### 1.11. Definition and Clarification of Terms

#### 1.11.1. Introduction



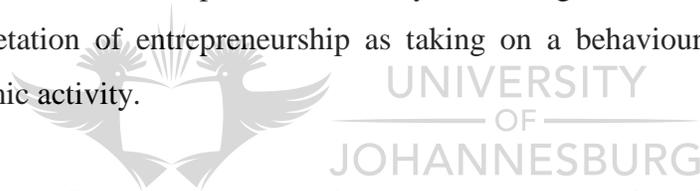
There are several terms that are used specifically in the context of this study. Such terms are defined thoroughly in relation to this research to avoid ambiguity. In certain instances, several terms give effect to sub-terms that are relevant to the study and hence, require an explanation. Given the synonymous nature of the concepts of entrepreneurship and entrepreneur and the fine boundaries between them, academics and researchers have tended to define these terms conjointly. However, these terms, as different concepts, have different meanings and are reviewed separately hereunder. Furthermore, an attempt is made to distinguish an entrepreneur from a small business owner.

#### 1.11.2. Entrepreneurship

Defining the concept of entrepreneurship has evoked much debate and discussion. An exhaustive screening of the literature reveals no agreement among researchers on a universal definition of entrepreneurship (Nieman, 2006; Nieuwenhuizen, 2008; Mahadea, 1991; Morris & Hooper, 1996;

Ball, 2005). The challenge of defining entrepreneurship was further highlighted by Fillion (1997), Pretorius and Van Vuuren (2003), Morrison et al. (1999), and Sternberg and Wennerkers (2005). Whereas the field of entrepreneurship is unable produce a generally-accepted definition of its subject matter, what is undisputed is that the word entrepreneurship is a derivative of the word entrepreneur.

Entrepreneurship by its very history is an interdisciplinary overlapping science (Mick & Linder, 2005). There are several plays on the term entrepreneurship such as Entrepology and Entrepreneurism. Closely related to entrepreneurship is the field of philanthropy, thus highlighting the multi-faceted roots of the term. An early pioneer of the field of entrepreneurship was the economist, Schumpeter (Schutte, 1992; Muhanna, 2007). According to Schutte, Schumpeter recognised that people have an entrepreneurial personality and thus associated entrepreneurship with routine innovation, creativity, decision-making, invention, and risk-taking. In tracing the historical development of the concept, Mahadea (1991) and Morrison et al. (1999) found strong connotations to economic development. Similarly, Sternberg and Wennerkers (2005) referred to their first interpretation of entrepreneurship as taking on a behavioural notion in the sense of seizing an economic activity.



The GEM broadly defined entrepreneurship as any attempt at founding a new business, new venture creation or the expansion of any existing business by an individual or a team (Naude & Havenga, 2005). There is widespread acceptance of the notion that entrepreneurship is a variable phenomenon with underlying dimensions of innovation, risk-taking, and proactive behaviour (Morris & Hooper, 1996). Nieuwenhuizen (2008) defined the field of entrepreneurship as the study of the practices of entrepreneurs and their activities, characteristics, economic and social effects, and the support methods used to facilitate the expression of entrepreneurial activity. Robbins and De Cenzo (2005) added that some academics apply the term from different perspectives, associating the concept with the creation of a new business, intentions, income substitution or with small business management. This definition was alluded to by Sternberg and Wennerkers (2005) who referred to the occupational notion of entrepreneurship as owning and managing a business. Schute (1992) examined entrepreneurship from an operational perspective examining the level of success attained by an individual in his or her business venture. The emphasis on creating value and wealth was further highlighted by Ball (2005).

From a business economic perspective, Cronje et al. (2004) defined entrepreneurship as the process of mobilising and risking resources to utilise a business opportunity or introduce an innovation in such a way that the needs of society for products and services are satisfied, jobs are created, wealth is generated, and the owner of the venture profits from it. Pretorius, Millard and Kruger (2005), Nieman (2006), and Antonites and Van Vuuren (2005) regarded creativity, innovation, and opportunity-finding as key ingredients of entrepreneurship. Hisrich, Peters and Shepherd (2005) discussed the principles of entrepreneurship, highlighting that entrepreneurship is a dynamic process of creating incremental wealth while assuming risks in terms of equity, time, and commitment. They also emphasized the rewards of being an entrepreneur, namely independence, personal satisfaction, and monetary rewards.

For the purpose of this study, the following definition of entrepreneurship as a multi-disciplinary concept will form the foundation of this dissertation:

Entrepreneurship is the emergence and growth of new business. Whilst there is a pre-occupation to equate entrepreneurship with business, from a personal human perspective, entrepreneurship could also be viewed as a job in the form of work that is intrinsically rewarding and self-actualising. Being entrepreneurial means being creative and seeking out new opportunities and adding value to society through changing, transforming, revolutionising or introducing new products and services. Distinguishing factors of entrepreneurship include growth and success.

### **1.11.3. Overlap between Entrepreneurship and Small Business Management**

Opposing arguments emerge from the literature on whether entrepreneurs and small business owners are one and the same or different. Carland, Hoy, Boulton, and Carland (1984) distinguished such firms as being different entities in terms of type and conduct. Similarly, Wickham (2001) cited in Nieman (2006) differentiated between an entrepreneurial venture and a small business arguing that both pursue and create new opportunities differently. Robbins and De Cenzo (2005), Antonites and Van Vuuren (2005), and Naude and Havenga (2005) further distinguished between entrepreneurship and small business management on the basis of characteristics and objectives arguing that entrepreneurial ventures are innovative businesses where the principal objectives are profitability and growth.

Gitman and McDaniel (2008) also argue that entrepreneurs are typically ambitious people who are innovators and visionaries. They start companies to pursue their ideas for a new product or service. While entrepreneurs may be small business owners, not all small business owners are entrepreneurs. Small business owners are managers or people with technical expertise who start a business or buy an existing business and make a conscious decision to stay small.

On the contrary, from a research perspective, the literature review has also revealed a close and almost inseparable relationship between entrepreneurship and small business where the terms entrepreneur and small business owner overlap, are used synonymously, and are frequently interchanged (Macleod, 1999; Naude & Havenga, 2005; Morris & Hooper, 1996). Madura (2007), Boshoff and Scholtz (1995), Perks and Struwig (2005) also highlight the fusion and unequivocal strong linkages between the two concepts and demonstrated transferable elements and principles between the two entities.

From a policy perspective, the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (DTI, Notice 213 of 1995), integrates small business development and the empowerment of entrepreneurs as the most important avenue for economic growth. This point was reinforced in the National Small Business Act of 1996 (DTI, Act 102 of 1996) which portrayed small businesses as the 'seedbeds' of entrepreneurship and one of the key vehicles of entrepreneurship. The GEM also integrates the two components by combining research on entrepreneurship and small business development. In particular, the GEM, monitors early stage and young businesses in conjunction with entrepreneurship activities (Maas & Herrington, 2007).

For the focus of this study, entrepreneurship will be examined in conjunction with small business management promoting integration between the two concepts. The researcher is of the firm belief that one cannot separate the issues of entrepreneurship and business management as both are inextricably linked and mutually reinforcing. The term entrepreneur seems to be used in a broad sense to include small business owners. On the other hand, an entrepreneurial occupation is characterised by small business and entrepreneurial activities. In light of the above and keeping within the context of this study, the term of 'small business entrepreneur' will be adopted to describe entrepreneurs and small business owners in this study as it appears to be an apt and relevant concept for this study.

#### 1.11.4. Entrepreneur

A review of the literature has confirmed there is no universal, hard and fast rule on the definition or classification of an ‘entrepreneur’ (Mahadea, 1991; Goslin, 1996; Morrison et al., 1999; Morris & Hooper, 1996). Kaufman and Dant (1998) cited in Pretorius & Van Vuuren (2003), Hisrich et al. (2005), and Ball (2005) argued that consensus about the construct of an entrepreneur remains elusive. Naude and Havenga (2005) and Morrison et al. (1999) suggested that the concept was viewed differently in various research, business, and social contexts.

In attempting to synthesise the various definitions of an ‘entrepreneur’ that appear in the literature, a host of researchers have provided different perspectives of the term: Cronje et al. (2004) allude to the scientific-based identity of an entrepreneur; Madura (2007) focused on the make-up profile of an entrepreneur; Muhanna (2007) studied the personality and individual characteristics as important determinants of an entrepreneur; while related concepts of nascent entrepreneurs (Johnson, Parker & Wibenga, 2006) and latent entrepreneurs (Masuda, 2006) were formulated. Delving deeper into the concept of an entrepreneur, the GEM distinguishes between an opportunity entrepreneur and a necessity entrepreneur (Foxcroft et al., 2003) while Van Der Merwe cited in Nieman, Hough, and Nieuwenhuizen (2008) touched on topical concepts of youth and social entrepreneurs. It is clear that there is no established, prototypical, scientific profile of an entrepreneur that allows one to identify an entrepreneur with any certainty (Nieuwenhuizen cited in Nieman et al., 2008).

In attempting to deconstruct the term, Kaufman and Dant (1998) cited in Pretorius and Van Vuuren (2003) referred to three definitional perspectives of the concept of entrepreneurship:

1. Definitions stressing characteristics, traits, and qualities possessed by entrepreneurs.
2. Definitions stressing the process of entrepreneurship.
3. Definitions focusing on the activities entrepreneurs perform.

Certain quintessential, repetitive, and generic components emerge from the literature to form the basis of a definition. Most definitions tend to polarise around the traits, qualities, and actions of an entrepreneur. The Online Oxford English Dictionary defines an ‘entrepreneur’ as ‘a person who sets up a business and attempts to profit by taking a risk.’ It can be gathered from the literature that

an entrepreneur is an individual who engages in entrepreneurship, and establishes and manages a business for the main purpose of profit and growth (Nieuwenhuizen, cited in Nieman et al., 2008).

Cronje et al. (2004) described an entrepreneur as a creative person with a high achievement motivation who is willing to take a calculated risk and who views new opportunities as a challenge. Entrepreneurs appear to be driven by a common need for achievement and acknowledgement (Macloed, 1999). Furthermore, the entrepreneur is regarded as an individual with the potential of creating a vision from virtually nothing (Antonites & Van Vuuren 2005). Robbins and De Cenzo (2005) used adjectives such as bold, innovative, venture-some, and risk-taking to describe entrepreneurs while Bovee and Thill (2005) viewed an entrepreneur as a talented person. Risk tolerance and initiative were listed by Madura (2007) as the key determinants of an entrepreneur's profile. Nieman and Bennett (2002) cited in Van Der Merwe (2008) and Pretorius and Van Vuuren (2003) further described an entrepreneur as a catalyst for business and economic development. From an African perspective, the concept is equated with self-employment which is consistent with the definition provided by the GEM (Naude & Havenga, 2005).

In defining an entrepreneur, the Umsobomvu Youth Fund (UYF, 2003a), Thompson (1999), Macloed (1999), and Bovee and Thill (2005) provide a list of common characteristics and qualities that an entrepreneur ought to exhibit. Entrepreneurs are individuals who:

1. Display vision and are driven by social conscience.
2. Exhibit passion and enterprise.
3. Take charge of their lives.
4. Make a difference and add value.
5. Maintain self-discipline, display ambition, and think positively.
6. Translate a possibility into reality.
7. Find resources required to exploit opportunities and make a profit.
8. Network regularly.
9. Have some know-how and know-who.
10. Create capital (financial, intellectual & social).
11. Remain determined and persistent in the face of adversity.
12. Display initiative, flexibility, innovative, and creativity.
13. Identify opportunities in the market.

14. Willingly takes calculated risks.
15. Establish and grow ones business, alone or with a team.
16. Create value for themselves and society.

Entrepreneurs are found in many walks of life, including sport business. Entrepreneurs are people who are willing to think laterally, conceptually, and see change as an opportunity. They are keen to achieve, positive in their approach, and their style is pragmatic and hands-on. They enjoy independence and are passionate, energetic, dynamic, determined, and self-confident. They are influenced and motivated by others and are able to inspire others. However, in isolation, it seems that characteristics alone, provides an incomplete definition. In this regard, Goslin (1996) reported that entrepreneurial behaviour is not solely dependent on personality traits.

The definitions of an entrepreneur outlined herewith are far from exhaustive. In the midst of differing views on the concept, the following definition will form the basis of the study: In response to consumer needs, an entrepreneur takes on the challenge of embarking on an entrepreneurial occupation, devotes the necessary time and effort, and mobilises and harnesses human, natural, and financial resources to offer new products and services at the risk of a loss in seeking a reward of profit and personal satisfaction.

#### 1.11.5. **Emerging Entrepreneur**

From a uniquely South African socio-economic and political perspective, Nieman (2006) describes an emerging entrepreneur as a previously disadvantaged person who, since 1994, has been given preference by the South African government to enable him or her to become an entrepreneur. The Broad-Based Black Economic Empowerment Act (DTI, 2003a) and the economic development of historically marginalized groups have resulted in a number of new and emerging entrepreneurs since 1994. Similarly, the Preferential Procurement Act (Treasury, 2000) was enacted to afford emerging entrepreneurs opportunities and preference in the public-sector procurement and tendering system.

In general entrepreneurial terms, there are several variations to the definition of an emerging entrepreneur. Firstly, an emerging entrepreneur could be viewed as someone who has entered into

the realm of entrepreneurship and is probably still in the formative and start-up stages of the entrepreneurial process. Conversely, an emerging entrepreneur might be someone whose enterprise is growing steadily and exponentially in image, status, dynamism, competitive advantage, and market capitalization within a particular sector of business and is thus making inroads in the local or broader economy. For the purpose of this study, the researcher is in favor of the latter version of the definition.

#### 1.11.6. **Business**

Although there is no single universally-accepted interpretation of the term ‘business,’ the definition of a business appears to be fairly straightforward with most authors concurring on the typical generic characteristics and fundamental objectives of a business. The term ‘business’ can be defined as a free enterprise (Pride, Hughes & Kapoor, 2005) or any profit-seeking activity (Bovee & Thill, 2005) or an organised effort (Robbins & De Cenzo, 2005) where goods and services are produced to satisfy customers needs at a profit. In this process, a business enterprise contributes to the country’s GDP, builds the economy, and creates jobs. On a similar note, Cronje et al. (2004) and Poolman (1992) cited in Gouws (2001) postulated that a business comprises of individuals, who, in a market economy transforms resources into products and services in order to meet the needs of people. Such products and services are offered to a particular market in exchange for profit. Off interest to this study, Cronje et al. (2004) described the market economy as a complex system comprising various types of small and large businesses.

Gouws (2001) described a business as a micro environment that is influenced by the macro and market environment with strong interplay between all three spheres that constitute the business environment. Nieman and Bennet (2002) cited in Nieman (2006) described a micro environment of consisting of three primary variables, namely a business’s mission and objectives, its management, and its resources which are responsible for the outputs of the business. In summary, in the context of this study, a typical business implies a structured, organised enterprise that supplies goods and services to satisfy consumer needs and risks a loss or earns a profit in the prevailing free mixed market system of South Africa.

### 1.11.7. **Business Opportunity**

There is a lack of a comprehensive all-encompassing definition of the term ‘business opportunity.’ In an attempt to construct a definition, one needs to first examine the concept of a ‘business’ as an antecedent to a ‘business opportunity.’

South Africa’s economic system provides a sense of freedom that allows individuals to establish any business of their choice and size in order to produce and sell any legal goods or services. This system of business in which individuals decide what to produce, how to produce it, and at what price to sell it – within statutory parameters - is called free enterprise (Cronje et al., 2004).

Hisrich et al. (2005) defined an ‘opportunity’ as a process whereby an entrepreneur assesses whether a certain product (goods or service) has potential to acquire the necessary earnings based on resources invested. In simple terms, a business opportunity exists when the perceived value of output derived from exploiting an opportunity exceeds the perceived input or when the perceived benefits outweigh forecast costs. Hence, in integrating the terms ‘business’ and opportunity,’ the following operational definition of ‘business opportunity’ will form the basis of this study:

An inspired, conceived, identified, or researched business idea, or a gap that presents itself in the market, or a rather opportune market condition or favorable trend, or the availability of a feasible business proposition that is translatable into a cost-effective opportunity for an existing or potential small business owner to capitalize on by introducing or improving a service or product in order to meet consumer needs with reasonable potential for success.

### 1.11.8. **SMME**

The term SMME as a collective noun requires clarification. SMME is an acronym for a Small, Medium, and Micro Enterprise. The National Small Business Act (DTI, 1996) provides a concise operational definition of an SMME: An SMME can be defined as an enterprise, which is owner operated and functions with the primary focus of providing a livelihood for the owner and the immediate employees. An SMME distinguishes itself from ‘Big Business’ as it typically demonstrates a smaller turnover, a marginal asset value, lower number of employees, simpler organizational structures, generally lower barriers to entry, less onerous legal obligations, and

regulative compliance issues (DTI, 1996) A further distinguishing principle of an SMME when compared to 'Big Business' is that often, the growth, development, and ultimate survival of the SMME hinges on the skills level, innovation, and resources applied by its owner (DTI, 1996).

#### 1.11.9. Small Business

Given that the scope of the dissertation incorporates small businesses, a brief overview of the definition of the concept within a South African context is necessary. The literature appears to support the argument that there is no generic definition of a small business. Ferrell, Hirt and Ferrell (2009) advise that it is difficult to define a small business because smallness is relative to certain conditions. According to Nieman (2006), there is no single, uniformly-acceptable definition of a small business which is understandable considering that every country has specific criteria and conditions on what constitutes small business.

The definition of small business depends on the criteria for determining what is small and what qualifies as a 'business' (Howard, 2006; Hatten, 1997 cited in Nieman, 2006). Carland et al. (1984), Van Scheers and Radipere (2007), and Nieman (2006) defined a small business as an independently-owned, profit-orientated unit that is personally managed by the owner, furthers personal goals, has a small influence or market share in the business world. Similarly, the Small Business Administration (SBA) of the United States defines a small business as one which is independently owned and operated for profit and is not dominant in its field (Pride et al. 2005). It is difficult to compare statistics on small business between countries due to variations in the concept of a small business in terms of parameters, conditions, and criteria. Importantly, owners of small businesses are not necessarily interested in growth as an objective (Nieman, 2006) and do not engage in any new marketing or innovative practices (Carland et al., 1984).

From a South African perspective, the National Small Business Act (DTI, 1996) officially defined a Small Business as a separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more that is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro, very small, small or a medium enterprise according to the criteria of the official schedule. Furthermore, according to Nieman (2006), this definition consists of both qualitative and quantitative criteria. In terms of the qualitative criteria, which relate to the ownership structure of the business, it must:

1. Be a separate and distinct business entity.
2. Not be part of a group of companies.
3. Include any subsidiaries and branches when measuring the size.
4. Be managed by its owners.
5. Be a natural person, sole proprietorship, partnership or a legal person, such as a close corporation or a company.

The quantitative criteria are presented in the Schedule of the Act (Table 1.2) and classify businesses into micro, very small, small and medium, using the following guidelines in respect of different sectors of the economy:

1. Total full-time employees.
2. Total annual turnover.
3. Total gross asset value (excluding fixed property).

1.11.10.

#### Classifying Small Business



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The National Small Business Act (Act 102 of 1996) and the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (Notice 213 of 1995) also classified and characterized businesses into four categories (DTI, 1996):

1. **Survivalist enterprises:** are activities undertaken by people unable to find a paid job or enter the formal economic sector. Income generated from these activities usually falls far short of a minimum income standard. Nieman (2006) cited hawkers and vendors as examples of survivalist enterprises who are generally referred to as the ‘informal sector.’
2. **Micro-enterprises:** are very small businesses, often involving only the owner, some family member(s) and at the most, one or two paid employees. They usually lack formality in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures.
3. **Small enterprises:** constitute the bulk of the established businesses, with employment ranging between five and about fifty employees. Such enterprises are usually owner-

managed. They are likely to operate from a business or industrial premises, are tax-registered, and meet other formal registration requirements.

4. **Medium enterprises:** constitute a category difficult to demarcate vis-à-vis the ‘small’ and ‘big’ business categories. It is still viewed as basically owner or manager-controlled. The employment of 200 people and capital assets (excluding property) of about R5 million are often seen as the upper limit.

The National Small Business Act (Act 102 of 1996) identified an additional category of small business, namely:

5. **Very small enterprises:** an enterprise with less than ten paid employees (except for certain sectors).

#### 1.11.11.

#### **Franchise**



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Definitions of the term ‘franchise’ underline some common characteristics. Hough (2008) refers to the functional definition of a franchise as provided by the Franchise Association of Southern Africa (FASA): A franchise is a grant by the franchisor to the franchisee entitling the latter to the use of the complete business package containing all the elements necessary to establish a previously untrained person in the franchise business and to enable the person to run it efficiently and profitably on an ongoing basis according to guidelines supplied.

Pride et al. (2005) focused on the franchising process which is described as the actual granting of a franchise. Madura (2007) describes a franchise as an arrangement whereby a business owner or organisation (called a franchisor) allows another (franchisee) to use its intellectual property, trademark, trade-name, patents or copyright in exchange for payment under specified conditions. A franchisee is a person or organisation purchasing a franchise while a franchisor supplies a known and advertised business or brand name, management skills, training, support, materials, and a method of doing business. In return, the franchisee supplies labour and capital, operates the franchised business, and agrees to abide by the contractual provisions of the franchise agreement.

It is quite obvious that franchising systems are designed to provide a tried and tested formula for success, along with ongoing advice and support as evidenced in the proliferation of chain-style businesses and distributorships in South Africa. Furthermore, franchisors sell their franchises through proven systems, unparalleled support, and comprehensive training. According to Madura (2007) each individual franchise operates an independent business and is normally owned by a sole proprietor. Apart from an initial amount paid on signing a contract, the franchisee is also required to pay royalties to the franchisor for the duration of the franchising agreement (Hough, 2008). In the context of this study, several respondents to the survey were owners of franchises.

#### 1.11.12. **Broad-Based Black Economic Empowerment**

The Small Enterprise Development Agency (SEDA, 2009b) and the DTI (2008) provide a coherent definition on Broad-Based Black Economic Empowerment (B-B BEE):

B-B BEE as a strategy is aimed at substantially increasing black participation at all levels in the economy. It is a specific government policy to advance economic transformation. This strategy endeavors to redress the imbalances of the past by transferring more ownership, management, and control of South Africa's financial and economic resources to the majority of its citizens. The vision of B-B BEE is to work towards ensuring through equity and empowerment policies and strategic interventions that the South African economy is restructured in a manner that would enable the meaningful participation of black people, women, and rural or under-developed communities in the mainstream economy. The objective of B-B BEE is to have a positive impact on employment, income redistribution, structural re-adjustment, and economic growth in South Africa.

The promulgation of the Broad-Based Black Economic Empowerment Act (No. 53 of 2003) enabled the DTI to establish a legislative framework for the promotion of BEE, issue Codes of Good Practice, publish Transformation Charters, establish the BEE Advisory Council, and make provision for matters connected therewith (DTI, 2003a). Of particular significance were the B-B BEE Codes of Good Practice which emerged in February 2007 as an implementation framework for B-B BEE policy and legislation. After the implementation thereof, institutional mechanisms were established for the monitoring and evaluation of B-B BEE in the entire economy. (SEDA, 2009b; DTI, 2008).

### 1.11.13. Legal Form of Business

Small business can be categorized into one of four types of businesses. The Umsobomvu Youth Fund (UYF, 2003b), Cronje et al. (2004), Madura (2007), and Hisrich et al. (2005) described the four legal forms of business and the implications thereof in Table 1.2.

Table 1.2: Legal Forms of Business Ownership

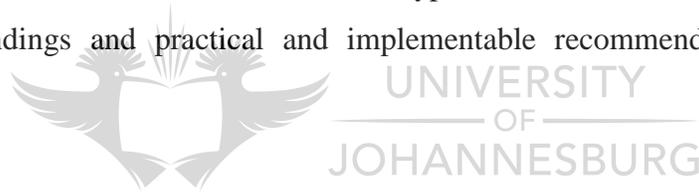
Form of Business	Sole Proprietorship	Partnership	Close Corporation	Company
<b>Characteristics</b>	<p>One owner conducts business in his or her personal capacity.</p> <p>The owner is personally liable for all his or her actions.</p> <p>Risks extend to all his or her assets both business and personal.</p> <p>A SP accepts full responsibility for the firm's performance and accept the pressure of this role.</p> <p>The SP registers for tax, regional services levies, and contributes to the Compensation and Unemployment Insurance Funds.</p>	<p>A minimum of two and a maximum of twenty people conclude an agreement.</p> <p>It does not have to be registered and the agreement can be by word of mouth or behavior.</p> <p>For a partnership agreement to be valid; partners must share a common purpose of financial gain.</p> <p>Business must be conducted to the benefit of all partners and each partner has to contribute (financially or otherwise) to the partnership.</p> <p>Partners are taxed on their individual share of income generated.</p>	<p>A maximum of ten members.</p> <p>A legal entity registered with the Registrar of Close Corporations.</p> <p>Members enjoy limited liability.</p> <p>An association agreement governs its operation.</p> <p>Obligated to keep proper accounting records and prepare annual financial statement.</p> <p>Members usually share the management of the business.</p> <p>Company dividends can only be paid to members if the company is both solvent and liquid.</p>	<p>An association of people incorporated in terms of the Companies Act 9Act 62 of 1973).</p> <p>It must have share capital.</p> <p>Profit-making companies may be either private or public.</p> <p>If private, a company must be registered with the registrar of companies and be identified by the words 'Proprietary Limited' or (Pty) Ltd after its name.</p>

### 1.12. Structure of the Study

The study hereafter follows a division of chapters. Chapter Two, namely the Literature Review surveys contemporary local and international literature on a situational analysis of business opportunities, entrepreneurship, and small business management in the sport industry. In this Chapter, a coherent body of knowledge and a theoretical framework is established to give structure to the study and facilitate the easy analysis, interpretation, and explanation of the research. Due to the paucity of research on the theme of the study, the researcher makes reference to broader,

generic research on SMME's and entrepreneurship where relevant concepts and principles are integrated into the theme of the study. In analyzing the existing body of knowledge on the theme, research questions are formulated and gaps in the literature are identified which sets the tone for and gives effect to the questionnaire construction. Finally, concepts from the literature are furthermore incorporated into building the research instrument.

Chapter Three, namely Research Methodology critically examines the research methodology employed to conduct this study. The following areas are highlighted: nature of the study, research design, sample selection, survey methodology, construction of the research instrument, sampling selection, data collection procedures, data analysis, descriptive calculations, and inferential statistical procedures. Chapter Four, namely Results and Discussions presents the findings of the study in the form of graphs and tables. In this Chapter, the findings are examined and a critical analysis, interpretation, and discussion of the results is undertaken in conjunction with the initial aims, objectives, and the literature review. Chapter Five, namely Conclusions and Recommendations consolidates the results. The hypotheses are re-visited. Conclusions are drawn based on the findings and practical and implementable recommendations are systematically proposed.



## CHAPTER 2

# LITERATURE REVIEW

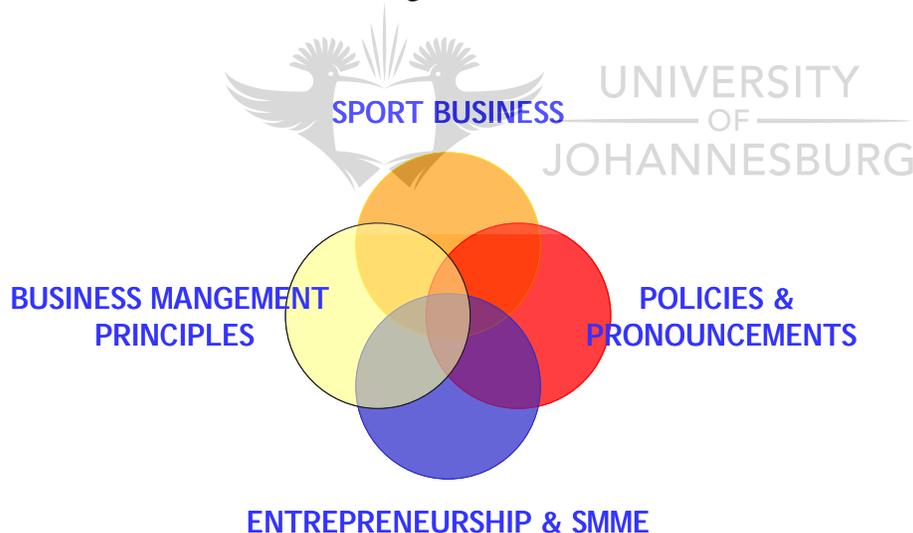
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## 2.1. Introduction

The aim of the study was to conduct a situational analysis of trends relating to small business management in sport business. A secondary aim was to acquire a broad overview on the status quo of business opportunities available to prospective or nascent small business entrepreneurs in the sport business industry. The literature review is linked to these aims and the key research questions formulated in Chapter One. On this basis, the nature of the research theme lends itself to a wider interpretation on a cross-cutting basis. Correspondingly, according to Figure 2.1, the literature review takes on a multi-dimensional approach integrating four major components of the study, namely:

1. Sport Business.
2. Entrepreneurship and SMME's.
3. Business Management.
4. Government Policies, Programmes, and Pronouncements on SMME's.



**Figure 2.1: The Integrated Literature Review**

Whilst the literature is broad, the intention behind the volume of information is to depict that the very core of the topic cannot be studied in isolation. The theme of the study is influenced by the above four dimensions portrayed in Figure 2.1 as it embodies theories, concepts, and principles from these disciplines. In a coherent and systematic format, the literature has been written in four interrelated sections, namely the dynamics of the sport business industry, theoretical and practical

aspects of entrepreneurship and SMME's, fundamental business management principles, and South African policies that have given effect to and still continue to influence contemporary entrepreneurship and small business development in South Africa.

## 2.2. Theoretical Framework

A theoretical framework describes how concepts will be measured or operationalised and explains how data will be analyzed, interpreted, and explained (Gratton & Jones, 2004). The author acknowledges that there is quite an overwhelming body of literature on generic, run-of-the-mill themes on entrepreneurship, SMME's, and business development. Given the fact that the business of sport is still a growing and emerging industry, it is perhaps expected that research pertaining to entrepreneurship and business development within sport business would be fragmented and limited in scope.

Given the paucity of research on the stated topic, the author has compensated for this shortcoming by broadly referring to wider entrepreneurship literature both of a general nature and to that specifically relating to other sectors of business and industry. On this basis, the author has referred to the pertinent issues, themes, and trends within the field of entrepreneurship, business management, and SMME's. Subsequently, such information has been transferred and applied to the key focus areas of the study in an attempt to create a theoretical framework on which this study could be grounded.

A wide spectrum of historical and contemporary South African, African, and international research relevant to the theme is reviewed. The author also attempts to contextualize associated theories and concepts within the sport business industry. Hence, the realities of the sport business operating environment and the practical approach of small business entrepreneurs in this industry and its relationship to academic findings are illustrated.

This study will augment the existing literature on issues associated with entrepreneurial small business management in sport. The intention of the theoretical framework is to link the objectives of the study to existing academic and research literature. The theoretical framework has been built upon the four interlocking aspects of study as illustrated in Figure 2.1. In view of the multifaceted nature of the study, confining the study to a specific theoretical framework would be inhibiting.

A prospective entrepreneur contemplating a career in self-employment in the sport context would have to research the market to decipher what opportunities are available. Moreover, one needs to understand that a career in entrepreneurship entails understanding of the legislative SMME context, the fundamentals of business management, and the interplay between the micro, market, and macro environments. Hence, the researcher has adopted a broader elective approach in establishing a structural framework that affords the researcher space to utilize the provisions of a whole range of theoretical approaches.

## 2.3. Sport Business Industry

### 2.3.1. Introduction

The prolific growth of the sports business industry and its contribution to national and global economies has been illustrated in a variety of texts and articles (Berret et al., 1993; Woods, 2007; Foster, Greyser & Walsh, 2006; Coakley, 2001; Slack, 2004; Gratton & Taylor, 2000; Smith & Westerbeek, 2004; Whitehead, 2007; Van Der Merwe, 2007; Cashmore, 2000).

Ball (2005) describes previous research on entrepreneurship in the sport and leisure field as being sparse and lacking depth. Likewise, Morrison et al. (1999) also noted a dearth of texts on entrepreneurship in leisure. While there is voluminous literature on entrepreneurship in the related fields of hospitality and tourism, overall, the body of knowledge on sport entrepreneurship remains somewhat limited.

Beyond the odd feature and general discussion on the subject, the literature is relatively uninformative on entrepreneurship and SMME's in the sport business field. Therefore, little is known about the background, occupation, characteristics, and behavioural traits of small business entrepreneurs within sport. Whilst there is a fair concentration of research on the sectors of sport management and marketing, such is confined to the larger corporate business environment. There are very few specific works which address the relationship between sport and entrepreneurship especially in the South African context.

In similar vein, Berret et al. (1993) lamented the shortage of literature on the subject of entrepreneurs and small business given the importance of the sport and leisure small business

industries to the economy as a whole. The topic further remains a neglected research focus area in the literature on sport and economic development. In terms of the economics of sport, whilst there is a plethora of studies on the economic impact of major sport events, sport sponsorship, and sport spectatorship, there are virtually no studies on the impact of entrepreneurship in the sport economy. From a South African perspective, research on South African sport entrepreneurs and small business owners is virtually non-existent. In the absence of such local research, the researcher has relied on international literature especially from the United Kingdom and United States.

Ball (2005) describes the sport and leisure business industry as dynamic and rapidly evolving. The South African sport business environment has been steadily growing since 1994 where professionalism in major sport, the hosting of mega events, advances in sport marketing, sponsorship investments and leverage, and the ever growing consumer interest in sport has reinvented the sport business climate presenting business opportunities for SMME's (Whitehead, 2007; Van Der Merwe, 2007). The growth and diversity of the sport and leisure business industries along with increases in consumer expectations of their leisure time and experiences has placed greater demands on business providers (Ball, 2005). Consequently, graduates with entrepreneurial potential, technical abilities, and business skills are being increasingly sought by employers.

Sport is one of the most diverse industries in the business world. Due to increasing professionalism in sport, more professional athletes can now make a living from sport. Professionalism has also stimulated the emergence of the business of sport. Sport and sport-related business activities have become the main source of income for small business owners trading in the sport industry. Whilst there is substantial research on the business of sport relating to the economics of sport, sport marketing, professional athletes, and professional teams, perspectives on small business entrepreneurs in the diverse sport business industry are lacking. Despite the importance of SMME's to the economy, relatively little research has been undertaken on the nature and characteristics of sport SMME's. Likewise, not much is known about entrepreneurship in South African sport considering that entrepreneurship is a driving force behind business growth, development, and success in any industry.

In comparison with other countries with similar emerging economies, South Africa has an extensive and well-developed sporting infrastructure. Post-2010 FIFA World Cup, the country is enjoying a modern network of first-class sporting facilities. Daniels (2008a) alluded to the

possible SMME opportunities revolving around the 2010 football showpiece, namely in construction, tourism, transport infrastructure, hospitality, catering, communication and technology, manufacturing, health, waste management, security, event management, advertising, and branding. The newly-built majestic stadia - which have cost taxpayers billions of Rand to construct - need to function optimally and be programmed to ensure that they do not stand dormant. Hence, business opportunities currently exist for stadium operators to commercially manage and administer such facilities to ensure maximal utilization and revenue-generation. Whether such facility management contracts are awarded to large multinational corporations, there will be the knock-on multiplier effect of the World Cup where SMME's do stand to benefit somewhere within the supply chain as support agents to large businesses.

### **2.3.2. Structure, Size and Scope of the Small Business Sport Industry**

The views of Crouch and Ritchie (1995), Parks et al. (2007) and Bannatyre (2007) support the observation that the South African sport industry is broad with multiple product streams that overlap into related spheres on a cross-cutting basis. This inherent make-up of the sport industry poses some difficulty to measure the overall economic size of the industry (Parks et al., 2007). The sport SMME business industry in South Africa further appears to have certain oligopolistic characteristics where a few large businesses are able to exploit scale advantages making it very difficult for small businesses to compete – especially in the sectors of stadia management and sport marketing. Ferrell et al. (2009) explained that a state of oligopoly exists when there are very few businesses selling a product and have control over their product price in the marketplace.

The post-1994 period has witnessed the small business sector building a sustainable presence in the marketplace. Sport in all its forms is a reflection of a changing society (Smith & Westerbeek, 2004). One of the most visible aspects of modern sport is its strong links to commercial enterprise (Slack, 2004). Contemporary modern sport is fast assuming an indelible status as big business in the wider economy. This presents a striking contrast to a bygone era when sport was regarded more as a social than an economic phenomenon. To this effect, Berret, et al. (1993), Tribe (2005), Gratton and Taylor (2000), Watt (2004), and Slack (2004) observed that the goods and services in the commercial sport industry in developed nations like the United States, United Kingdom, and Australia were consistently accounting for a significant share of the GDP, consumer expenditure, secondary sport spend, and employment. Parks et al. (2007) and Adams (2004) shared similar

views of sport as a rapidly growing industry with multiple business prospects. To place the magnitude of the sport business industry in perspective, in 2009, the global sport business industry was worth around \$ 410.6 billion (Anon, 2009b).

According to research by Tourism South Africa and the Department of Environmental Affairs and Tourism (DEAT), in 1995, the United States sport industry generated almost double its direct economic impact through supported economic activity and income (SA Tourism, 2005). Supported industrial activity refers to that activity generated in industry clusters that supply the sport industry while supported income refers to income earned by workers in these industries. Examples of such industries include the tourism, clothing, construction, and IT industries. Beyond competition and the sport-fields, the business context of sport has grown significantly in size, stakes, and diversity. According to Foster et al. (2006), illustratively, these include:

1. More professional leagues and sports competing for fans time and money as well as for marketing and sponsor support.
2. More big events seeking fan attention, sponsor support, and broadcast exposure.
3. More broadcast channels and hours providing opportunities for league and team rights but requiring company marketing and advertising support.
4. More licensed manufactured merchandise and memorabilia competing for consumer purchases.
5. More opportunities for company and brand sponsorship of leagues, teams, and events with a demand for measurable return on investments.
6. New financial paradigms for franchises in terms of new stadiums, naming rights, more revenues from season ticket holders, and more corporate sponsorships.

Currently, there are no official records of the actual size of the SMME sport industry in South Africa. In an endeavour to meet the needs of ASGISA and JIPSA and build a skills partnership, the DEAT, THETA, and the National Business Initiative (NBI) conducted a consolidated tourism and sport skills audit in 2005. The DEAT (2007) maintains it is problematic to quantify the size of the tourism industry and its five sub-sectors - of which sport, recreation, and fitness is a key sub-sector - as there was currently no database of all entities operating in this sector in South Africa (DEAT, 2007).

According to the DEAT (2007), quantifying the sector was compounded by the fact that the sector was dominated by SMME's who operate 'below the radar' and thus are not included in any official national database such as SARS. An eventual estimate quantification of the entire sector included those business entities that were listed on one or more database in South Africa. With reference to Table 2.1, this quantification excluded a myriad of 'unknown' SMME's operating in this sector. According to Table 2.1 approximately 3300 sports-related businesses are in existence in the sport industry employing an estimated 20 000 people. The report further estimated that 98% of this figure is dominated by SMME's.

Table 2.1: Size of the Integrated Tourism Industry (including Sport, Recreation, and Fitness)

<b>Sector Size</b>		
<b>Sub-Sector</b>	<b>Estimated Number of Employers</b>	<b>Estimated Number of Employees</b>
Hospitality	28 000	290 000
Travel and Tourism	6 200	28 000
Gaming and Lotteries	740	10 000
Sport, Recreation and Fitness	3 300	20 000
Conservation and Tourist Guiding	3 500	30 000
<b>TOTAL</b>	<b>41 740</b>	<b>378 000</b>

Source: DEAT (2007): Tourism and Sports Skills Audit Final Report

Economic, social, political, and demographic trends impact on leisure provision (Torkildson, 2004). Since South Africa's admission to international sport, there have been profound effects on the sport management industry brought about by changes in the macro environment. The sport industry has advanced to the extent of having huge socio-economic significance in the country. The benefits of sport to individuals, organisations, communities, nation-building, the economy, and society at large are undisputed. As such, it is a social institution of almost unbelievable magnitude and influence. The pervasive influence of sport on the values and attitudes of the general population demonstrates its power in South African society.

The world of sport is indeed growing rapidly which is reflected in the increasing number of opportunities to participate in sport activities, and the upsurge in the number and variety of sport-related magazines, academic journals, business journals, and sport-related sites on the internet (Parks et al., 2007). The growth in the number and types of sport facilities and events, massive

sport broadcasting deals, enhanced mass-media exposure of sporting activities, sophistication of sport industry education, rising sport sponsorships, marketing, promotions, advertising, and endorsements; sport travel and sport tourism, and the globalization of sport are further indicators of the phenomenal growth of the sport industry (Parks et al., 2007).

Over the last fifteen years, major business elements of sport have regularly dominated business news headlines. Globalisation has been a major force driving change in the ways sport is produced and consumed (Hoye, Smith, Nicholson, Stewart & Westerbeek, 2010). Sport business has become global, as reflected in the worldwide coverage of the business dimensions of mega-events such as the Super Bowl, the World Cups of football, rugby, and cricket, and the latest commercial success – Cricket's Indian Premier League. Undoubtedly, such advances in the global sport marketplace create business opportunities for existing small business owners and aspiring and nascent entrepreneurs.

The actual and perceived benefits of active and healthier lifestyles have seen more people engaging in sport and leisure at various levels. The field of sport and recreation is continuously achieving growing professional recognition with the scope of employment opportunities set to expand as the profession continues to grow. Naturally, it is expected that the scope of business and self-employment opportunities would also grow on a commensurate basis. In South Africa, sport consulting, sport management, sport marketing, sport coaching, sport retail, and commercial sport enterprises such as extreme sport and adventure are some of the major business avenues available in the industry.

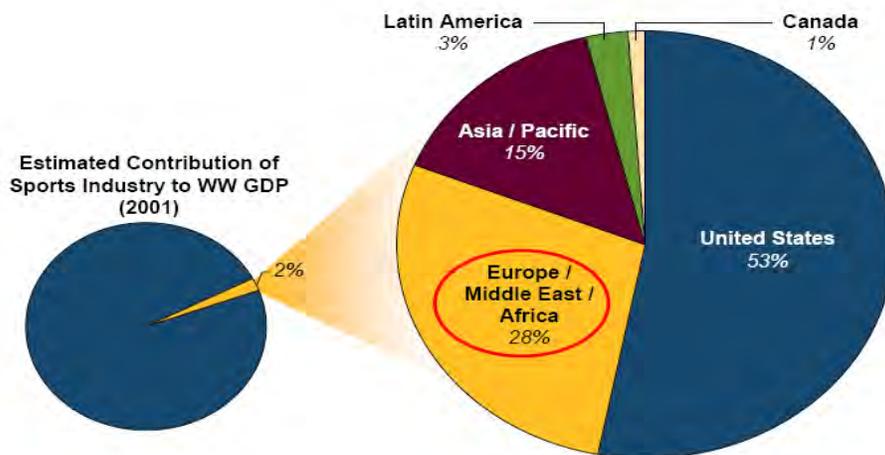
The Department of Environmental Affairs and Tourism in conjunction with South African Tourism conducted a comprehensive overview of the competitiveness of the South African sport industry in 2005 (SA Tourism, 2005). The report was based on the competitiveness of the high performance sport industry in the form of mega events in popular codes of sport and how the country was to organise and position itself to maximise tourism value. The study revealed that South Africa had the existence of some world-class, internationally competitive supporting and related industries with strong linkages with the sport industry, for example sport science, sport medicine, sport goods manufacturing, and events management. SA Tourism described the sport industry to include gate revenues at live events, commercial and advertising rights fees, merchandising, and sponsorship.

In assessing the demand conditions of competitive sport, the following positives were found (SA Tourism, 2005):

1. A strong sporting culture with sophisticated demand for participation and media sponsorship.
2. Strong demand for sport activity and related goods.
3. Sport attendance is spread across geographies in South Africa.

It was also observed that whilst South Africa had a declining spectatorship of sport, there was still a strong sporting culture with sophisticated demand for participation and media spectatorship (SA Tourism, 2005). The report further stated that some of the industry's strengths include: sizable and growing financial capital from the private sector, world class national facilities, and advanced technology. Interestingly, the study also found that the sport industry in South Africa grew at a rate of 1.2 times the rate at which the South African economy grew between 1997 and 1999. On a positive note, sport participation rates in South Africa grew between 2% to 16% between 1990 and 2001 for twenty sport codes.

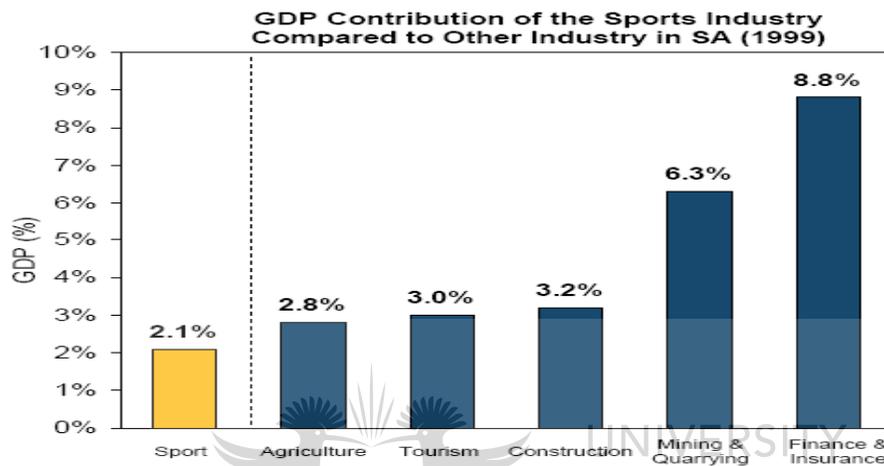
According to SA Tourism (2005), the South African sporting industry is a sizeable part of the worldwide economy making an estimated contribution of 2% in 2003 as evidenced in Figure 2.2. It is staggering that the United States contributed almost 60% to the worldwide sports GDP as further evident in Figure 2.2.



**Figure 2.2.:** Worldwide Sports Industry GDP by Region (2003)

Source: SA Tourism : Overview of South African Sports Industry Competitiveness (2005)

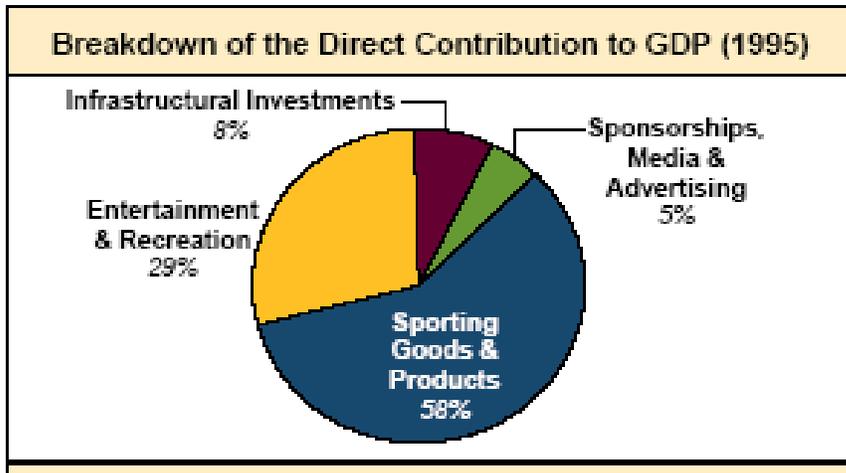
The sport industry makes up a significant share of South Africa's GDP, which is globally comparable to that in developed countries as depicted in Figure 1.1 (Chapter One). However, when compared to other local industries in 1999, the sport industry made the smallest contribution of 2.1% (Figure 2.3). Viewed in proper international context, this is a considerable contribution to the GDP considering that the South African sport business culture effectively took-off in the early nineties and given that sport is regarded as an emerging profession.



**Figure 2.3.: Relative Domestic GDP Contribution**

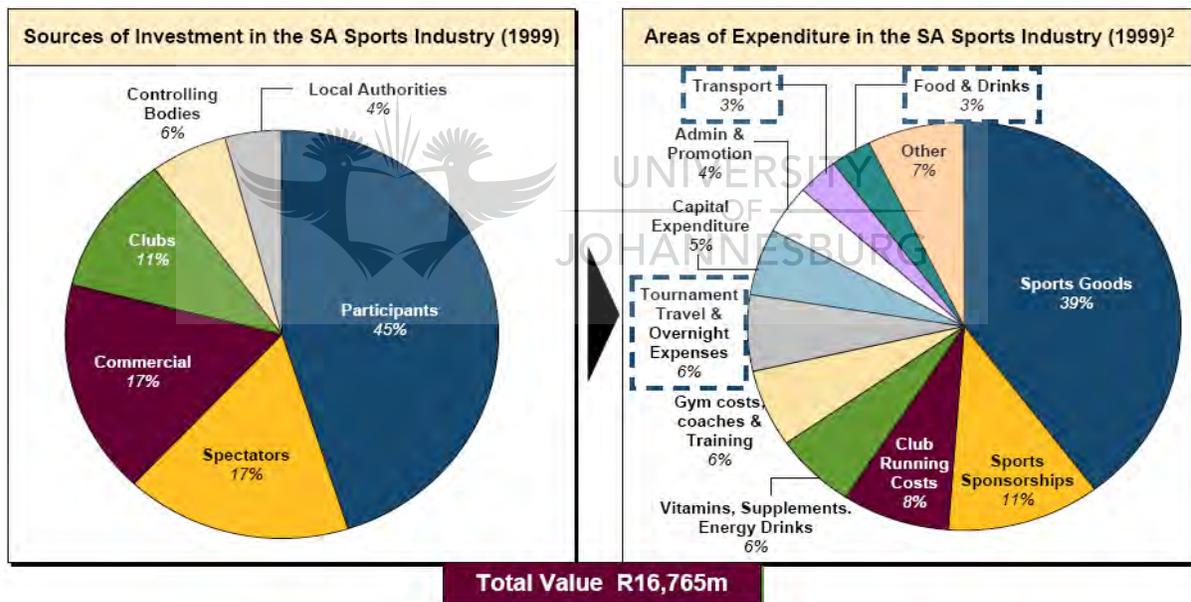
Source: SA Tourism: Overview of South African Sports Industry Competitiveness (2005)

Breaking down and segmenting the sport industry's 2.1% contribution to the country's GDP in 1999, Figure 2.4 graphically illustrates that the sporting goods and products industry was by far the largest sub contributor (58%) to the sport industry's contribution to the national GDP followed by sport entertainment and recreation with 29% (SA Tourism, 2005). Similarly, in the United Kingdom, the largest sector of the sport industry is the sport goods sector consisting of sport equipment, sport clothing and sport shoes (Gratton & Taylor, 2000). In the United States alone, sporting goods sales in 2002 totalled \$47.7 billion dollars (Slack, 2004). These statistics underscore that the sport manufacturing and sport retail sectors are key components of the sport business industry.



**Figure 2.4: Direct Contribution to the GDP.**

Source: SA Tourism: Overview of South African Sports Industry Competitiveness (2005)



**Figure 2.5: Revenue and Expenditure in the Sports Industry**

Source: SA Tourism: Overview of South African Sports Industry Competitiveness (2005)

SA Tourism (2005) further provided a broad indication of the sources of investment and expenditure in the South African sport industry in 1999. According to Figure 2.5, revenue flow into the sport industry was largely derived from participants and spectators (45%) while major expenditure was found in the sports goods category (39%). The study assumed the demand split on sports goods to be 66% participants, 30% spectators, and 4% clubs. In total, the study revealed that

investment and expenditure within the industry in 1999 amounted to R16 765 billion Rand (SA Tourism, 2005). On a similar note, Gratton and Taylor (2000) established that other major items of sport-related consumer expenditure are part of the non-sport commercial sector which consists of firms that supply products that would not classify themselves within the sport industry. These include travel, gambling, books, magazines, catering, transport, and so on. Such commercial firms supply sport organisations with non-sport goods and services. Hence, from a business perspective, it could be effectively argued that the magnitude of the sport industry filters down to all and sundry on a cross-cutting basis. Therefore, it can be postulated that as a driver of growth, the sport industry is closely linked to related and supporting industries as well as having a multiplier effect on other industries.

### 2.3.3. **The Sport Consumer**

Consumers are the end-users of a product or service and are thus the lifeblood of the marketplace and economy. Smith and Westerbeek (2004), Parks et al., (2007), and Torkildson (2004) place much emphasis on the sport consumer in the economics of sport business management. At the core of the marketing process is the idea of identifying and satisfying consumer needs. This implies that understanding consumer behaviour, decision-making, perceptions, and attitudes (Morrison et al., 1999) and gauging market demand (Madura, 2007) is a business imperative for entrepreneurs and a key to a successful marketing strategy.

Consumer behaviour can be defined as the processes (Solomon, 2002 cited in Parks et al., 2007) and actions (Gitman & McDaniel, 2008) involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. Being market-oriented enables a business to develop needs-driven products and services and to develop marketing strategies that attract and retain customers. Katz and Green (2009) pointed-out the necessity of conducting a customer profile of prospective customers. It is thus incumbent on small business entrepreneurs to understand their target market, which is that portion of the population that is distinctive in terms of its needs, characteristics, and behaviour. At this juncture, the researcher refers to the work of Morrison et al. (1999) on consumer behavior in the leisure market. They argued that contemporary consumers have transformed from being ordinary to extremely discerning, sophisticated, and heterogeneous. This has considerable implications for nascent entrepreneurs developing business concepts or bringing new ideas into the marketplace.

There is a myriad of cultural, social, and economic factors influencing the needs of customers and their consumption of sport products (Gitman & McDaniel, 2008; Parks et al., 2007; Morrison et al., 1999). The socio-economic environment must be factored in when researching market demand and consumer behaviour. Consumer needs are not static. This presents ongoing opportunities and challenges for the entrepreneur to develop new concepts which have customer appeal. Sport and leisure businesses are continually competing for the discretionary funds of consumers which can be defined as money left over after basic necessary expenditures have been made (Parks et al., 2007). The current post-recessionary symptoms in the South African economy show that consumers are willing to cut back on discretionary expenditure in leisure when faced with budget constraints and uncertainty. Hence, the ability of small business entrepreneurs to influence consumer perception through delivering high quality products and effective marketing is essential.

#### 2.3.4. Business Opportunities in Sport

Morrison et al. (1999) describe the leisure industry as having low entry barriers to entrepreneurs and hence, many new businesses have been created as a result of identifying an opportunity, through experiences as a consumer, or built on the back of a hobby or interest. Woods (2007) researched the role of the individual consumer in contributing to the business of sport. Woods stated that as the economy has advanced since the 1980's, people have generally had more discretionary income to spend on sport and recreation. Hence, facilities needed to be constructed and maintained and programmes and events needed to be delivered to meet this demand. Ball (2005) remarked that entrepreneurship is an important force behind the success of the dynamic and rapidly evolving sport industry. Ball (2005) examined the merits of entrepreneurship in the sport and related industries in the United Kingdom and described this industry as an archetypal entrepreneurial industry that was crucial to meet the rapidly changing needs of sport consumers. Ross (2006) explains that in order to understand the vastness of the commercial sport and leisure field, it is necessary to look at two definitions within the industry:

**Entrepreneurial leisure:** provides new leisure-related services and products through new businesses that take advantage of emerging trends and changes in recreation habits. Such endeavours require creativity and the willingness to take a risk.

**Intrapreneurial leisure:** provides new leisure-related services and products within an organisation. Opportunities exist within public agencies, non-profit associations, and private for-profit enterprises. In this instance, new programmes must support the goals of the organisation.

Foster et al. (2006) described the sport industry as a high profile global industry and the business of sport as attracting much interest. Macleod (1999) refers to general demographic trends and socio-political distortions that have created a vast backlog of needs that have to be satisfied. Leisure-related businesses such as tourism, health, fitness, recreation, and sport were regarded as important expected growth areas in addition to other fields such as medical care and services to children (Macleod, 1999). The Constitution of the Republic of South Africa, the South African Municipal Systems Act (2000), and the White Paper on Sport and Recreation (1998) are further legislative mandates that require local authorities to service the sport and leisure needs of residents. While municipalities have responded to these pronouncements and employed sport administrators, there are several municipalities that have outsourced sports-related services to private enterprises. Legislative changes in government have created opportunities for subcontracting and outsourcing sport and leisure services through government tenders and contracts. Such opportunities include the capital development of sport facilities and the need for specialist services such as consulting, research, coaching, education and training, and major event management. Hence, there has been a proliferation of such small businesses in recent years.

South African sport is delivered in so many contexts and is characterised by sheer diversity. However, there is much consensus among academics and researchers that in the supply-chain of sport products and services, there are three primary sectors managing and delivering sport, namely public (government), private (commercial), and voluntary and within such sectors, there are enormous variations (Torkilson, 2004; Watt, 2004; Gratton & Taylor, 2000).

Pursuant to South Africa's admission into the global sporting arena in the early nineties, its sporting context has undergone rapid transformation. Together with the developmental and administrative domains of major South African sport, the presence of greater business opportunities within the sport market may be attributed to the professional nature of these sports, the rights they hold to major events, and huge commercial sponsorships they command.

Notwithstanding the absence of a professional association to represent the sport management industry in South Africa, the sport management profession is seeking to affirm and establish itself

in the country. The birth of the Sport Industry Network that co-ordinates the annual Sport Industry Awards represents a step in the right direction. The sport management profession is taking on a new commercial and business identity. In the private sector, over and above traditional businesses of sport goods manufacturing and sport retail, there is a vast range of areas where sport and recreation are commoditized and commercially managed, for example health clubs, tourism attractions, leisure centres, theme parks, and private sport coaching.

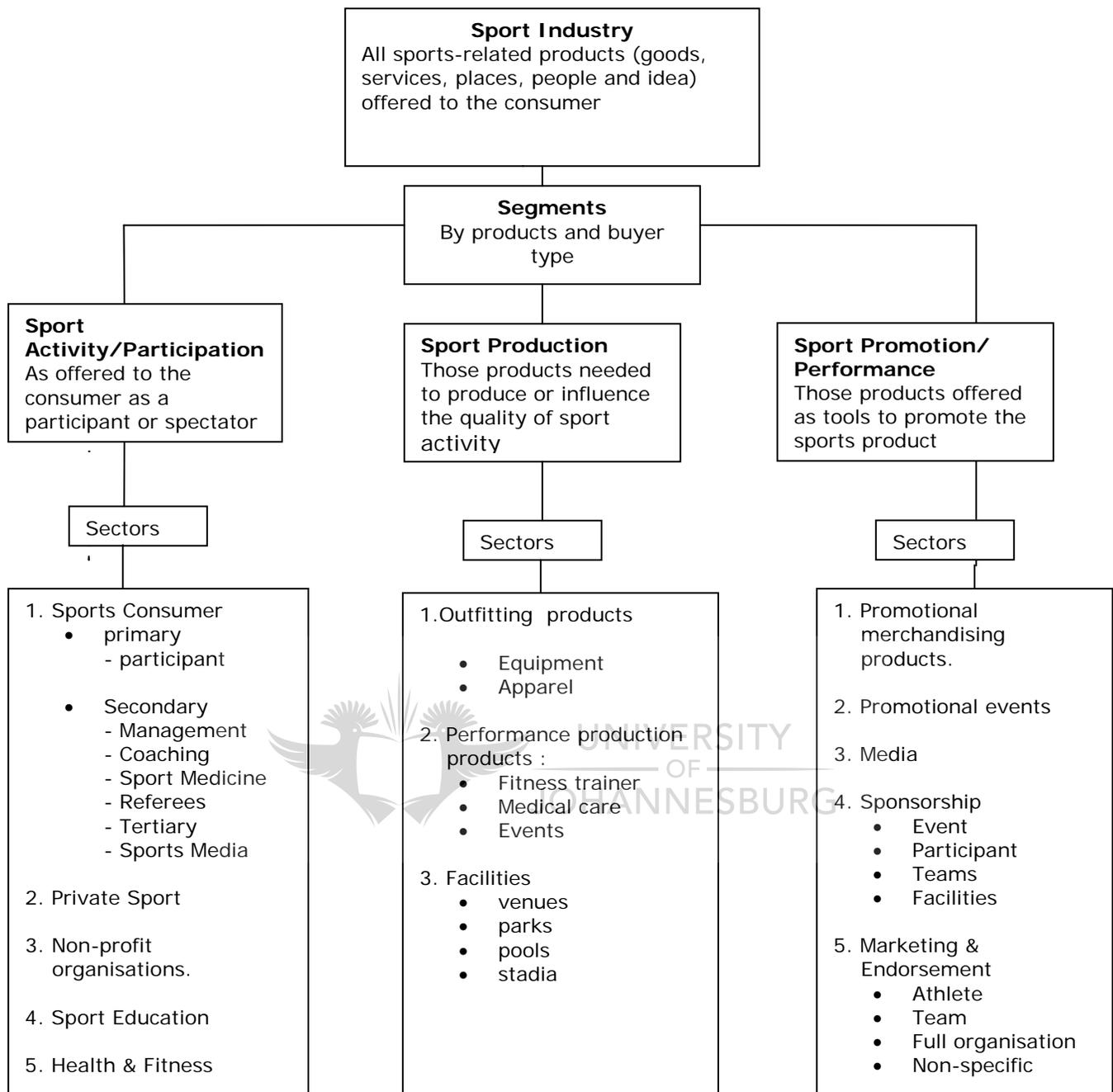
In professional sport, commercialism has also entered the fray in the form of sport marketing, sport advertising, sport merchandising, event management, and player and team management. From an economic and business perspective, the industry has developed in leaps and bounds. In recent years, proactive and visionary entrepreneurs have started several successful e-business ventures, the most notable of which include: the launch of a dedicated South African sport business website, namely [www.sasportbusiness.co.za](http://www.sasportbusiness.co.za); an employment-based website for sport-related job opportunities, namely [www.sportjobs.co.za](http://www.sportjobs.co.za); and a sport retail website for the sport, outdoor, and leisure industries, namely [www.sportstrader.co.za](http://www.sportstrader.co.za).

Managers in the business of sport are looking for new perspectives and ideas. According to Smith and Westerbeek (2004), financial pressures to break even and realise a profit have resulted in sport businesses seeking alternative avenues for revenue creation which increasingly includes horizontal and vertical integration activities. Horizontal integration refers to a form of product differentiation, for example, a South African sport management company like Sail Sport which initially focused on sport marketing, recently ventured into stadium management. Vertical integration, on the other hand, relates to an involvement in activities up or down a particular supply channel.

It appears that the growth of the sport business industry has also been commensurate with the move of numerous sport federations to adopt business models and sound corporate governance principles. In a practical sense, commercialization changes the way sport is managed and controlled (Coakley, 2001). Numerous sport federations were moving towards a business-oriented service from being formerly run on a non-commercial basis (Watt, 2004). In South Africa as well, sport governing bodies are transforming by increasing commercialisation and business development planning. Hence, it is now the norm rather than the exception for major sporting governing bodies to establish a corporate or commercial subsidiary responsible for the marketing and profit-making aspects of the sport, for example SA Rugby Ltd, SAFA Ltd, or Cricket SA Ltd.

Hence, if sport governing bodies are creating commercial entities, adopting commercial practices, adhering to sound corporate governance principles, and being run along astute business lines, then it augurs well for SMME's in the supply chain of the sport business industry. The multiplier effect of the commercialization of major sporting codes translates into business opportunities for SMME's in sport retail, sport advertising, and sport marketing.

The effect that national sporting teams and brands have on creating and sustaining business opportunities for SMME's in sport and related industries is perhaps not fully comprehended and thus underestimated by researchers. Smith and Westerbeek (2004) maintain that probably all companies that operate in the sport industry, including manufacturers and retailers of sporting goods and apparel, are directly or indirectly dependent on the success or failure of elite national teams and athletes. This was evident when the English National Football team failed to qualify for the European Championships in 2008. This failure reverberated throughout the various commercial sport and sport-related markets which were adversely affected, namely sport travel, fan parks, pubs, catering, and restaurants. The sport retail sector was hardest hit as it was relying on selling several million items of official England Football merchandising. A classic scenario of the influence of national brands on the commercial sport sectors was the Springboks advancing to the finals of the 2007 Rugby World Cup. At the time of the final, virtually every Springbok replica merchandised jersey was reportedly sold out at all major sporting retailers in South Africa.



**Figure 2.6: Opportunities and Avenues in the Sport Business Industry:  
The Sport Industry Segment Model**

Adapted from : Parks, Quarterman & Thibault (2007), Durand (2007a), and Gouws (2001)

Pitts and Sotlar (1996) cited in Gouws (2001) and Pitts et al. (1994) cited in Parks et al. (2007) broadly outlined the nature and scope of the sport industry in an industry model that

compartmentalises the sport industry into three core categories, namely sport participation, sport production, and sport performance. In placing the business of sport in perspective, Figure 2.6 is a diagrammatic illustration of the structure of the sport business industry in its totality. Figure 2.6 further depicts the sport industry as divided into segments based on products. Hence, product segmentation is a process that consists of categorising and dividing products by function and characteristics (Pitts & Sotlar, 1996 cited in Gouws, 2001; Pitts et al., 1994 cited in Parks et al., 2007). This conceptual framework further outlines that the three main categories are sub-divided into various sectors. Hence, Figure 2.6 holistically represents the segmentation approach to conceptualising the sport industry. Pitts et al. (1994) cited in Parks et al. (2007) developed this segmentation model of the sport industry based on the type of products sold or promoted by businesses or organisations within the industry.

Based on this model, it can be ascertained that the three main product segments proposed are simply the sectors where existing small sport-related businesses are located. From a business perspective, in this conceptual framework, the sport industry would include a cross-section of all sport-related products that may be offered to a consumer, namely goods, services, places, people and information. Moreover, such segmentation can be useful to the decision-making of entrepreneurially-oriented individuals in terms of choosing the sectors in which they wish to introduce a product or service. In the business environment, this model is particularly beneficial to sport marketers in terms of designing marketing strategies (Gouws, 2001).

Bovee and Thill (2005) described a market as containing customers or businesses that might be interested in a product and can pay for it. Ross (2006) examined the various segments of commercial recreation and concluded that consumers of commercial recreation services can be divided into various market segments. It is thus essential to understand the needs and expectations of these segments in order to capitalise on new opportunities and for existing businesses to enhance their financial well-being. From a business perspective, Figure 2.6 is an all-encompassing framework of the various dimensions of the sport business industry. Industry segmentation is an almost compulsory aspect of the process of planning a marketing strategy (Torkilson, 2004; Katz & Green, 2009; Bovee & Thill, 2005; Madura, 2007). Torkildson (2004) underscored the importance of market segmentation as any homogeneous subdivision of the leisure market that is likely to be attracted to particular products or services. This view is in consistent with the definition proposed by Katz and Green (2009) that market segmentation is the process of

categorising and dividing the market into groups that have somewhat homogeneous needs for a product or service.

Msomi (2008) provided an overview on researching the marketplace in order to ensure that a small business entrepreneur targets the right niche with the product or service to be offered. For any business to be successful, one has to research the existing demand and supply patterns in the market in order to increase the lifespan, competitiveness, and sustainability of the business. Msomi (2008) further elaborated on the concept of market intelligence whereby the onus was on the small business entrepreneur to secure reliable market information about the market environment that was relevant to a micro environment of a business. Such a process would entail acquiring information about competitors, suppliers, comparative and competitive advantages, expected trends, and so forth. It would be foolish if an entrepreneur did not conduct elementary market research in order to understand the dynamics at play in the market place.

At this juncture, a reference is made to job opportunities in the South African sport industry and its implications for business opportunities. Post 1994, saw an in-depth market segmentation of the industry in South Africa. Hollander (2007) cited in Durand (2007a) provided a brief overview of job prospects and career avenues available in the South African sport and recreation marketplace utilizing the segmentation model in Figure 2.6. The career options and career paths of graduates within the sport management domain is still developing in South Africa. Graduates in sport management can now visualize career paths extending into such diverse domains as sport marketing, event and facility management, sport psychology, sport science, and sport coaching.

While this model simultaneously depicts a vast range of career opportunities and job avenues in the various areas of the sport industry, without-a-doubt, limited job opportunities are predisposing sport management graduates to embark on entrepreneurial ventures. Chuene cited in Durand (2007a) stipulated that graduates with degrees in humanities - under which a large percentage of sport-related qualifications are housed and continue to be accommodated - struggled to find sport-related work and argued that 50% of sport studies graduates find work after completing their studies or end up working in an unrelated field. Mbangwa (cited in Durand (2007a) provided a more positive perspective on job opportunities in sport, adding that the market for self-employment for coaches and technical personnel, specifically in the area of school sport was growing and mentioned that the Exercise Teachers Academy of South Africa which trains around 1000 people

in sports related and fitness fields each year received numerous enquiries for the services of sports coaches.

The growth of provincial and municipal sport and recreation authorities must be acknowledged and hence, employment in the public sector constitutes a significant portion of all people working in sport. It is obvious that jobs within sport federations are quite scarce with only the popular, large, dominant sports like rugby, soccer, cricket, and athletics employing significant numbers of people. The presence of greater job opportunities within these sports can be attributed to the professional nature of these sports and the huge commercial sponsorships they command.

It can be deduced that employment opportunities in the South African sport marketplace are diverse in nature but low in volume. As universities, FET colleges, learnership programmes and graduate placement programmes continue to churn out graduates and learners, the rate of formal employment opportunities is not growing at a commensurate pace in order to accommodate these job seekers. Job opportunities in South African sport appear to be too far and few. This deduction is made in reference to the United Kingdom's number one sport and leisure job opportunities website, namely, [www.leisureopportunities.co.uk](http://www.leisureopportunities.co.uk) where dozens of sport jobs are advertised on a weekly basis. Hence, it appears that the supply of qualified sports administrators is outstripping demand in South Africa. This point was alluded to by Chuene (cited in PMG, 2007) who reported that 80% of people who had completed learnerships through the former THETA could not find decent jobs.

The present scenario of unemployed sport graduates can be altered, provided such individuals are highly motivated, visionary, prepared to assume risk, make financial sacrifices, work hard, and start thinking entrepreneurially to create their own opportunities through self-employment. Mbangwa cited in Durand (2007a) raised the importance of educating people in generating their own employment in sport rather than waiting for employment to be provided by someone else. Chuene cited in Durand (2007a) was of a similar opinion and outlined the efforts of THETA in implementing a programme on entrepreneurship through the New Venture Creation Learnership in order to train and educate people to start their own businesses.

Expectedly, eager and enthusiastic nascent small business entrepreneurs were also seeking to create business opportunities in the build-up to the 2010 FIFA World Cup. However, various warnings

have been issued from experts about starting a business just for the World Cup and seeking to make quick wins over a short period. Consideration should be given to sustainability and whether investing much time and effort for quick gain was a worthwhile endeavor.

From an education and training perspective, training institutions are working hand-in-glove with the industry and have realised the need to produce high calibre graduates with business knowledge and entrepreneurship skills. Thus, sport business entrepreneurship has formed a core component of the syllabus and curriculum of sport management courses at most institutions of higher learning. Likewise, for work-based qualifications on the NQF, entrepreneurship in sport is also featured. On the NQF, the Unit Standard SRF64 which is titled 'Apply Entrepreneurship to the Administration of a Sport, Recreation or Fitness Business' carries a value of 5 points towards a diploma in sport administration. This qualification is pitched at an NQF Level 5. The critical cross field outcomes of this Unit Standard include business planning, marketing, entrepreneurship, operations, administration, and financial management (THETA, 2008).

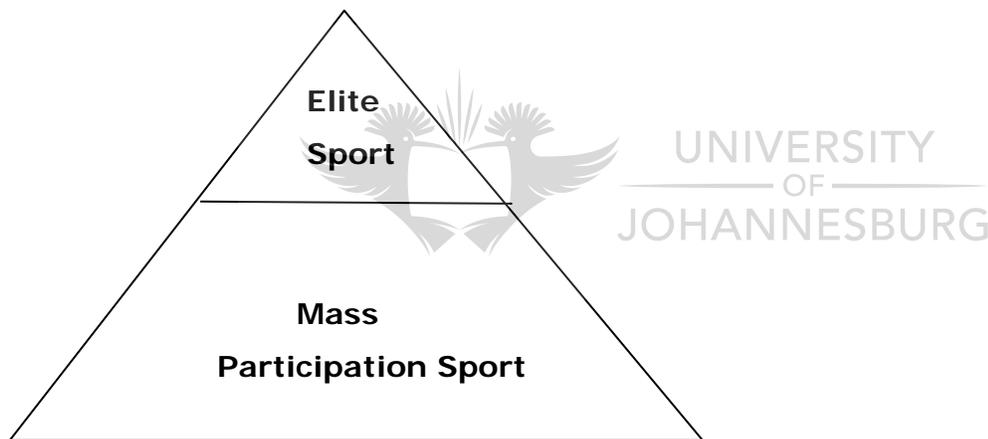
### 2.3.5. Economics of Sport

At a macro-economic level, sport is a major contributor to national income and prosperity. Coakley (2001) refers to an unprecedented influence of economics in sport in the modern era. According to Veal (2006) and Ferrell et al. (2009) economics is a discipline concerned with the allocation of scarce resources between competing ends, namely production and consumption. In terms of the economics of sport, Parks et al. (2007) defined the economics of sport as the study of how people within the sport industry deal with scarcity of products while Tribe (2005) described it as the way in which the markets work. In sport economics, economic theories and models are applied to make predictions and to describe the relationship between economic variables in sport from a micro-economic and macro-economic perspective (Tribe, 2005; Veal, 2006).

In South Africa's free enterprise system, the sport market economy comprises of two fundamental forces, namely demand and supply. Demand and supply governs the quantity of a product that consumers are willing to buy at different prices, the amount that suppliers are willing to produce at different prices, and the final price that consumers will pay (Dransfield & Dransfield, 2002; McKenzie & Lee, 2006; Ferrell et al. 2009). Consumer behaviour in the sport marketplace is regulated by changes in the economic environment due to the effects of supply and demand

(McKenzie & Lee, 2006). A key macro-economic factor affecting the demand for sport products is real household disposable income which Tribe (2005) describes as the amount of income available for household consumption and consumer expenditure. In this regard, Torkildson (2004) considered disposable income as one of the most commonly used measures of living standards. The limited scope of this study does not permit further elaboration on these concepts.

There is a frequent misconception to associate sport business and the economics of sport with only the elite sport market (Gratton & Taylor, 2000). In this regard, Gratton and Taylor provide a simple diagram (Figure 2.7) of the total sport business market to illustrate the economic value of sport. Figure 2.7 illustrates the contrast between the elite sport market and the broad-based recreational sport market. In comparison to the elite commercial sport marketplace, opportunities and expenditure in the sport industry are higher at the grassroots community sector of the sport market.



**Figure 2.7: The Sport Business Market Pyramid**

Adapted: Gratton & Taylor (2004)

With the recent episodes of economic recession and unprecedented job losses, a declining real disposable income can adversely affect sport businesses. Small businesses are at risk: spare capacity in the form of surplus stock, empty health clubs, unused sport amenities, vacant sport courts, empty seats at sport entertainment venues, lower demand for coaching programmes, and idle leisure facilities. The establishment of SMME's in the sport industry and their employment-generating potential are directly related to the supply and demand of goods and services and the expenditure thereof in the sector. The integrated dynamics of sport economics and its value to the

industry is evidenced in an interconnected chain of price, supply, demand, household consumption, real disposable income, and consumer confidence.

### 2.3.6. Growth of the Sport Business Industry

Historically, sporting opportunities were provided by the voluntary sector. In the 1970's Government took on a prominent role in providing public facilities and funds for sport and developed policy aimed at promoting the participation and development of sport. Since the 1990's, however, the private commercial sector of sport has grown at an unprecedented rate. Presently, it is now the dominant economic sector in sport (SA Tourism, 2005). Interestingly, in Australia, the growth of the community sport business industry was attributed to the oversupply of physical education teachers in the late 1970s and early 1980s who ventured into self-employment (Arnold, 2008).

The evolution of leisure from a peripheral function of life to a profit-seeking commodity was alluded to by Kraus (1995). Sport and leisure has become a source of profit for corporate enterprises and an integral part of the economy. In economic terms, sport and leisure pursuits are the source of millions of Rand of annual expenditure and of the employment of thousands of people in the country. Activities that would be commonly recognised as being part of the sport industry are recorded under a variety of SIC codes as outlined in the National Small Business Amendment Act (Act 26 of 2003).

In recent times, the professional sport industry has witnessed ludicrous trends of star athletes being sold for hundreds of millions of Rand while professional sport franchises were available for sums higher than the GDP of some countries (Slack, 2004). Some interesting statistics make a compelling statement: Sport Business Journal estimated the United States sport industry as having a value of \$213 billion dollars with a real per-capita growth rate of 7,8 (Slack, 2004), consumer spending on sport in the United Kingdom reached a record £15,2 billion Pounds in 2000 (Gratton & Taylor, 2000), BMI Sport Info estimated the total South African sponsorship procurement, management, and leverage spend in 2004 at R 3.5 billion (Whitehead, 2007). Although these statistics are highly subjective, it can be deduced with reasonable confidence that there is a growing commercial involvement in sport.

### 2.3.7. Commercialism in Sport

Sport is currently highly commercialised with economic factors dominating decisions within the industry (Coakley, 2001). Government, the commercial sector, and the voluntary sector are normally involved in the supply of sporting opportunities and are often in direct competition with each other. From a UK perspective, Crompton (1998) cited in Gratton and Taylor (2000) suggested that in recent years it has become increasingly difficult to distinguish separate roles for the public and the commercial sector in the supply of sport and recreation opportunities. In the UK context, there appears to be a blurring of these sector boundaries. A possible reason for this overlap is that both sectors provide facilities, events, and programmes of similar standard in health, fitness, community sport, and the like.

Thibault, Kikulis and Frisby cited in Slack (2004) refer to the trend of public sport and leisure departments which have developed commercial partnerships with commercial leisure enterprises – especially in the UK - to facilitate access to greater expertise and deliver programmes and facilities. The development of public-private-partnerships is a strategic shift involving the adoption of an entrepreneurial mindset that has led to increased interest in cooperating with commercial enterprises. In this market, the commercial sector will aim to give a similar product but provide a higher quality product at a competitive price. This allows the commercial sector to have a national presence usually in the sense of a national network of sport facilities with an established brand and quality.

One of the most visible aspects of modern sport is its strong links to commercial enterprises. Slack (2004) attempts to fill a gap in the literature and provide scholarly critique on the commercialization of sport from five perspectives: the sport industry, the public sector and the commercialism of sport, the commercialism of amateur sport, the mass media, and the commercialism of sport and sport sponsorship. In this regard, Slack distinguishes the various ways in which sport is related to capital and commercialism:

1. Sport that is essentially profit-maximising business enterprises.
2. Sport that is commercialised but essentially to cover costs in order to survive.
3. Sport that assist capital accumulation both indirectly and directly by offering opportunities to enterprises to provide essentials (equipment) and accessories (clothing and the like).

4. Sport that enter closely into partnerships with commerce and the media through retailing, sponsorship, and advertising.
5. Sport that may attempt some, if not all, of the above simultaneously.

According to Cashmore (2000), the introduction of money into pursuits or pastimes that were once played for enjoyment set in motion a series of processes that irreversibly changed the landscape of sport. Commercialization of sport is only part of an unyielding commercial movement that has affected every aspect of contemporary culture. Gratton & Taylor (2000) describe the commercial sector of sport as the most dynamic sectors of the supply side of the sports market. It is now realistic to talk about the sport industry as an important generator of economic activity and employment as it is the commercial sector of sport that accounts for the major share of sport-related economic activity.

Gratton and Taylor (2000) described the commercial sport sector as consisting of sport goods and sport services. The sport goods sector includes all products which are bought for use in sport such as sport equipment, sport clothing, and sport footwear. Sport services include inter alia, expenditure on admissions to spectator sport, fees and subscriptions for participation sport, sports-related expenditure on television, and expenditure on health and fitness clubs.

The policy of ordinary people paying a user-fee in most cases for state-driven sport and leisure program opportunities might not be strictly enforced in South Africa. However, in Europe, access to public sport programs is regulated by payment as community sport at local government level is run along business lines. Hence, this engrained business culture at local government level has enabled the commercial sector to compete on an equal footing.

Effectively-speaking, it is within the commercial sector of the leisure industry that SMME's in sport are indeed embedded. Ross (2006) refers to the opportunities for private for-profit enterprises as commercial recreation. He further describes commercial recreation as the umbrella term for industries that deal with leisure products and services for a fee and are conducted predominantly with the intention of being profitable. Under this umbrella are a host of businesses and agencies that provide services for those who are willing to pay for them. Commercial recreation is a large industry whose businesses normally compete for a customers' discretionary budget. Ross (2006) also regards the commercial mass recreational management sector as

increasing in complexity and magnitude as a result of societal demands for more and better services.

It can be argued that the objective of the commercial sport provider is to simply make money by serving the public. However, the literature has identified that there is a difference of opinion on commercialism in sport and leisure. According to Parker (1997) cited in Coalter (2000), participatory leisure is participant-led, active, and spontaneous while consumerism was provider-led, passive, and packaged. Coalter also criticized researchers and academics with negative views on commercialization as having limited theoretical and empirical grounding and limited social understanding of modern leisure forms. He argued that leisure studies have adopted a mainly dismissive approach and a common aversion to the commercial leisure sector and the commercial leisure experience.

Watt (2004) appears to offer more support to the public and voluntary leisure sectors. Torkildson (2004) takes on a neutral position advocating the benefits of both public sector and commercial leisure. Coalter (2000) reports on the negative critique of ideologies and perspectives of consumerism and the supposed 'passivity' of commercial leisure juxtaposed to the more 'participatory' and inclusive nature of public leisure provision. The question raised by Coalter is whether public and commercial leisure provision was promoting active citizens and passive consumers respectively?

In the UK sport industry, there is no public sector monopoly and activities are freely chosen and take place within the mixed economy of sport, in which the commercial sector is the predominant provider (Coalter, 2000). Off-course, in South Africa, the inverse applies. Coalter makes reference to the privatization of leisure service in the UK in the nineties through the introduction of internal markets and external competition via compulsory competitive tendering (CCT) which led to a revolutionary change in the method leisure services were delivered to the public. This change resulted in a transition from traditional service delivery to service delivery by market contractors who entered the industry through the establishment of leisure trusts which operated within defined business frameworks.

Parker (1997) cited in Coalter (2000) distinguished between two types of leisure: consumerist and participatory. Parker also spoke of the merits and demerits of market and non-market leisure and

further criticized commercial leisure as being limited by the terms and conditions set by the provider rather than being decided by the participants themselves. He further argued that in consumerist leisure the motivation of the provider is given precedence over the experience of the consumer, and profits outweigh pleasure. Torkildson (2004) offered a similar viewpoint explaining that commercial businesses do not have an intrinsic interest in leisure and recreation in and of itself, but in leisure a source of profit.

Kraus (1995) listed the following negative impact of commercial, privatized leisure:

1. Mass-produced forms of play is linked to a passive, alienated, consumer-oriented approach to leisure.
2. A lack of autonomy and self-direction in leisure where leisure-time consumption is manipulated and the consumer is conditioned towards commoditized play.
3. Leisure has become distorted by commoditization.
4. Commoditization of leisure is dividing society into the 'haves' and 'have-nots' and thereby perpetuating socio-economic divisions in an already fractured society.
5. Commoditized leisure fragments society and denies a majority of our society from participating in what should be a vital and rewarding aspect for personal development and community life.
6. Commoditized leisure is expensive.

Tomlinson (1991) cited in Coalter (2000) acknowledged that while consumerism has extended opportunities for leisure, the major negative factor was that it was not a source of 'authentic experience or credible values.' Tomlinson further made a conceptual distinction between the 'the leisure needs and interests of citizens' and 'the whims of consumers.' It appears that Tomlinson is asserting that traditional leisure provides a more enjoyable and enriching experience compared to that offered by consumerism. Tomlinson and Parker are perhaps disregarding the realities of the modern leisure movement. The fast-paced nature of everyday life and with the advent of technology, individuals and families are hard pressed to find time to plan together to recreate and are thus drawn to commercially-packaged leisure activities. The technologically advanced marketing techniques and strategies used by such commercial operators are not only omnipresent on a daily basis but also very effective, influential, and persuasive. Torkildson (2004) points to the

mass media as instrumental players in enticing consumers, stimulating interest, and activating participation in commercial pursuits.

Parks et al. (2007) described China as the awakening giant of sport of the 21<sup>st</sup> century. Chinese sport today has been turned into a money-making proposition. With China's increasing global economic influence, the country was becoming a major outlet for commercial sport opportunities of every kind. Hong (1997) described the national sport management system of China as taking on a new direction that was effectively promoting the development of the sport industry for entertainment and commercial benefit. He described the push towards commercialization being manifested in many ways, namely through sport sponsorship, foreign investment, a sporting goods industry, a sport lottery system, the development of sport clubs, and other commercial enterprises related to sport.

The Chinese Sports Ministry has publicly advocated the commercialization of sport since 1993 when it underwent wholesale restructuring with the addition of a sport equipment and costume department, a sports travel agency, and a sport service company responsible for hotels, restaurants, and health clubs (Hong, 2007). This reform strategy was aimed at commercializing sport and integrating sport into peoples' everyday life. One needs to take cognizance that this move should be viewed in perspective as the Chinese economy is based on communist principles as opposed to a free market system and hence, remains state-controlled.

#### **2.3.8. Former Sport Professionals Turned Entrepreneurs**

The literature has sparsely touched on case studies of former professional or competitive athletes who have translated their passion of sport into viable businesses. Likewise, there is a lack of research on existing entrepreneurs who have successfully transformed recreational pastime into successful businesses. Berret et al. (1993) found that despite a plethora of studies on the background characteristics of entrepreneurs, most did not stress prior personal involvement in the area in which the business is being established. On the contrary, Collins and Randolp (1991) and Gould (1987) cited in Berret et al. (1993) found the majority of entrepreneurs in the sport and leisure industry embarked on a business in this industry because they had a hobby or interest in the field or were attracted to their chosen business due to their passionate physical involvement in sport.

Former professional sportsmen and sportswomen have utilized their experience of the industry in becoming successful sport entrepreneurs. A poignant example of such a trend was highlighted by Hoffer (2006) of former six-times world boxing champion Oscar De La Hoya who utilized his wealth to become a successful boxing promoter and media owner specializing in pay-per-view boxing events. On retirement from the sport, Oscar De La Hoya redefined his career goals and pursued business interests through his company Golden Boy Promotions (Hoffer, 2006). South African sporting personalities who have become successful entrepreneurs include:

1. Kazier Motaung translated a passion and hobby for sport into a lucrative international ambassadorial brand Kazier Chiefs Football Club.
2. François Pienaar has transferred his on-field rugby skills to the business world and has undertaken major sport business projects such as the successful South African universities rugby cup, bidding and hosting, and sport marketing.
3. Former tennis professional Kevin Curran converted his passion for tennis into a successful leisure business offering an upmarket, elite sport and spa resort.
4. Mike Makaab has combined his experience as a football coach and his understanding of the needs, challenges, and issues facing footballers into a reputable international player agency enterprise.
5. Ex-professional footballer, Jomo Sono has grown into a successful entrepreneur focusing on secondary, sport-related businesses.
6. Riaan Olberhozer also invested his considerable wisdom and expertise of the South African and international rugby industry into a well-respected rugby player and management business.

A very contemporary example of a former sports administrator who applied a commercial idea within world cricket that basically revolutionized the global business of cricket and sport entertainment, is the young and enterprising former creator, commissioner, and managing director of the successful Indian Premier Cricket League, Lalit Modi. As a sport management graduate, and former board member of a state cricket association, Modi who is described as visionary, tenacious, ruthless and diligent, practically reinvented the sport broadcasting industry in Asia to become one of Asia's richest sport entrepreneurs over a period of 12 months.

### 2.3.9. Future Perspectives on the Business of Sport in South Africa

The current South African sporting landscape contains fertile ground of possible business opportunities. SMME's and entrepreneurs need to be alert, innovative, and proactive to capitalize on such opportunities. As this study was conducted pre-World Cup 2010, SMME's and entrepreneurs were expected to exploit opportunities around the 2010 World Cup. At the 2010 World Cup Business Opportunities conference, Mlambo-Ngcuka (cited in Da Silva, 2007a) highlighted the need for SMME's to optimize the diverse economic opportunities of the event with a view towards job creation and shared growth. Makgoba (cited in Da Silva, 2007a) also outlined the opportunities for large corporates and SMME's in the football business, specifically in television, digital broadcasting rights, advertising, commercial partnering, merchandising, sport goods, licensing, publications, marketing, hospitality, and new media rights. Likewise, Jordaan (cited in Da Silva 2007b) reiterated the need for a favorable environment for SMME's to benefit from the billions of Rand being spent to host the event. Numerous stakeholders, for example the Gauteng Economic Development Agency, Ekurhuleni Municipality, the KwaZulu Natal Department of Economic Development, and the Durban Chamber of Business implemented innovative marketing and communication initiatives to inform SMME's of possible business opportunities related to the event. Two particular examples of proactive initiatives to exploit business opportunities related to the FIFA World Cup 2010 are highlighted:

(a). The Gauteng Economic Development Agency which promotes the local soccer business industry hosted the Gauteng Soccer Business Week which was held in 2008 targeting entrepreneurs in soccer and related segments of merchandising, hospitality, manufacturers, and event management. According to Gaoanediwe (2008) the event examined the various ways of developing the business of soccer through leveraging the hosting rights of Soccerex (the largest soccer expo in the world) and the opportunities presented by the 2010 tournament. Access to funding and B-B BEE were some of the issues discussed with a view to developing the soccer industry as a powerful economic sector.

(b). According to Mkize (2007), the motivations behind the KZN Future Leaders Youth Entrepreneurship Conference 2007 were: to sensitize young entrepreneurs to the business opportunities arising from hosting the 2010 Fifa World Cup, assessing how these opportunities can best be exploited and utilized, and identifying the challenges faced in accessing these opportunities

and benefits. Mkize reiterated that numerous follow-up programs, fairs, workshops, and exhibitions were to be hosted by government to ensure that maximum gain was to be achieved from the myriad of potential business opportunities of the football showpiece.

The formative stages of the planning for the 2010 World Cup provided a stimulus to kick-start local entrepreneurship. By virtue of its sheer magnitude, this mega event created an ideal scenario where numerous direct and indirect sport business opportunities have self-manifested. Post 2010 FIFA World Cup, new and upgraded stadia and training facilities will need to be managed and operated thus ensuring sustainable business opportunities for SMME's in this sector. In this regard, various means were employed to inform existing SMME's and nascent entrepreneurs of such opportunities, such as internet websites, 2010 business desks, marketing booklets, conferences, and regular meetings. For example, the Ekurhuleni Metropolitan Municipality launched an official 2010 business opportunities brochure for detailing opportunities for local entrepreneurs to take advantage of the array of business opportunities related to the event. Similarly, the Durban Chamber of Business established a dedicated 2010 business desk to liaise with local small businesses on business developments on the event, while Ethekewini Municipality created a dedicated KZN 2010 website to inform the wider public of details relating to the event in KZN. Numerous conferences within soccer, sport in general, tourism, and in other complementary business sectors were arranged given the transverse nature of the 2010 event. Such conferences have also highlighted the wide range of business and economic opportunities related to the event that small business entrepreneurs could pursue on a sustainable and long-term basis.

#### **2.3.10. Conclusion**

Only scant attention has been paid to the role of entrepreneurs in the sport industry. Given that this study is one of the first of its kind on entrepreneurship and SMME's in sport in South Africa, the author has attempted to broadly outline contemporary literature related to the themes of the study. Sport is one of the fastest-growing sectors of the broad leisure industry. Since the 1990's, the business of the sport landscape has been on a path of profound change. Within this context, factors influencing the meteoric rise of the sport business industry were examined. A further attempt was made to acquire a grasp of the size, structure, and scope of the industry. The role of the sport consumer at the heart of sport business was also highlighted. Commercialism in sport featured prominently while fundamental concepts on sport economics were also discussed. Brief attention

was given to the transition of former athletes and administrators into successful entrepreneurs. Finally, perspectives on current and future business opportunities in the sport industry were examined.

## **2.4. Overview of Entrepreneurship and SMME's in South Africa**

### **2.4.1. Introduction**

This section of the literature provides an overview of the entrepreneurship culture and environment in the country. Given that the body of knowledge of this subject matter is extremely broad, the review cannot cover all the components of this vast field. Rather, the rationale of this section is to describe and discuss the core elements, principles, concepts, and theories of research and current knowledge on the subject of entrepreneurship.

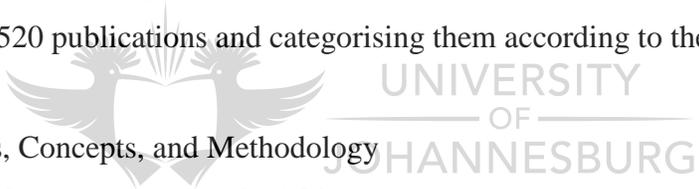
Firstly, the state of existing research in entrepreneurship and entrepreneurship theory will be examined. Considerable emphasis is then placed on the sequential entrepreneurial process. A brief analysis of key legislative policies influencing the entrepreneurship culture in South Africa is also undertaken. Furthermore, a general perspective of entrepreneurship within the South African context is provided. The role of entrepreneurship in economic development is also explored. Importantly, the characteristics that define an entrepreneur are discussed. Extensive coverage is devoted to the motivational factors behind entrepreneurship and small business creation. Finally, relevant concepts in social entrepreneurship are reviewed.

### **2.4.2. Global, African and South African Entrepreneurship Research**

There appears to be a general shortage of literature on South African entrepreneurship (Mitchell & Co, 2004). Research on the actual study scope is virtually non-existent. Fillion (1997) described the field of entrepreneurship as undergoing an explosion in the 1980's with the main topics of research focusing on the behavioural characteristics of entrepreneurs, economic and demographic characteristics of small businesses, the managerial characteristics of entrepreneurs, new venture creation, and the entrepreneurial process.

In examining some of the recent research themes on entrepreneurship and new venture creation published in the world's oldest journal on entrepreneurship, namely the *Journal of Small Business Management*, Kuratko (2006) identified the topics which prominently featured in the past few years: venture financing, corporate entrepreneurship, entrepreneurship strategies, small firm performance, women and minority entrepreneurship, family businesses, entrepreneurial ethics, and entrepreneurial education. Nieuwenhuizen (2008) stated that initially there was a proliferation of behavioural studies on entrepreneurs. However, research trends have moved from the characteristics and behaviour of entrepreneurs to the skills and competencies required for a person to function well in the activities related to entrepreneurship (Nieuwenhuizen, 2008).

In a comprehensive overview of the quantity, frequency, current state, and future trends of entrepreneurship research in Africa, Nuade and Havenga (2005) highlighted the relative lack of scientific debate, research, and information dissemination on African entrepreneurship. Their study was based on the compilation of a comprehensive bibliography on the topics researched between 1963 and 2001. They referred to a broad source of information of scientific and academic value, identifying 520 publications and categorising them according to the following categories:

- 
1. Definitions, Concepts, and Methodology
  2. The Role of the Entrepreneur in Africa
  3. Characteristics of African Entrepreneurship
  4. Determinants, Constraints, and Opportunities
  5. Government Support and Policy
  6. Women Entrepreneurship
  7. Informal Sector
  8. Agriculture and Rural Development
  9. Technology and Innovation
  10. Culture, Network, and Cluster
  11. Management, Education, and Skills
  12. Legislations, Institutions, and Regulations
  13. Financial Factors, Credit, and Information
  14. History
  15. General

Interestingly and more importantly, they found that the three most popular topical research areas included education, management, and skills within entrepreneurship (14.2%), determinants and constraints of entrepreneurship (14.0%), followed by the role of entrepreneurship in the economy (10.38%). The study also revealed a trend where research emerged from general issues in the 1960's, to the characteristics of the entrepreneur in the 1980's, to education and training in the 1990's, and finally, to the recent emergence of women's entrepreneurship.

Freel (2002) and Berry et al. (2002) cited in Dockel and Ligthelm (2005) shared similar views in analysing research on entrepreneurship and small businesses in South Africa. They supported the need for an objective evaluation of the growth factors of entrepreneurship and small business, which is one of the underlying themes of this study.

From these findings, it is evident that there is a shortage of research focusing on the identification and analysis of trends and business opportunities for prospective entrepreneurs to enter small business management. Hence, it reinforces the motivation undertaken by the proposed research study to strategically assess the nature of possible business opportunities in the sport business sector, the process of transforming these opportunities into viable small business ventures, and the operational performance of such SMME's.

A study on the retrospectives and prospective assessment of research over the past twenty years in Africa in the closest related field to sport, namely leisure and recreation was spearheaded by Goslin (2003). She comprehensively and holistically identified and assessed the growth in the quantity of leisure research over the past two decades. Goslin further sought to consolidate what has been learned in the field of leisure and provide a focus for future research in order to raise the scholarly level of leisure research. The twelve dominant research themes (out of twenty two) that emerged from Goslin's findings included (in order of importance):

1. Recreation Preference and Needs
2. Cultural aspects
3. Management and Administration
4. Outdoor Leisure
5. Recreation Behaviour or Tourists / Sports tourism
6. Policy-making and Planning

7. Spatial Analysis
8. Historical Perspectives
9. Benefits of Recreation
10. Leisure and Recreation Behaviour
11. Methods and Philosophical aspects

In relation to the research scope, it is quite evident that very little focus has been given to employment, entrepreneurship, business opportunities, and small business development issues in leisure.

Goslin's final assessment of future research to be undertaken by academics and practitioners revealed that needs analysis, management of recreation service, transformation in recreation service, facility and spatial development, and adventure trends and development were the top five research priorities. Surprisingly, just a single response out of 191 was related to business or entrepreneurship development in leisure and recreation (in this case commercial recreation). Specific research on entrepreneurship and small business opportunities in sport or leisure did not feature among any of the responses for future research. The author concurs with the view expressed by Goslin that future leisure research should address the pressing socio-economic issues facing South Africa and in particular the challenges and priorities of government, such as economic development, job creation, and poverty alleviation.

The 2006 Global Entrepreneurship Monitor (GEM) Report states that in South Africa, the availability of accurate and meaningful information is still a problem for the entrepreneurial sector (Maas & Herrington, 2007). The GEM emphasised the need for more effective, accelerated, and focused research within the South African context which was essential for the establishment and sustainability of entrepreneurship and SMME development in the economy (Maas & Herrington, 2007).

Maas and Herrington (2007) concurred with Goslin's recommendations and suggested that researchers – especially at a Masters and PhD level need to provide solutions and usable, reliable information that can be used by all stakeholders to improve the current entrepreneurial environment. Mass & Herrington subsequently proposed the following entrepreneurship problems and themes that needed further investigation:

1. Establishing an entrepreneurial culture among South Africans.
2. The elimination of negative factors associated with entrepreneurship in South Africa.
3. The effect of B-B BEE and other government regulations on SMME's in South Africa.
4. Entrepreneurship as an instrument to alleviate poverty and unemployment.
5. The enhancement of entrepreneurship among rural communities.
6. The promotion of entrepreneurship mainly among youth and women in South Africa.
7. The implementation of entrepreneurship in South African schools.
8. The introduction of corporate entrepreneurship in the public sector.

It thus appears that research has progressed from generic to more specific issues in entrepreneurship, namely the characteristics and behaviour of entrepreneurs to the skills and competencies required to function well in entrepreneurial activities, to the role of entrepreneurship in job creation and economic growth.

#### 2.4.3. Entrepreneurial Theory

A short historical perspective of the concept of entrepreneurship is necessary as some of the theories, themes, and principles that underlie entrepreneurship still have relevance for contemporary entrepreneurs today in South Africa's complex business environment. Moreover, principles from such theories have been incorporated into contemporary entrepreneurship. In researching entrepreneurship, Fillion (1997) referred to entrepreneurship theory and trends in entrepreneurship as a predecessor to defining an entrepreneur.

Over the last two and half centuries, the conceptualisation of entrepreneurship as an economic phenomenon has been developed by various theorists and economists (Morris & Hooper, 1996; Nieuwenhuizen, 2008). Mahadea (1991) reviewed the historical development of the concept of entrepreneurship within classical and modern micro-economics as entrepreneurship was not accommodated in the macro-economic policies of that time. Mahadea identified four major themes from the various schools of thought on the meaning of entrepreneurship:

1. In the eighteen century, Cantillon coined the term 'entrepreneur' as any self-employed person, whose primary function was risk-taking under conditions of uncertainty.

2. In the ninetieth century, Say described the function of an entrepreneur as the application of scientific knowledge to industry. Innovation and growth as the essence of entrepreneurship gained force with Schumpeter in the twentieth century. The Schumpeterian approach recognised the role of entrepreneurship in economic development (Muhana, 2007).
3. Kirzner adapted the concept of innovation to the problem of identifying opportunities for profitable activities.
4. Marshall and Liebenstein related entrepreneurship to management.

Fillion (1997) studied trends in entrepreneurship and provides arguably the best theoretical perspective on the field arguing that researchers tend to perceive and define entrepreneurship using the premises of their own disciplines. In the evolution of entrepreneurship, according to Fillion (1997), two major theoretical standpoints emerged, namely from the economists and the behaviourists. Economists such as Schumpeter equated entrepreneurship with innovation and economic development. On the other-hand, behaviourists, such as Max Weber and McClelland associated entrepreneurship with the creative and intuitive characteristics of the entrepreneur.

It has been widely agreed in the literature that Joseph Schumpeter was the influential pioneering force behind the development of the entrepreneurship movement (Van Wyk, Boshoff & Bester, 2003; Muhana, 2007). According to Schumpeter's theory, innovation and technological change were driven by entrepreneurs who were the driving force behind economic development (Carland et al., 1984). With reference to Table 2.2. Nieuwenhuizen (2008) presented a timeline of research trends on entrepreneurship.

Table 2.2.: Historical Research Trends in Entrepreneurship

PERIOD	TOPICS
1. What entrepreneurs do (1700-1950)	From an economic perspective.
2. What entrepreneurs are (1960-1980)	From a behavioral perspective.
3. What support is needed by entrepreneurs (1985-)	From a management perspective.
4. What entrepreneurial activities are and what competencies are required (1990-)	From a entrepreneurship perspective.

It can be discerned from the literature that the development of entrepreneurship as a discipline did not follow the same process as other disciplines. Entrepreneurship seems to have had its roots within other fields. The theory on entrepreneurship appears to be broad and multi-dimensional reflecting its multi-disciplinary roots. Although it is a distinguishable subject of study, it still reflects a cross section of principles and concepts from other sciences. Fillion (1991) found that researchers utilised the culture, logic, and methodology established in their own fields to take an interest in entrepreneurship, for example sociologists, anthropologists, economists, behaviourists, and management specialists gradually assimilated and integrated entrepreneurship into other disciplines. Morris and Hooper (1996) support this argument and added that as an emerging field of academia, entrepreneurship is primarily grounded in the discipline of economics with a cross-functional nature encompassing disciplines such as psychology and marketing. Hence, the theory of entrepreneurship is not independent of but interfaces with other sciences.

Similarly, Morrison et al. (1999) examined entrepreneurs within the tourism, hospitality, and leisure industries and advised that it was not constructive to study an entrepreneur in isolation. They mentioned that it was necessary to consider how the entrepreneurial personality interacts within the social structure and external environment in which they are located. This provides a perspective of the factors which combine to promote or inhibit entrepreneurial behaviour. The literature has however, revealed three broad perspectives on entrepreneurship which were categorised quite conveniently by Muhanna (2007). These three overriding perspectives – applied with a degree of flexibility - will ground this study.

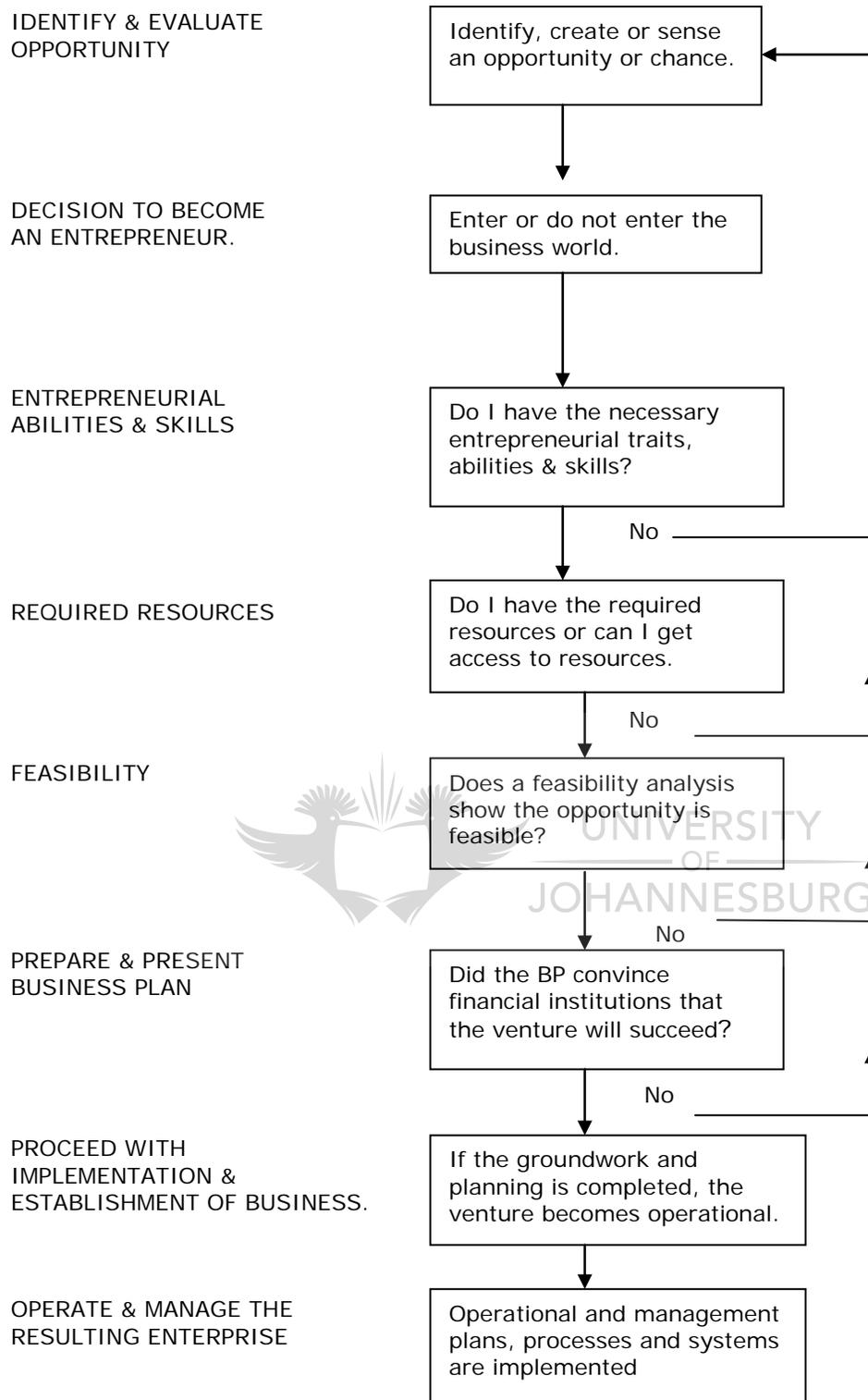
1. **Institutional perspective:** focuses on the role of economic, political, and legal institutions in fostering entrepreneurship in a country
2. **Sociological perspective:** focuses on sociological variables, namely values and social networks (family and friends) in promoting or discouraging entrepreneurial activities.
3. **Individual perspective:** emphasises individual characteristics of entrepreneurs such as a personal need for achievement, attitudes towards work, and individual self confidence.

#### 2.4.4. The Entrepreneurship Process

The author has referred to the works of Morrison et al. (1999), Robins and DeCenzo (2005), Cronje et al. (2004), Macleod (1999), Hisrich et al. (2005), Katz and Green (2009), and the collective works of Nieman et al. (2008) in providing a conceptual framework of the entrepreneurial process.

The entrepreneurial process is one through which a new venture is created by an entrepreneur (Niewenhuizen, 2008). There is no one preferred methodology of the entrepreneurship process that is cast in stone but there are certain consistent trends that emerge from the literature regarding the process. The scientific decision-making model in Figure 2.8 illustrates the detailed sequential entrepreneurial process that applies to a start-up small business entrepreneur. This process encompasses a systematic format that clarifies questions that the entrepreneur must address at each stage before proceeding any further. Figure 2.8 provides a framework for decision-making and a convenient, logical sequence of eight phases that must be meticulously, honestly, and objectively assessed if a nascent or incumbent sport entrepreneur desires to succeed in business.





**Figure 2.8: The Entrepreneurial Process: A Conceptual Scientific Decision-Making Framework**

(a). **Identify and evaluate opportunity**

Niewenhuizen (2008) defined an opportunity as a gap left in the market by those who currently service it. Hisrich et al. (2005) viewed an opportunity as a process whereby an entrepreneur assesses whether a certain product or service has the necessary earnings potential based on the resource inputs that are required. In this regard, Katz and Green (2009) described opportunity recognition as the search and capture of new ideas that lead to business opportunities. Opportunity identification closely complements and even precedes the process of idea generation whereby a potential entrepreneur deliberately seeks for creative ideas that can be converted into a business opportunity.

An important aspect in the generation of new ideas is the creative ability of the prospective entrepreneur (Parker, 2004). A common pitfall at this stage is for entrepreneurs to reinvent the wheel, recycling established ideas with little innovation instead of conceiving novel and original ideas. Baldachio and Fairbain (2006) found the consequences of imitating a successful business to be overcrowding, market saturation, and business failure. Hence, Nhlengethwa (2008) underscores the need for nascent entrepreneurs to identify new business opportunities, new services, and new products to meet consumer needs.

Ideas have to be transformed into opportunities if they are to result in the creation of small businesses. Antonites (2008) cautioned against wasting resources when a mere idea is incorrectly perceived as an opportunity. Antonites (2008) also raised the importance of distinguishing between an idea and an opportunity. The literature has shown that a good idea does not always translate into an opportunity. Cronje et al. (2004) stated that a good idea is a good opportunity when an opportunity is able to satisfy a sustainable market need for a product or service, reward an entrepreneur, and demonstrate potential for growth. Nhlengethwa (2008) posed a relevant question: when is an idea an opportunity? Timmons (1999) cited in Nieman et al. (2008) argued that in order for an idea to be converted into an opportunity, it had to be attractive, durable, and timely and add value to the end-user.

Hisrich et al. (2005), Cronje et al. (2004), and Antonites (2008) refer to the importance of examining the duration of a 'window of the opportunity' for exploiting an idea, its real and perceived value, its risks and returns, and its unique advantage in its competitive environment – in

this case, the sport industry. These comments are rather contemporary given the excitement, anticipation, and desire to capitalise on business possibilities posed by the 2010 FIFA Football World Cup. Regarding the ‘window of opportunity,’ there is not much literature on how the entrepreneur ensures the sustainability of the venture when this opportunity closes.

Hisrich et al. (2005) added that good business opportunities don’t just appear but result from a prospective entrepreneur’s alertness to possibilities or through the application of due diligence and mechanisms to identify possible needs and opportunities. Katz and Green (2009) capture this process under the notion of entrepreneurial alertness whereby potential entrepreneurs are blessed with a special set of observational and thinking skills that help them to identify good opportunities. The screening and evaluation of opportunities is probably the most critical element of the entrepreneurial process as it allows the entrepreneur to assess whether a specific product or service will yield the returns desired compared to the resources required. In this phase of the process, Katz and Green (2009) warn against three pitfalls that nascent business owners can become victim to when in an innovative frame of mind, namely identifying the wrong problem, judging ideas too quickly, and stopping with the first idea which is rarely the best. Antonites (2008) listed several general variables that influence opportunity identification: technological changes, market shifts, government regulations, and competition. These are revisited in the results and discussion.

(b). **Decision-making**

Macleod (1999) provides a guide to help prospective entrepreneurs in the decision-making process on whether to embark on an entrepreneurial venture. He urged nascent entrepreneurs to assess their commitment, expectations, and personal demands prior to entering the business realm. At this early stage, a potential entrepreneur visualises the tasks that lie ahead and takes a broad view in assessing the desire to enter the business world. It is during this phase that a prospective entrepreneur revisits the personal motivating factors for embarking on an entrepreneurial venture to make an honest, balanced, and objective assessment (Macleod, 1999). Before setting goals and objectives or formulating a business strategy, one ought to give due consideration to the drivers of entrepreneurship, such as challenge, money, freedom, independence, and so forth. A prospective entrepreneur’s intentions for starting a new venture would have a bearing on whether that person becomes a successful entrepreneur.

Katz and Green (2009) advise that in the early phase of starting a business, an entrepreneur needs to work hand-in-glove with a business incubator which is simply an organisation that provides financial, technical, and managerial help to start-up businesses. At this stage, Macleod (1999) further emphasizes the importance of thorough preparation and research with regard to conducting a needs analysis, identifying the scope of ones business, the products or services on offer, ascertaining whether the product has market potential, understanding consumer behaviour as well as devising marketing strategies that would influence profitability

(c). **Feasibility**

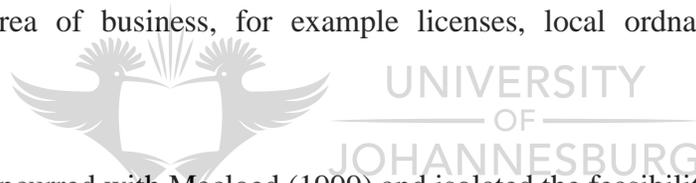
Testing an idea for feasibility is non-negotiable. Subsequent to defining the nature and scope of the proposed business, the next step is to work out its potential for success (Macleod, 1999). Katz and Green (2009) define feasibility as the extent to which an idea is visible and realistic and the degree to which one is aware of the internal forces (the business) and external forces (the industry, market, and regulatory environment) that could affect one's business. According to Cronje et al. (2004), a feasibility study gives an entrepreneur an information profile that guides the individual to take a definite decision on whether to proceed with a venture. They argue that an idea has little value until it is converted into new products or services.

An idea needs to be evaluated through a comprehensive feasibility and viability analysis to investigate the cost-effectiveness, market scope, and the profitability potential of converting an idea into a new business venture. Such a process normally precedes a business plan. Whilst consultants might be able to conduct a comprehensive feasibility analysis to formally determine whether an idea is sound and could lead to a viable business, a simple preliminary viability assessment of the potential for a business to be established and to survive would suffice. Katz and Green (2009) advise entrepreneurs to reflect on four primary areas when evaluating an idea or opportunity, namely revenue-generating ability, people, resources, and information.

Niewenhuizen (2008) viewed a feasibility exercise as focusing primarily on the ability of the entrepreneur to pursue an idea and match his or her skills with what is required. The need for a good opportunity that complements and augments the personal skills and goals of the potential entrepreneur was also emphasised by Hisrich et al. (2005). At this point, the strengths and weaknesses of the potential entrepreneur would be known. From a revenue perspective, Madura

(2007) suggested that feasibility could be measured by calculating forecasted profits. At this stage, an understanding of the requirements, commitments, sacrifice, risks, and rewards involved in undertaking an entrepreneurial venture should be clear to the potential entrepreneur to assist him or her take definite decision on whether to proceed with a business venture.

While it is beyond the scope of this study to focus in-depth on market analysis as it is an extensive subject, a brief overview of some of the elementary concepts and principals would set an ideal platform for related issues that are explored in the results and discussion. During the feasibility exercise, Mathura cited in Daniels (2008b), Van Der Merwe (2008), Parker (2004), and O' Bierne (2004) recommend analyzing all significant factors such as financial risks, macro-economic risks, labour issues, competitive advantages, disadvantages, size of the market, market share, current trends, the level of competitiveness, generic risks, barriers to entry, legal considerations, cash flow requirements, capital requirements, operating expenses, threats, and opportunities. Furthermore, a potential entrepreneur should acquire thorough knowledge of the industry by establishing an industry profile in terms of understanding the laws, regulations, and all legal requirements relating to a particular area of business, for example licenses, local ordinances, and other statutory requirements.



Madura (2007) concurred with Macloed (1999) and isolated the feasibility phase as being critical in the entrepreneurship process. He also stressed the need to assess market conditions through mechanisms such as a SWOT analysis. The need to conduct market research is essential to ensure that an entrepreneur will target the right niche with a new product or service. Msomi (2008) expands on the significance of market research as espoused by Macleod (1999) arguing that if a business was going to make headway, it was necessary to research the existing demand and supply patterns in the market. Having a ready and sustainable market where goods and services produced can be consumed is critical to the survival of a business. At this juncture, compiling a customer profile and understanding customer motives for the potential product are essential components of the feasibility exercise (Parker, 2004). Msomi (2008) furthermore underscored the importance of gathering market intelligence to determine current comparative and future competitive advantages over other companies. Aspiring entrepreneurs should not underestimate the power of market research as there is no substitute for research. Failure to conduct thorough groundwork could mean the difference between success and failure. The need to establish a competitive advantage at this

early stage appears to be an overwhelming factor (Macleod, 1999; Hisrich et al., 2005; Robbins & DeCenzo, 2005; Msomi, 2008).

(d). **Entrepreneurship Abilities and Skills**

Consideration needs to be given to whether a prospective entrepreneur is cut-out with the potential to become an entrepreneur. Moreover, a critical consideration is whether such a person is able to demonstrate certain embedded entrepreneurial abilities and skills needed to start and manage a new venture. Katz and Green (2009) raised the question of whether prospective entrepreneurs have business-related expertise commonly referred to as competencies. Whilst a potential entrepreneur may display exceptional skills in a chosen profession, this person, more often than not, will have very little business acumen (Berman, 2009). In this regard, Macleod (1999) urges potential entrepreneurs to honestly assess whether they have the required education, experience, knowledge, and abilities to start and manage a small business. Struwig (2006) provides a list of pre-requisite small business skills: marketing skills, communication skills, technical skills, planning and management skills, credit skills, and accounting skills. According to Niewenhuizen (2008), entrepreneurial abilities and skills are closely linked to the personal orientation and the inherent characteristics, personal qualities, and values of a prospective entrepreneur, such as creativity, innovation, risk orientation, positive attitude, perseverance, independence, commitment, dedication, honesty, integrity, self-motivation, and diligence.

On the contrary, most entrepreneurs start off as ordinary people, learning and acquiring entrepreneurial skills and abilities whilst embarking on the process. Struwig (2006), Cronje et al. (2004), and Hisrich et al. (2005) listed the following management and business skills that were required of small business entrepreneurs: strategy skills, planning skills, marketing skills, financial skills, project management skills, human resource skills, networking skills, technical skills, and communication skills.

Effective entrepreneurial performance will be influenced by the skills, abilities, qualities, and values identified by the researchers above. Hence, such skills need to be already fully or partially embedded within a potential entrepreneur or alternatively be exponentially acquired. Considering that in most cases entrepreneurial and business skills are in short supply amongst nascent entrepreneurs, participating in a mentoring programme would hold one in good stead in obtaining

guidance, making good business decisions, and avoiding mistakes. Van Zijl (cited in Daniels, 2008c) describes the ideal entrepreneur as one with passion, the right attitude, who is able to demonstrate perspective, has the ability to make assumptions, has a creative mind, has analytical skills, is pragmatic, imaginative, and who knows how to plan carefully.

(e). **Resources**

In this phase of the process, a nascent entrepreneur conducts an appraisal of current resources and what additional resources are required. Authors such as Hisrich et al. (2005) and Jacobs (2008) advised on guarding against underestimating the amount and variety of resources required. Financial, human, physical, and operating resources are the core inputs that a business requires to produce need-satisfying outputs in the form of products and services. Of particular importance, is finance which is discussed in detail hereunder:

**Finance**

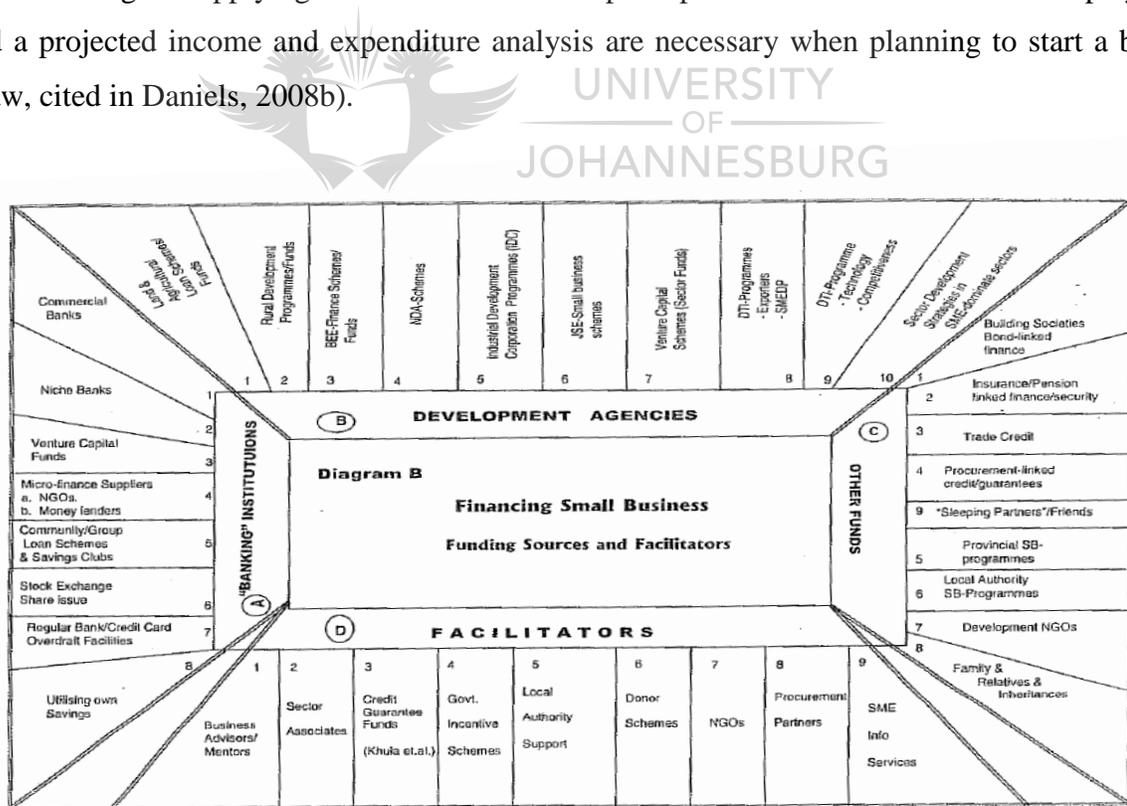
Accessing finance might be a key factor in South African entrepreneurship, but it is unfortunately, not the main focus of this study. There is vast literature on the difficulty and problems experienced by entrepreneurs in obtaining financial resources (Mafu, 2006; Nkosi, cited in Daniels, 2008d) and on finance and credit as a prominent barrier to entrepreneurial growth (Ntsika, 2003).

According to Macleod (1999), during the entrepreneurial process, entrepreneurs intelligently estimate the finance required from start-up to the point where a consistent flow of funds are being generated. In this regard, he recommended compiling a short-term budget for the first twelve months and a long-term budget as a control against wastage and inefficiency. Macleod further recommends that once a business is established, one needs to be constantly aware of its current and prospective cash position as well as the likely sources of short and long-term money whilst ensuring maximum financial independence.

Hence, in this all-important area of financial planning, an entrepreneur has to think ahead, forecast sales, budget for expenses, and develop a funding plan. The mistake of under-estimating cash requirements and not knowing of the available sources of funding has been the downfall of new businesses (Mafu, 2006; Lowe, cited in Daniels, 2008b). Hence, the financial requirements must

be clear in the business plan. Van Der Merwe (2008) stated that commercial banks have an inherent risk aversion culture which is exacerbated when more than half of all new venture loan applications are rejected by these commercial banks at the early stage because of poor financial planning. The literature has highlighted case studies where SMME's have encountered serious cash flow problems, eventually closing down.

Law, cited in Daniels (2008b) advised entrepreneurs that banks were keen on helping aspiring entrepreneurs who were prepared to sacrifice personal finance in the form of equity. Law's comments imply that aspirant entrepreneurs need not rely solely on financial institutions for finance, but should demonstrate at the outset, their inclination to become self-sufficient as an entrepreneur. Law further warns entrepreneurs to guard against undercapitalising or overcapitalising their businesses. All four major national South African banks reported a recurring problem of small business entrepreneur's under-estimating financial needs and budgeting too low in the initial stages and thus had to keep re-applying for additional loans (Daniels, 2008b). Hence, understanding and applying fundamental financial principles such as accurate cash flow projections and a projected income and expenditure analysis are necessary when planning to start a business (Law, cited in Daniels, 2008b).



**Figure 2.9: Financing Small Business in South Africa: Funding Sources and Facilitators**

Source: Ntsika Enterprise Promotion Agency (2003)

In Figure 2.9, Ntsika (2003) provides an in-depth overview of the supply chain of financing small business in South Africa. According to Figure 2.9, the sources of small business finance are as diversified and complex as the demand. Whilst it is beyond the scope of this study to detail all the identified programmes and schemes contained in Figure 2.9, it is important to note the range and scope of sources available for financing small businesses.

The literature is unanimous on the possible sources of raising capital which is summarised in Figure 2.9. This diagram depicts a holistic view of the financing supply side, incorporating four main categories:

1. **Personal and other funding sources:** this category includes sources from Sections C. Although non-glamorous, these different sources add up to very different supplies of risk and start-up capital. Family and friends are a popular avenue for obtaining such funding, especially from families with an entrepreneurial history. Self-financing a business reduces the disadvantage of inviting risk and debt. The statement ‘cash is king’ applies. This category would also include private companies such as Business Partners, Raizcorp, Enablis, and Business Connexions.
2. **Banking-related funds:** the obvious sources in this category include loans from regular commercial banks as well as specialised niche banks. A second growing category in this segment are micro-finance suppliers, namely conventional personal loan suppliers, specialised micro-finance loan suppliers operating as NGO’s and community or group savings and loan schemes like *stokvels*. Conventional banks remain a primary source of acquiring debt capital. Reliability, financial track record, credit status, managerial capabilities, and surety in the form of fixed assets are usually the pre-requisites from the entrepreneur.
3. **Development agency-related sources:** this category includes organisations such as the Industrial Development Corporation, the Umsobomvu Youth Fund and specific government departments which provide funding to SMME’s and entrepreneurs
4. **Facilitators:** Such sources include government-sponsored agencies, for example the National Empowerment Fund, Khula, and the Small Enterprise Development Agency (SEDA).

(f). **Business Plan**

A business plan is a formal, written document for stakeholders to scrutinize. A business plan serves multiple purposes. Most importantly, it serves as a blueprint and framework for the entrepreneur in creating a new venture. Hence, understanding the key considerations in planning and preparing a business plan are vital in terms of demonstrating that a proposed venture is a workable proposition and persuading a financial institution or person to provide financial resources. Identifying and describing the nature of the business opportunity, how this opportunity will be exploited, how the business will make a profit, and how the venture will be managed are absolute imperatives of a typical business plan.

A business plan is used to translate an idea into reality (Cronje et al., 2004). Depending on the size and scope of the proposed business, the importance and necessity of a business plan cannot be underestimated. The success or failure of any firm is partially dependent on the business plan. Van Biljon (2008) expressed the need for thorough research in preparing a business plan. He outlined its importance to the sustainability and profitability of a product or service. Pretorius and Shaw (2004) expand on the importance of research, emphasising that banks rated market research and a well-researched marketing and financial plan as non-negotiable. Hence, the more thoroughly a business plan is researched, the greater the chances for success. The objective of the business plan is to have a clear understanding of what one wants to achieve while compiling and completing it. Moreover, the person reading it must fully understand the business proposal.

Law (cited in Daniels, 2008b) stated that a business plan is a reflection of a person's ability to run a successful business. Hence, by analysing a business plan, one can determine whether a business is going to succeed or fail. Rows cited in Mafu (2006) pointed out that some proactive businesses had excellent ideas but a weak strategy to introduce their product or service into the market. Gubevu (cited in Anon, 2008b) mentioned that a business plan must be well-articulated and structured with no gaps and above-all, viable. Law (cited in Daniels, 2008b) advised entrepreneurs to be aware of unprofessionalism, errors, and irrelevant information in constructing a business plan. Other rules for business plan success included *inter alia* a clear, concise, and well-researched document with a solid marketing and financial analysis (Law, cited in Daniels, 2008b). It is evident that the process involves due diligence and research, collating ideas,

and translating them succinctly on paper. Daniels (2008b) makes a poignant statement that a business plan can make or break a business.

Steinacker (2010) encourages entrepreneurs to understand what financial institutions require and to duly address such requirements reinforcing the point that there can be no substitute for research and hard-work. The management structure and management capabilities of a business also play a significant role in the final decision-making of financial institutions (Pretorius & Shaw, 2004) and therefore should be portrayed in a business plan. A valid issue raised in the literature is the trend of prospective business owners not being directly involved in compiling a business plan but rather employing the expertise of consultants. Nkosi (cited in Daniels, 2008d) advised aspiring entrepreneurs to be directly involved in compiling a business plan and to comprehensively understand their plans. The trend of entrepreneurs commissioning consultants to prepare business plans on their behalf (and not participating in the actual process) were clear in the similarities between business plans submitted to a particular bank (Pretorius & Shaw, 2004).

Mathura (cited in Daniels, 2008b) confirmed that financial viability and sustainability, understanding business and financial risks, and the knowledge of the entrepreneur around financial projections were important ingredients of an excellent business plan. Similarly, Daniels (2008b) highlights the importance of accurate financial projections and viable ideas. A business plan can serve as a tool that could build relationships with various business parties such as banks, franchisors, venture capitalists, and equity partners (Pretorius & Shaw, 2004). Schwenk and Schrader (1993) cited in Van Vuuren (2007) found a positive correlation between business planning and success. Ross (2006) reinforces this point, arguing that the more thoroughly a business plan is researched, the greater the chance for profit.

There are a range of business plan formats and templates available in various texts and on the World Wide Web. The literature is unanimous in providing a general framework and standard systematic format outlining the core content of a typical business plan: the executive summary, a general description of the scope of the venture, the products and services plan, the marketing plan, the management plan, the operating plan, the financial plan and supporting documentation. In broad terms, such elements are usually sub plans in their own right and require much thought and planning. A Business Plan is all about doing the groundwork and failure to plan thoroughly can mean the difference between success and failure.

(g). **Business Structure**

During the planning phase, incumbent entrepreneurs are faced with the choice of choosing the correct legal form of business ownership applicable to SMME's, namely sole proprietorship, close corporation, partnership or company. Table 1.2 provides an overview of various forms of business ownership highlighting the characteristics, advantages, and disadvantages of each type of business ownership. There is consensus in the literature that the scope of a particular business, the nature of the product or service offered, and the requirements to successfully launch and operate a business, largely determines the nature of business ownership.

(h). **Management and Operation of a Small Enterprise**

In the culmination of the entrepreneurial process, the focus shifts from entrepreneurial functions to management and operational functions. Hisrich et al. (2005) advises that an entrepreneur adopts a management style and structure, implements operational procedures, identifies operational problems, and determines the key variables for success. Research by authors have shown that achieving organisational excellence and success within an entrepreneurial firm hinges on customer care, constant innovation, committed staff, and managerial leadership (Darling, Keeffe, & Ross, 2007). Katz and Green (2009) refer to the value chain analysis which is a collection of processes and activities a small business conducts to produce, market, deliver, and support its product or service.

Young entrepreneurs are usually ill-prepared as managers, who nevertheless go into business with a good idea but little business acumen or no managerial experience. An entrepreneur's role is traditionally considered to consist of developing a new product or service, planning the business operations, marketing, handling finances and so forth. Notwithstanding such generic functions, Morrison et al. (1999) argue that entrepreneurs also need to engage in day-to-day operational matters such as defining agendas, making deals, establishing standards, resolving conflicts, networking, developing staff, and so on. Given the high level of competitiveness and environmental uncertainty that exist in the operation of a business today, it is not surprising that many entrepreneurs lack the skills needed to manage and operate their business successfully (Katz & Green, 2009). The concept of 'entrepreneurial immaturity' was underscored by Morrison et al. (1999) as being applicable to young start-up small business entrepreneurs. Hence, the principle of

'know what you do not know' should apply as soon as possible during the early phases of a business life-cycle.

While there are prominent multi-national companies in the global leisure industry, the industry is still dominated by a substantial volume of small, entrepreneurial enterprises (Torkildson, 2004). Morrision et al. (1999) argue that very few of these businesses will actually grow significantly and thus the individual entrepreneur is required to possess multi-faceted skills in order to compete with the larger companies who employ specialist skills. On this basis, Nieman (2006) state that the main pressure on new small business entrepreneurs during the critical first eighteen months is the need to deal with multiple business tasks. Consequently, in order to compete with the big companies in the industry, the entrepreneur must be able to handle a wide variety of problems and situations. Running a small entrepreneurial business requires a different set of operational and managerial skills as compared to running a large corporation. Morrision et al. (1999) advise that in order for nascent entrepreneurs to survive and grow, one must identify the type of help needed at different stages.

Katz and Green (2009) explained the value of strategising during this phase of the entrepreneurial process which defines a business, its customers, its competition, and how it will operate. A good strategy leads to greater chances for survival and higher profits for a small business. Katz and Green (2009) reinforce the value of a strategy given that most small businesses are imitative rather than innovative. A SWOT analysis and value chain analysis are common examples of tools utilized in the strategy development process. It is widely reported in the literature that innovation is a key activity that every entrepreneur undertakes. Gudmundson, Tower and Hartman (2003) empirically found that organisational culture, ownership structure, and type of customers were predictor variables for innovation in a small business. In a study undertaken to assess the ability and competencies of SME's in Nigeria to innovate, Oluwajoba, Oluwagbemiga, Kehinder, and Akinade (2007) found that innovative abilities were significantly related to specialist knowledge, educational background, experience, and employee training.

Management is an extensive subject. Hence, the intention at this juncture, is to superficially focus on management principles within a small enterprise context. Some perspectives on management were provided by Gouws (2001) and Robbins and DeCenzo (2005) who defined management as a process of getting things done efficiently and effectively through and with people. Pride et al.

(2005) and Cronje et al. (2004) viewed management of the process of co-ordinating people and other resources to achieve the goals of the business organisation while Smith and Cronje (2005) regarded management as a process of planning, organising, leading, and controlling resources of an organisation to pre-determined organisational goals as productively as possible.

There is consensus in the literature that the management process comprises four inter-related fundamental functions, namely planning, organising, leading, and controlling (Perks & Struwig, 2005; Smith & Cronje, 2005; Gouws, 2001). From an economic perspective, according to Cronje et al. (2004), management is about achieving the effective performance of a business through the highest possible output with the lowest possible costs. In a free market economy, one can premise the purpose of management is to run an organisation as productively as possible.

While it is short-sighted to equate the management process with only large organisations, effective and efficient management practice is equally important in smaller business organisations. The literature suggests that management differs in different scenarios. In comparison between small and large businesses, management tasks are differentiated from each other in terms of scope, dynamics, and application. Nieman (2006) supports this contention, emphasising that whilst small and large enterprises were managed according to the same principles, management circumstances differed especially in the method of work of the managers. Hence, whilst there are similarities between the management of SMME's and larger enterprises, there are also differences.

In larger businesses, the managerial workload is generally spread across higher, middle, and lower management and allocated according to function and speciality. Nieman (2006) highlighted that small business owners are faced with multiple management tasks such as dealing with constraints, accessing resources, and growing the business. While basic management concepts are prevalent in any size of business, large enterprises have more variables and factors to consider than small businesses. Such variables include staff, customers, finance, operations, resources, networking, and marketing. During the start-up phase, it is unlikely to expect small business owners to be fully engaged in contemporary management practices that are normally applied in large businesses, for example, strategic management, diversity management, performance management, business re-engineering, management by objectives, change management, and total quality management. Off-course, with steady growth and maturity, small business would eventually incorporate and assimilate such management principles into the management process.

At this juncture, it should be borne in mind that management is not a rigid, step-by-step procedure but a process with a logical sequence of action (Pride et al., 2005), where each function leads naturally to the next (Robbins & DeCenzo, 2005), and where a manager may be engaged at any given time in several functions simultaneously in an interactive manner (Smith & Cronje, 2005).

#### 2.4.5. **Key Policy and Legislative Mandates on SMME's and Entrepreneurship**

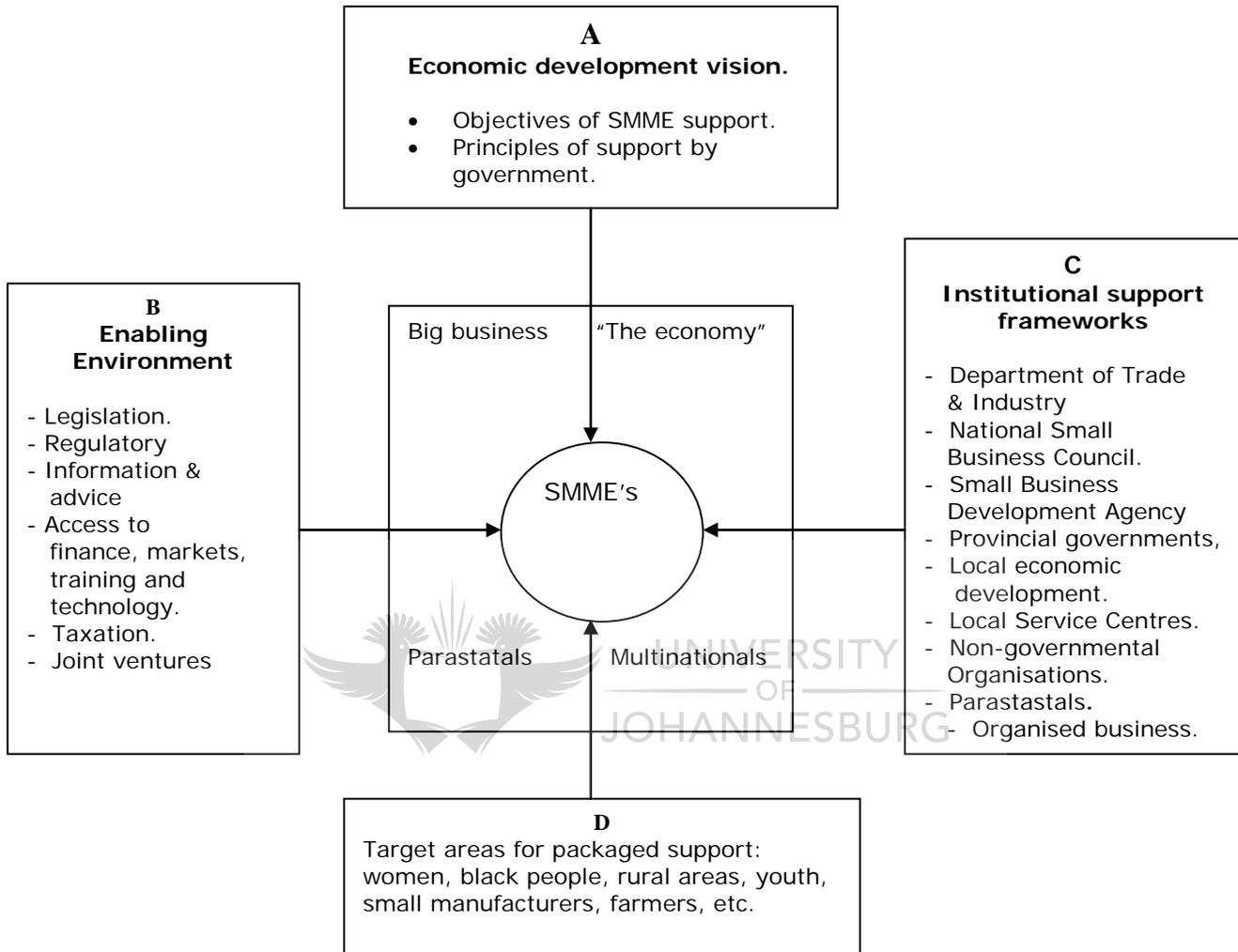
##### 2.4.5.1. **Introduction**

This section of the literature will briefly review the pertinent policies and strategies that have shaped the SMME and entrepreneurship landscape in the country and continue to give effect to SMME growth and development. The RDP, GEAR, ASGISA, and of late, the New Growth Path are a wide range of generic national macro socio-economic policies that include SMME and entrepreneurship promotion as a component of broader economic development. Moreover, three major policies in particular set in motion a concerted effort to stimulate a culture of entrepreneurship and specifically target and revolutionise the SMME industry since the mid-nineties. These policies are the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (Notice 213 of 1995), the National Small Business Act (No. 102 of 1996), and to a lesser extent, the National Small Business Amendment Act (Act 29 of 2004). The provisions of the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) are also examined in light of the objectives of study.

##### 2.4.5.2. **White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (Notice 213 of 1995)**

The realization of the employment-generating potential of small business and the positive role that small business could fulfil in South Africa's development resulted in a review of the country's small business strategy after 1994. The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (Notice 213 of 1995) was enacted in 1995. This policy by-and-large provided the impetus that the SMME sector and entrepreneurship needed to proceed to a higher level. It comprehensively outlined bold and radical steps for SMME promotion

and made an indelible mark on the economic landscape. The White Paper was instrumental in constructively starting the process of establishing a supportive environment for SMME growth.



**Figure 2.10: The National SMME Promotion & Support Strategy**

Adapted: White Paper (1995: 51)

An overall summary of the White Paper (Notice 213 of 1995) is diagrammatized in Figure 2.10. In placing this strategy into an overall perspective, this diagram illustrates the integrated link between the enabling environment and the institutional support framework guided by the overall vision of growth, development, and promotion to ensure that targeted support and scarce resources are allocated to priority sectors and individuals. Contained below is discussion on probably the most essential section of the White Paper (Part A):

## **Part A: Development Vision**

As a macro-framework, the White Paper recognised SMME's as an important vehicle to address sustainable job creation, economic growth, and equity distribution in the country. The White Paper provided a framework for the support and propagation of SMME's to be co-ordinated by the Department of Trade and Industry (DTI). This Act further recognized the existence of a number of institutions that have over decades developed a limited, often fragmented range of small business-support policies and programmes, namely the Development Bank of Southern Africa (DBSA), the former Small Business Development Corporation (SBDC) and the Industrial Development Corporation (IDC).

Key objectives of the White Paper were to:

1. Create an enabling environment for small enterprises.
2. Facilitate greater equalization of income, wealth, and earning opportunities.
3. Address the legacy of apartheid-based disempowerment of black business.
4. Support the advancement of women in all business sectors.
5. Create long-term jobs.
6. Stimulate sector-focused economic growth.
7. Strengthen cohesion between small enterprises.
8. Level the playing fields between bigger and small business as well as between rural and urban businesses.
9. Prepare small businesses to comply with the challenges of an internationally competitive economy.
10. Systematically co-ordinate policies, programmes, and priorities at national, regional, and local level.

### **2.4.5.3. The National Small Business Act (No. 102 of 1996):**

This piece of legislation opened the way for the Department of Trade and Industry (DTI) to address SMME development in South Africa through the creation of SMME support agencies. The key provision of this Act was the establishment of the Ntsika Enterprise Promotion Agency. The main functions of Ntsika were to:

1. Expand, co-ordinate, facilitate, and monitor the provision of training, advice, counseling, and any other non-financial services to small business.
2. To allocate financial support to service providers to provide the above.
3. Strengthen the capacity of service-providers to support small business in order for small business to compete successfully in the economy.
4. To facilitate research relating to support programs by Ntsika.
5. To improve the understanding of the public regarding small business contribution to South African economic growth, job creation, and welfare.

#### **2.4.5.4. National Small Business Amendment Act (Act 29 of 2004)**

The provisions of the National Small Business Amendment Act (Act 29 of 2004) repealed all provisions relating to Ntsika Enterprise Promotion Agency, provided for the establishment of the Small Enterprise Development Agency (SEDA), and provided a detailed schedule for SMME's according to Standard Industrial Classification (SIC) of different sectors (DTI, 2003b).

In closer disaggregation of the SIC, it was found that the sectors that most closely matched the focus of this study, namely sport, were:

1. Community, Social, and Personal Services Sector.
2. Manufacturing Sector.
3. Finance and Business Sector.
4. Retail Services.

#### **2.4.5.5. Broad-Based Black Economic Empowerment Act (No. 53 of 2003).**

Closely related to the objectives of the above policies was the need to speed up the process of economic transformation in the country. This resulted in the enactment of the Broad-Based Black Economic Empowerment Act (No. 53 of 2003). The aim of this Act was to establish a legislative framework for the promotion of black economic empowerment by increasing broad-based, effective participation of black people in the economy and in the process, promote employment and more equitable income distribution.

The fundamental objectives of the Act were to:

1. Promote economic transformation in order to enable meaningful participation of black people in the economy.
2. Increase the extent to which communities, workers, cooperatives, and other collective enterprises own and manage existing and new enterprises and expand their access to economic activities, infrastructure, and skills training.
3. Increase the extent to which black women own and manage existing and new enterprises, and widen their access to economic activities, infrastructure and skills training.
4. Promote access to finance for black economic empowerment.

Section 9 of the Act stipulates that in order to give purpose to the Act, codes of good practice relating to *inter alia* small enterprise development and preferential procurement purposes may be applied by any organ of the state or any public entity in executing its mandate (DTI, 2003c). The code of enterprise development stipulates that large corporations are expected to spend a percentage of their net operating profit on enterprise development initiatives such as interest free loans, discounts, lowered interest rates, and grants. The Act, combined with such codes of practice has created more favourable opportunities for small black business owners and entrepreneurs – particularly women – to capitalise on.

#### **2.4.6. Government SMME Support Agencies and Institutions**

At this stage, it is opportune to briefly provide a list of some of the prominent state-funded small business and entrepreneurship support agencies and development finance institutions that have been striving to facilitate an enabling environment for entrepreneurs. These include Khula Enterprise Finance Limited, the Small Enterprise Development Agency (SEDA), the National Empowerment Fund, the Industrial Development Corporation (IDC), the South African Micro-Finance Apex Fund, the Unsombomvu Youth Fund (UYF), and the National Youth Commission (NYC).

#### 2.4.7. Current Perspectives on Entrepreneurship and the SMME Sector in South Africa

Since the promulgation of the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (Notice 213 of 1995), subsequent efforts were geared towards restructuring state institutional support structures, establishing an enabling regulatory environment for SMME growth, and predisposing more individuals to enter entrepreneurship. The national project ASGISA, and its link to the Millennium Development Goals reaffirmed governments commitment to place small enterprises at the heart of poverty alleviation, job creation, and equitable wealth redistribution in the second economy. However, the New Growth Path and its ambitious aim to create 5 million jobs by 2020 whilst streamlining the SMME regulatory environment (NGP, 2010) appears to be a mere recycle of previous policy statements. On the contrary, in spite of these milestones, statistics on entrepreneurship and SMME development portray a somewhat unfavourable picture.

For example, Goslin (1996) found a low entrepreneurial orientation of potential leisure industry leaders (students) from universities in South Africa, Namibia, Botswana, and Singapore. She argued that business opportunities were not being exploited due to the risk-averse mindset of South Africans. Burger and O' Neil (2004) also posited that South Africa has a poorly-developed entrepreneurial culture. Moreover, the Global Competitiveness Report of 2003 placed South Africa in 18<sup>th</sup> position out of the measured 30 developed countries (Antonites & Van Vuuren, 2005). This finding further reinforces the outcomes of the 2006 Global Competitiveness Report published by the World Economic Forum that placed South Africa in 44<sup>th</sup> place (World Economic Forum, 2006). These dismal statistics were confirmed by the Centre for Development and Enterprise when it noted the following issues on the status of entrepreneurship in South Africa (Bernstein, 2004):

1. Entrepreneurship in South Africa was poorly conceptualised, documented, and quantified.
2. The level of small business activity should be higher if the country is to derive similar economic benefits to similar middle-income developing countries.
3. The survival rate of new businesses was low.
4. The country does not have the best possible enabling environment for nascent entrepreneurs and existing entrepreneurs to take advantage of opportunities.
5. There are deficits in entrepreneurial activity related to gender, race, and age.

Against these unfavourable statements, this study aims to assess the prospects of business opportunities in the sport industry and the potential of establishing and growing small business within the sport sector in South Africa.

The most authoritative comparative studies on entrepreneurship to date have been undertaken by the Global Entrepreneurship Monitor (GEM) which is sponsored by the United Nations. Sternberg and Wennekers (2005) and Kaplan (2003) cited in Burger and O' Neil (2004) listed the main objectives of the GEM, namely to empirically find answers to the following questions:

1. To what extent does the level of entrepreneurial activity vary between countries and how much does it change over time?
2. Why are some countries more entrepreneurial than others?
3. What policies may enhance the national level of entrepreneurship?
4. What is the relationship between entrepreneurship and economic growth?

Kaplan (2003) further described the GEM as a forum for public policy debates on entrepreneurship. The international GEM 2001 report (Reynolds, Camp, Bygrave, Autio & Hay, 2002) found poor levels of entrepreneurial orientation and an overall lack of favourable elements in the South Africa entrepreneurial culture. These findings included: poor attitudes towards entrepreneurship and entrepreneurship role models; a lack of confidence, initiative, and creativity; negative perceptions towards entrepreneurship as a career choice; and a negative attitude towards business failure. The negative picture of entrepreneurship in South Africa was further verified by research done by Foxcroft et al. (2003) who compiled the 2002 South African GEM report and presented the following findings:

1. South Africa lagged behind their counterparts in TEA – defined as the percentage of adults who are entrepreneurs.
2. The country was in the bottom quartile of all countries in measures of opportunity entrepreneurship and new firm activity.
3. Start-up businesses have a low rate of survival.
4. Entrepreneurship, particularly new venture creation plays an important role in economic development in the country.

5. Preference for a secure and stable job over the uncertainty of generating income through self-employment was still strong in most business sectors.

Hazelhurst (2010) reported that the Organisation of Economic Cooperation and Development found that South Africa made the least progress among emerging economies in reducing poverty. Hazelhurst attributes the problem to the fact that a large portion of the country's unemployed people are either long-term unemployed or without work experience. High and persistent unemployment is a major social crisis. According to the Statistician-General (Lehlohla, 2010a), South Africa's unemployment rate as stated in the Quarterly Labour Force Survey for 2010 was at 25.3%. In 2009, the country ranked among the 10 countries with the lowest share of working-age adults in employment (Makgetla, 2010). The problem of low levels of entrepreneurship is particularly applicable to unemployed youth. The UYF reported that South Africa has one of the lowest rates of entrepreneurship and job creation amongst its youth compared to other developing countries (UNECA, 2008). This figure is quite alarming when one considers that youth unemployment is a growing phenomenon in the country. In 2006, the unemployment rate amongst youth in Polokwane was calculated at 88% (CDE, 2007).

Whilst the economy has grown and performed reasonably well since 2000, it has failed to create sufficient jobs while gross inequalities in the economy continue to exist. Whereas there are various mechanisms and strategies to create jobs such as Public-Private-Partnerships and the Expanded Public Works Programme, new venture creation by entrepreneurs remains one of the primary sources of new employment opportunities. McClelland (1987) cited in Schutte (1992) stated that there is no better way to effect rapid economic growth than to increase dramatically the number of active entrepreneurs in a society.

South Africa's under-developed entrepreneurship culture was further confirmed in a study conducted by Driver et al. (2001) cited in Nieman et al. (2008) where it was observed that according to the TEA index, just one in eighteen South African adults were entrepreneurs. Lewis (2002) agreed with these findings and also described the SMME sector in South Africa as being underdeveloped. Whilst, it can be argued that at least some of the other seventeen adults are entrepreneurial to some extent, this figure is low in comparison to countries such as Japan and Germany. South Africa's poor entrepreneurship levels were also exposed when the enterprise density (i.e. the number of people in the population for which self-employment is the primary

source of household income per 100 people) was calculated at 2% as compared to Germany's 3.3% and Italy's 5.9% (Ladzani & Van Vuuren, 2002).

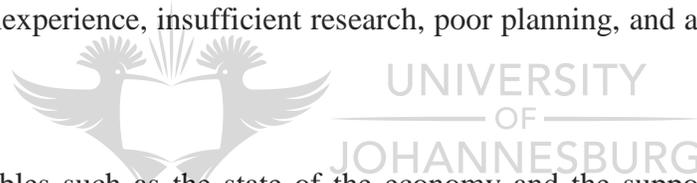
Driver, Wood, Segal, and Herrington (2002) cited several limiting factors on the state of entrepreneurship in South Africa from the 2001 GEM report, namely the business skill levels of small business entrepreneurs were below international means, entrepreneurship was not well-supported in the country, business failure was viewed negatively and carried a social stigma, difficulties in accessing of finance, low levels of trust in business and personal relations, and certain cultural practices. They discovered that a low 3.3% of the country's adult population were involved in pursuing exploitable entrepreneurial opportunities. Burger and O' Neil (2004) support this finding and argued that although government is committed to developing and supporting SMME's though the implementation of relevant policies and the operation of support agencies, the country still displayed low levels of entrepreneurial activity.

Herrington and Maas (2007) argued that entrepreneurship was not a natural process in South Africa and it should be managed in a more formal and integrated manner. It appears that the country does not have an embedded historical culture of entrepreneurship. Furthermore, South Africans lack the motivation, mindset, and skills to become entrepreneurs. However, the world-wide success achieved by entrepreneurs such as Mark Shuttleworth coupled with government's drive to promote entrepreneurship as a career option at school, one can expect the scenario to gradually transform in the ensuing years. Dockel and Ligthelm (2005) reiterated that entrepreneurial spirit was the key to job creation, improving competitiveness, and economic growth. Further to this statement, more start-ups and new businesses are required to make a significant impact on the economy.

The United Nations Economic Commission of Africa considers youth entrepreneurship as part of the answer to unemployment and called for youth to establish growth-oriented and sustainable business (UNECA, 2008). Government consistently places much emphasis on small business development and entrepreneurship as the answer to job creation. However, the matching supply of small business entrepreneurs is not readily available. Auidretch (2002) cited in Sternberg and Wennekers (2005) distinguishes between the demand and supply for entrepreneurship. In this scenario, demand is equal to opportunities available for starting a business based on the carrying capacity of existing and new markets. The supply side is equal to the pool of relevant skills and resources embedded in the people. However, South Africa has declined significantly in the ladder

of entrepreneurship according to the GEM which cited the country's skills shortage as one of the key problems facing entrepreneurs today (Daniels, 2008d).

The analysis of the motivational factors behind sport business entrepreneurship and the reasons influencing business attrition in the sport industry must be examined in a broader perspective on a cross-cutting basis with South Africa's TEA. The number of new entrants in small business management is closely related to the entrepreneurial spirit of the community which can be measured by calculating the TEA index (Dockel, 2005). South Africa's dismal TEA is aptly highlighted in the literature (Driver et al., 2002; Maas & Herrington, 2007). However, when this figure is disaggregated (Dockel, 2005) by age of the firm (the indices of start-ups (below three months), new firms (between 3 and 42 months), and established firms), the TEA levels are all below those for developing countries (Dockel, 2005). The implication of these statistics is that business failure and lack of sustainability are inherent variables in South Africa's small business culture. Similarly, Macleod (1999) reported that a Small Business Forum organised by the Durban Regional Chamber of Business found that 80% of new businesses in the region failed largely due to over-eagerness, inexperience, insufficient research, poor planning, and a failure to use professional services.



Institutional variables such as the state of the economy and the support of government to small business development are valid motivators to enter the business world (Muhanna, 2007). Nascent entrepreneurs who are alert and respond quickly to changes in the business environment with a degree of innovation and flexibility (Gitman & McDaniel, 2008) could capitalise on opportunities presented by such macro changes. Experts agree that there are boundless opportunities in the marketplace for new venture creation even during times of recession (Gibson, 2009; Macleod, 1999). For example, Cheung and Chow (2006) found that 66% of entrepreneurs felt that the socio-economic climate was conducive for starting a business in terms of opportunities and ease. Thus, this finding reinforces the fact that exogenous variables are indeed relevant motivators to starting a business.

#### **2.4.8. The Role of SMME's and Entrepreneurship in Economic Development**

Entrepreneurship plays a different role in countries at different stages of economic development. From an economic point of view, the countries of the world can be regarded as being at various

stages of economic development (Schutte, 1992). South Africa is largely regarded as having a developing economy. In South Africa, social and economic imbalances are embedded in the political and economic policies of the previous regime which was founded on the principle of social stratification characterized by the differentiation of racial groups. With the ushering of the new political dispensation in 1994, the optimism that political freedom and democracy would quickly translate into economic emancipation slowly diluted. It has however, been a long and arduous journey to establish an SMME culture in South Africa. SMME's are often presented as the panacea for poverty and unemployment and the answer to the country's unemployment crisis. Harper's (1991) statement in 1991 cited in Schutte (1992) is still relevant today:

'entrepreneurship and enterprise have been widely recognised as having a critical role to play in economic development and there are many reasons why this role is perceived to be even more important in the poorer nations of the world.'

As early as 1934, Schumpeter (cited in Niewenhuizen, 2008) directly attributed economic development with the level of entrepreneurial activity in a country. There is overwhelming consensus in the literature of the invaluable role entrepreneurship and the small business sector can fulfill in the economic and social development of a country. The avenues through which this contribution manifests itself include: stimulating new ideas and products; expanding the supply chain; promoting enterprise, innovation, creativity, and competitiveness; creating jobs; alleviating poverty; contributing to growth; generating wealth; sustaining prosperity; promoting sustainable livelihoods, and other multiplier effects to the country (Ntsika, 2003; Venter & De Clercq, 2007; Pretorius & Shaw, 2004).

The main goals of economic policy are to accelerate growth and job creation, broaden economic participation, and reduce poverty (Manuel, 2009). In this regard, the small business sector has a central role to fulfill. Consequently, small business has recently drawn much attention from policymakers in government and from leaders of business and industry. Given South Africa's legacy of big business domination and unequal distribution of income and wealth, the small business sector is seen as an important force to generate employment and create more equitable income distribution. The 2002 GEM South Africa Report highlighted that start-up enterprises created 140 000 jobs while new small enterprises are estimated to have created almost 1 million jobs in South Africa between January 1999 and July 2002 (Foxcroft et al., 2003). According to

SEDA, there are between 700 000 to I million small enterprises in the 'seed stage' in South Africa (Daniels, 2008d). However, the country was still faring poorly in TEA when compared to other developing countries such as Brazil and India (Maas & Herrington, 2007).

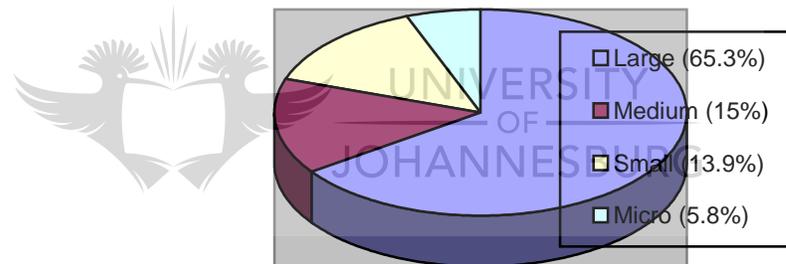
The GEM has identified a shortage of new entrepreneurs coming into the economy and has called for more start-up and new small businesses to create jobs and sustain the consistent levels of economic growth (Maas & Herrington, 2007). The implications of South Africa's poor TEA statistics are that whilst SMME's do contribute to job creation and economic development, entrepreneurs need to progress beyond the start-up phase of implementing a new venture in order to sustain jobs. On the contrary, the Department of Labour has identified an obstacle whereby a large percentage of New Venture Creation enterprises that were established under the National Skills Development Strategy 2005-2010 were failing within twelve months of starting up (Department of Labour, 2007). In this regard, Sternberg and Wennekens (2005) adopt a cautious approach to the national statistics on growth patterns, trends, and employment generation within SMME's.

Sternberg and Wennekens (2005) established that high-growth business start-ups and opportunity entrepreneurship appear to enhance economic growth. Herrington and Maas (2007) researched the SMME-sector in South Africa and argued that a shortage of new entrepreneurs and early stage entrepreneurial activities coming into the economy could stall the country's rising growth rate. Dockel (2005) analysed a study conducted in greater Johannesburg Metro region which found that the total employment generated by small business increased by 23% from 1997 to 1999. In disaggregating this figure, Dockel argued that the increased employment came from new firms whilst the total employment generated by established firms declined by seven percent. Whereas one may rely too strongly on new entrants to increase employment, it should be borne in mind that the survival rate of new entrants is usually low. Nevertheless, Herrington and Maas (2007) strongly insisted that new firms are part of the solution as a number of them will become successful. Hence, young businesses need to be supported with finance, mentoring, marketing, and so on in order to complement the country's accelerated growth and development initiatives.

The critical start-up phase is where entrepreneurs face teething and hidden problems such as excessive government red tape and bureaucracy, difficulties in raising seed capital, conflict between business and personal time, and job stress. Hence, it is necessary to understand what

conditions favour and hamper business start-ups. In this regard, Sternberg and Wennekers (2005) reviewed several conceptual models at a national level for understanding the rationale behind new firm start-ups, particularly highlighting the GEM's 9-point entrepreneurial framework conditions model which determines entrepreneurial opportunities and entrepreneurial capacity in every country.

Overall, Van Vuuren (2007) estimated that 2 million people were involved in some form of self-employment in South Africa. The SMME sector of South Africa contributes 37% of its Gross Domestic Product (GDP) and employs 68% of the country's labour force (Van Vuuren, 2007). Foxcroft et al. (2003) elaborate on the need for all South Africans to make the country more entrepreneurial and for entrepreneurship to be an integral and accepted feature of economic and personal life.



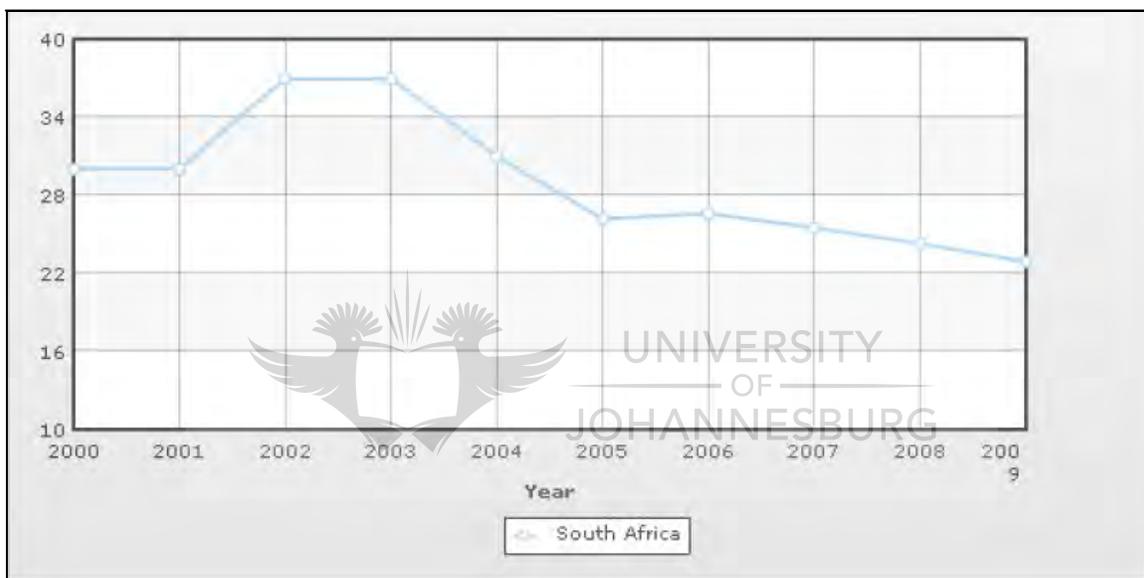
**Figure 2.11: The Contribution of Business to the GDP in SA in 2003**

Source: Cronje et al. (2004)

Figure 2.11 graphically displays that the joint SMME-sector made a 34.7% contribution to the country's GPP in 2003. Nieman (2006) reported that in 2002, the estimated 15.7% contribution by micro-enterprises in the community, social, and other personal service's sector to the GDP was the highest among all sectors for this category. This is quite significant considering that it is within this category that most sport micro-enterprises would be located. He further stated that in 2002, the small business sector contributed 55.9% of the private sector employment while large businesses accounted for a smaller 31.8%. The contribution of SMMEs to the GDP has increased significantly over the past 5 years according to the Small Business Monitor – a research report of SEDA (Daniels, 2008a). The value of the SMME sector is indisputable considering that 80% of all

businesses in South Africa are described as small employing 70% of the country's workforce and create at least 80% of all new job opportunities (Perks & Struwig, 2005; Radipere & Van Scheers, 2005).

Considering the strategic importance of formal and informal small enterprises to the country's GDP and employment, it is evident that more effort and resources should be directed to the development of entrepreneurship in South Africa. In the macro-economic context, significant investment in SMME's are needed to create both short and long term capacity for labour absorption and to improve income generation and redistribution (Saayman & Olivier, 2005).



**Figure 2.12: South Africa's Historical Unemployment Rate (%)**

Adapted from: <http://www.indexmundi.com/g/g.aspx?c=sf&v=74>

The Quarterly Labour Force Survey is a household-based sample survey that collects info on employment, unemployment, and inactivity for people of 15 years and older (Lehohla, 2010b). According to Figure 2.12, the official unemployment rate in the country has been steadily declining since 2000 reaching 25.5% in 2006 and 22.9% in 2009. In a post-recessionary climate, this rate has risen to 25% (Stats SA, 2010). In assessing the key findings of the 2007 National Labour Force Survey, Statistics South Africa reported that in 2007 there were 30,413 million persons aged 15–65 years comprising the labour market, of which 13,235 million persons were not economically active while 3.945 million people were unemployed (Stats SA, 2007). Combined with a high

degree of economic disparities and a volatile unemployment rate, the creation of jobs becomes a critical priority of government.

SMME's are a vehicle through which low-income people in the country gain access to economic opportunities at a time when the distribution of income and wealth in the country is among the most unequal in the world. This trend has prompted the Deputy President to declare South Africa as having first and second economies (Saayman & Olivier, 2005). Entrepreneurial activity significantly affects the economy of an area by building the economic base, providing jobs, and alleviating poverty. The positive effect of the small business sector in the United States was highlighted by Scarborough and Zimmerer (2003) cited in Howard (2006) who revealed that small business accounted for 98.5% of all businesses, 51% of the GDP, and 75.8% of the country's new jobs. However, Hirsch et al. (2005) stated that the role of entrepreneurship in economic development was greater than just increasing per capita output and income. It also involved initiating and constituting change in the structure of business and society.

Gillingham's (2007) pre-recession research in South Africa refutes the findings of Dockel (2005) and Maas & Herrington (2007), describing the small-medium sector in the country as growing as entrepreneurs were starting to embrace the risks and benefits of entrepreneurship. Schwenke (cited in Gillingham, 2007) attributed this development to investment financing becoming more accessible to a wider range of entrepreneurs in recent years and business support services such as mentorship becoming freely available. Schwenke further elaborated that due to the simplification of the regulatory environment and a greater pool of private equity funding, entrepreneurship was becoming a real option for many people. Deetlefs (cited in Gillingham, 2007) attributed the growth of new businesses to B-B BEE codes on enterprise development.

#### **2.4.9. Characteristics of Entrepreneurs and Motivation for Entering Business**

##### **2.4.9.1. Introduction**

Researchers have been trying for decades to identify the factors behind entrepreneurship with a particular focus on personality characteristics of entrepreneurs (Van Wyk et al. 2003). However, there remains no clear consensus on the determinants of entrepreneurship (Muhana, 2007) as it can be attributed to a number of factors and characteristics. Ascertaining the underlying reasons,

motivation, attitudes, values, and perceptions that compel individuals to start SMME's could minimise the level of uncertainty in the start-up and development of a business, provide valuable information to financial institutions (Robichaud, McGraw & Roger, 2001) and guide the development and effectiveness of policy and programme development on entrepreneurship and SMME's (Mitchell, 2003). The determinants of entrepreneurship in general and in South Africa are multiple. The author has referred to several studies assessing trends, examining similarities, and drawing comparisons in order to gauge the major reasons and personal characteristics that have determined entrepreneurship. While an attempt is made to articulate major theories that motivate entrepreneurship behaviour, the overview provided is by no means exhaustive. Such theories will serve as a guideline for assessing the factors which apply to sport entrepreneurs.

A valid question that begs to be asked: What motivates an entrepreneur to take social, psychological, and financial risks in pursuing an entrepreneurial career against the overwhelming odds of failure? This question is a complex one and is influenced by personality, demographic, and environmental variables. In answering this question, several authors have devoted attention to the background and characteristics of entrepreneurs as a prelude to examining the underlying reasons that have stimulated individuals to embark on entrepreneurship initiatives (Robichaud et al., 2001; Macleod, 1999; Van Wyk et al., 2003; Co, 2003; Cheung & Chow, 2006).

#### 2.4.9.2. **Background**

Van Der Merwe (2008), Baldachio and Fairbain (2006), and Hisrich et al. (2005) also provided an analysis on the background demographic and environmental factors to entrepreneurship and the core characteristics of typical entrepreneurs. The author has provided a short overview on some of their key findings.

#### **Childhood Family Environment**

Entrepreneurs tend to have current or previous self-employed entrepreneurial parents with notable business experience. Entrepreneurial parents serve as role models to their children. There is a natural inclination to emulate the achievements of elders. Moreover, the independent nature and flexibility of self-employment is ingrained at an early age. Living in an entrepreneurial family environment invariably presents informal learning opportunities to develop entrepreneurial

capacity. Entrepreneurially-minded parents tend to be supportive and encourage independence, achievement, and responsibility.

### **Education**

A higher level of formal education does provide a good background for starting a business.

### **Personal Values**

The entrepreneur displays a different set of attitudes and personal values about business in general, particularly ethics and ethical behaviour.

### **Age**

It is important to differentiate between entrepreneurial age (the age of the entrepreneur reflected in the experience) and chronological age. Entrepreneurship experience is regarded as one of the best predictors of success. In terms of chronological age, most entrepreneurs initiate their entrepreneurial careers between the ages of 22-45.

### **Work history**

Career-related experience not only serves as a positive push factor in the decision to launch a new entrepreneurial venture but previous experience also plays a role in the growth and eventual success of the venture.



#### **2.4.9.3. Characteristics**

It is clear from the detailed definition of an entrepreneur that there are certain common characteristics that one ought to exhibit in order to be differentiated as an entrepreneur. There is consensus in the literature that the characteristics discussed below are linked to entrepreneurial orientation and entrepreneurial success and are normally acquired through life experience or during the entrepreneurial process itself. Van Wyk et al. (2003) discovered strong relationships between entrepreneurial attitudes and different biographical and personality variables. Macloed (1999) and Price (2009) agree that one needs to evaluate their own qualities against this checklist of characteristics and qualities in order to determine whether they were equipped to face the demands of self employment. Price (2009), Bovee and Thill (2005), Hisrich et al. (2005), and Macleod

(1999) highlighted several character traits and psychological variables that distinguished entrepreneurs from non-entrepreneurs:

1. **Locus of control:** the need for a person to be in charge of his or her destiny. In this regard, a person with a strong internal locus of control believes that the outcome of an event is determined by their own actions. In this context, the process or event is the business venture.
2. **Risk-taking:** entrepreneurship behaviour involves taking risks, correctly interpreting risk, and taking action to minimise the risk.
3. **Energy & other positive traits:** an entrepreneur exhibits a high level of energy, self-esteem, self-confidence, optimism, flexibility, and commitment.
4. **Passion:** entrepreneurs will pursue a business they find enjoyable such as turning their love for sports into a business venture.
5. **Need for independence:** an entrepreneur is generally a type of person who prefers to do things his or her own way with a high degree of autonomy.
6. **Initiative:** entrepreneurs take the initiative to bring ideas to fruition.
7. **Ambitious:** entrepreneurs need to have ambition and be persistent.
8. **Determination:** an entrepreneur learns from mistakes and failures, and sustains the drive and energy to overcome adversity, and persists.

Muhanna (2007) and Ross (2006) argued that generic, inherent individual characteristics and qualities such as a positive attitude, cognitive ability, willingness to assume risk, pro-activeness, innovativeness, and commitment are additional accentuating reasons that influence sport business entrepreneurship. Price (2009) mentioned that an entrepreneur should possess an 'entrepreneurs DNA' which consists of generic intrinsic and extrinsic entrepreneurial skills and abilities. Van Der Merwe (2008) emphasise that a true entrepreneur is one who is determined to succeed while Gitman and McDaniel (2008) refer to the entrepreneurial personality and the common traits that entrepreneurs in general share, such as ambition, independence, creativity, energy, passion, and commitment. Mitra (2002) suggests that the personal characteristics of a small business entrepreneur influence the growth rate and innovativeness of a firm. Durand (2007b) found local sport entrepreneurs to have a passion for business, as well as displaying the characteristics of enthusiasm, honesty, ethics, dynamism, persistence, and determination. Thus, one would expect SMME's in sport to be started by entrepreneurs with vision, drive, self-confidence, and creativity

who are willing to take the risk of starting and managing a business to achieve self-actualisation and make a profit in the process.

#### 2.4.9.4. **Attitude, Creativity, and Innovation**

In assessing the effect of one's attitude in pre-disposing a person towards business and entrepreneurship, Lindsay, Jordaan, and Lindsay (2005) and Van Wyk et al. (2003) examined entrepreneurial attitude using a validated Entrepreneurial Attitude Orientation (EAO) measurement scale. This instrument was developed by Robinson, Stimpson, Heufner and Hunt in 1991 (cited in Van Wyk et al., 2003) who postulated that attitude influenced an individual's predetermined propensity to become an entrepreneur. The EAO scale was utilised to collect information on four EAO dimensions, namely achievement, self-esteem, personal control, and innovation.

An attitude is a predisposition to respond in a generally favourable or unfavourable manner with respect to the object in mind (Shaver, 1987 cited in Lindsay et al., 2005). Van Wyk et al. (2003) defined attitudes as predetermined but changeable thoughts, feelings, and behavioural intentions covering organisation, creation, and operation. On this subject, Lindsay et al. (2005) exploratory examined the relationship between the attitude of nascent entrepreneurs towards entrepreneurial intentions and discovered significant relationships between the dimensions of EAO and their entrepreneurial intentions. Lindsay et al. (2005) defined entrepreneurial intention as the commitment to starting a new business. Robinson et al. (1991) cited in Van Wyk et al. (2003) argued that attitudes were more precise variables to predict entrepreneurial behaviour than an individual's personality traits. Providing a detailed explanation of the EAO instrument is beyond the remit of the study.

Creativity and innovation appear to be important factors in identifying business trends and opportunities and becoming entrepreneurial (Morris & Kuratko, 2002 cited in Pretorius et al., 2005; Cheung & Chow, 2006; Hills & Shrader, 1998 cited in Pretorius et al., 2005). Madura (2007) explains the importance of the creative abilities of entrepreneurs in detecting a need by customers for an improved or new product or service and then attempting to satisfy that need in an innovative method. Amabile (1996) cited in Nieman et al. (2008) defined creativity as the generation of new, different, and usable ideas to solve any problem or use any opportunity. Glynn (1996) cited in Nieman et al. (2008) added to this and pointed out that creativity underlies innovation in small

business management. Cougar (1995) cited in Nieman et al, (2008) formulated a simplistic model of creativity in the context of solving problems, that consists of a person (the entrepreneur) as the most important variable, who engages in unconventional and practical thinking on a continuous basis to deliver an innovation or product which is the final outcome.

Morris and Kuratko (2002) cited in Pretorius et al. (2005) described creativity as the soul of entrepreneurship because it was required to spot patterns and trends that define opportunities. They further regarded creativity as part and parcel of the entrepreneurial skills required to successfully start the entrepreneurial process. Entrepreneurship depends on the creative abilities of a prospective entrepreneur to monitor and assess the environment for opportunities and to transform these opportunities to fruition. Chueng and Chow (2006) also found strong grounds to support the role of creativity in entrepreneurship when they found that 56% of successful entrepreneurs claimed to have an inherent innovative and creative inclination.

When Pretorius et al. (2005) empirically investigated the self-perceived levels of creativity, venture innovativeness, and implementation orientation of managers and the correlation between these variables, it was revealed that while the levels of creativity and innovation were high, the implementation was low and that the correlations between these variables were weak and not significant. Furthermore, it was found that creativity and innovation were significantly influenced by the life cycle phase of a business with high levels of creativity and innovativeness being associated with mature businesses.

The value of innovation was highlighted in an analysis made by Baldwin (1995) on the differences in strategies and activities pursued by a sample of more-successful and less-successful group of growing SME's. Baldwin found that innovative activities were the most important determinants of success as evidenced from the fact that almost all of the strategy questions relating to innovation received higher scores from the more-successful firms than from the less-successful group of firms.

Whilst writers have examined the concept in dept and developed theoretical frameworks for studying innovation, it suffices to acknowledge that innovation is regarded as the basis of obtaining competitive advantage in the marketplace (Gudmundson et al., 2003) and a key factor to achieving success for small firms (Baldwin, 1995).

Darling et al. (2007) did research on successful entrepreneurial companies and found that business success and operational excellence revolved around constant innovation. They furthermore discovered that entrepreneurs exhibit three interactive dimensions, namely innovativeness, risk-taking, and pro-activeness. Creativity, innovation, and opportunity-finding (CIO) are regarded as universally distinguishable variables in the make-up of an entrepreneur and should form an integral part of any total entrepreneurial training model (Antonites & Van Vuuren, 2005). These researchers demonstrated that a CIO training model within an entrepreneurial context will contribute to the development of new products, services, and processes. They highlighted a CIO training programme that was accompanied by an action-learning training methodology which increased the creative and innovative behaviour of second-year B Comm entrepreneurship students at the University of Pretoria. To conclude, researchers on the subject suggest that innovation has and will continue to play an increasingly crucial role in determining organisational success.

#### 2.4.9.5. Achievement Motivation (n-Ach)

Perhaps the best-explained theory on entrepreneurial behaviour was developed by David McClelland in 1961. McClelland linked entrepreneurship to 'need achievement motivation' commonly referred to as n-Ach (Mahadea, 1991; Mahadea, 1994; Robertson, 2006; Anon, 2008c; Cheung & Chow, 2006; Smith & Cronje, 2005; Bovee & Thill, 2005). McClelland postulated that people were not motivated by reward but by a need for achievement (n-Ach). According to McClelland, countries needed people who possess high levels of achievement-oriented motivation to speed-up economic development. McClelland regarded achievement motivation (n-Ach) as a desire to do well, not for the sake of social recognition or prestige, but to attain a feeling of personal accomplishment. Therefore, the need for achievement is closely linked to the entrepreneurial motivation to succeed (Van Der Merwe, 2008). According to McClelland's theory, entrepreneurs with high levels of n-Ach were more successful than those with low n-Ach (Mahadea, 1991).

In analysing McClelland's theory, Mahadea (1994) pointed out that at the macro level, McClelland examined the relation between the success of countries and the achievement drive of their people and found high n-Ach levels were associated with above-average economic growth. It thus stands to reason that a society with a generally high level of n-Ach will produce more energetic entrepreneurs with the desire to excel, who in turn contribute to economic growth. At the micro-

level, McClelland found a positive relationship between people's n-Ach and their entrepreneurial success. With reference to McClelland's theory, Thomas and Mueller (2000) cited in Pretorius & Van Vuuren (2003) highlighted that communities or societies with cultures that emphasise achievement would exhibit greater levels of entrepreneurship than societies that did not. The entrepreneur in McClelland's framework is a person who translates n-Ach into economic development (Mahadea, 1994).

In an analysis made by Anon (2008c) on the implications of n-Ach on entrepreneurs, it was argued that McClelland sought to identify internal factors in the form of human values and motives that lead people to exploit favourable economic opportunities. Anon (2008c) argued that individuals with a high n-Ach have a drive and determination to win, assume risks, take responsibility, innovate, embrace challenge, solve problems, and perform better than others. Such adjectives are consistent with the entrepreneurial characteristics as identified by Cronje et al. (2004), Van Der Merwe (2008), and Thomson (1999). On a similar note, the results-driven nature of individuals with high n-Ach was a common characteristic shared by successful entrepreneurs (Robertson, 2006).



Cronje et al. (2004) examined what were the key motivating variables that prompted individuals to become entrepreneurs and identified n-Ach as the most researched and possibly the most important trait of an entrepreneur. Cheung and Chow (2006) substantiated on McClelland's n-Ach concept as being characterised by actions of intense, prolonged, and repeated effort to accomplish something that is difficult. Mahadea (1994) also found that n-Ach was a significant predictor of entrepreneurial success within small businesses in the Eastern Cape, measured in terms of assets, sales, and employment growth. Using a multiple regression analysis, it was found that the main determinants of the n-Ach levels were hard work, education, and experience. Based on this theory, it can be deduced that entrepreneurs are people with a naturally higher need to achieve than people who are not entrepreneurs.

In the South African context, entrepreneurship, an enabling SMME policy, investment in SMME's and entrepreneurs, and a favourable SMME environment have a complementary role to fulfil in collectively contributing to the economy's growth potential. Entrepreneurship is most clearly evident in the establishment of successful small businesses, a key determinant of which, is n-Ach. Whilst it is a common observation that individuals differ in their natural qualities and hence in their

n-Ach, McClelland also concluded that latent n-Ach in adults can be developed and strengthened through appropriate guidance and training (Mahadea, 1994). This assertion was proved by Boshof et al. (1987) cited in Mahadea (1994) where it was demonstrated that in South Africa, n-Ach training served to increase organizational efficiency and entrepreneurial performance which in turn contributes positively to economic growth and development.

#### 2.4.9.6. **Culture**

Research has demonstrated that culture can either encourage or discourage individuals towards entrepreneurial activity. Co (2003) examined the role of culture in predisposing individuals towards entrepreneurship. He advised on the importance to view entrepreneurship in the context of the socio-cultural environment, specifically in terms of the norms, values, and structures of society and cultural differences. Thomas & Mueller (2000) cited in Pretorius and Van Vuuren (2003) state that differences in entrepreneurial activity could be explained by cultural and religious factors. McClelland (1961) cited in (Cronje et al., 2004) predicted that a society with cultures that emphasise achievement would generate greater entrepreneurial propensity than societies that did not. In this regard, Pretorius and Van Vuuren (2003) mentioned that on the basis of literature reviewed, South Africa had a culture that was not supportive or conducive to the development of entrepreneurial orientation. Empirical research is required to prove or disprove this generalisation.

Cronje et al. (2004) refer to research which revealed that South Africans generally had a negative attitude towards entrepreneurship and were furthermore, afraid to take risk. Baldacchio and Fairbain (2006) diverged from the positive global effects of culture on entrepreneurship. They explained that the historical absence of an entrepreneurship tradition compounded by traditional value systems and customary obligations were inherent constraints to the growth of entrepreneurship in the Pacific Island countries. Cahn (2008) investigated the effects of culture on micro businesses in Samoa and found that culture was intricately interwoven with rural entrepreneurship activity. His research found that micro entrepreneurs acknowledged culture playing a role in the success and sustainability of their businesses. Hence, in indigenous societies where business activities are embedded in cultural and social traditions, a picture of community-oriented entrepreneurship emerges (Cahn, 2008).

Pretorius and Van Vuuren (2003) discussed the role of entrepreneurial orientation (EO) and start-up culture in promoting economic development. They postulated that when entrepreneurial culture exists or is high, the growth in the number of entrepreneurs and their associated business ventures will benefit economic development. Cheung and Chow (2006) found that 62.5% of young Chinese entrepreneurs had the desire and intent to become entrepreneurs and enter business because of the perceived high social status of entrepreneurs while Baldachio and Fairbain (2006) found entrepreneurs to be highly respected individuals in communities within the Pacific Island Countries. Hence, promoting a culture that embraces, recognises, celebrates, and creates entrepreneurs could have spin-offs in proliferating more young entrepreneurs.

Socio-cultural factors such as social networks also play a role in inclining individuals towards entrepreneurship. Muhana (2007) conducted empirical research on a sample of entrepreneurs from SMME's from the economic hubs of Durban, Johannesburg, and Cape Town and found that social networks and family history was a very strong reason that promoted entrepreneurs to enter the business environment. Individuals whose parents, relatives, and friends were entrepreneurs tend to be positively influenced to become entrepreneurs. Strongly related to the influence of culture in entrepreneurship, is the role of the family in business. In this regard, Cheung & Chow (2006) found that 62.5% of young Chinese entrepreneurs inherited family businesses. Venter and Boshoff (2006) further investigated the influence of family-related factors on the succession process in small and medium family businesses. The important role of the social environment in the entrepreneurial decision was also supported by Hisrich et al. (2005) who referred to positive influence of culture, family, friends, and teachers in persuading people to take up entrepreneurship.

Sternberg and Wennekers (2005) provided another dimension to the role of culture on entrepreneurship when they found that individuals differed in their perception of opportunities to become entrepreneurs largely because of the differences between the location networks they are embedded in. Moreover, they stated that the nature and status of a person's residential area influenced a person's perception of entrepreneurial opportunities.

Co (2003) conducted an analysis of entrepreneurship levels among indigenous South Africans by using a socio-cultural approach incorporating variables identified from five cultural theories. Whilst it is beyond the scope of this study to examine these theories, two factors did emerge as stimulating entrepreneurship and business development. The first was one's own marginality in

terms of being unemployed and living in poverty and secondly, being exposed to entrepreneurial role models. Shaper and Sokol (1982) cited in Mitchell (2003) also emphasized the role of social and cultural conditions, traditional behaviour patterns, and individual value systems as factors that stimulated new venture creation. In the same vein, Co (2003) posited that the environment that an individual is exposed to influences values and attitudes. The implications of the theories discussed above imply that exposure to culture that is supportive of entrepreneurship would strongly influence an individual to be an entrepreneur. The socio-cultural approach takes into account situational rather than deterministic differences among societies and cultures in explaining people's propensity to entrepreneurial activity.

#### 2.4.9.7. Motivation

One of the key aims of the study is to examine the motivation behind entrepreneurs entering the sport industry. Whilst there is no specific literature on the factors compelling entrepreneurs to start a new venture in sport, the literature reveals a diverse range of generic reasons such as special circumstances (Hirsch et al., 2005), push and pull factors (Van Der Merwe, 2008), unemployment and economic opportunities (Mkize, 2007), a cherished dream or circumstances beyond a person's control (Macloed, 1999), and trends and changes in consumer lifestyles (Jamieson, 2006).

It is evident from the literature that motivating factors vary between countries, between male and female entrepreneurs, between developed and emerging economies, and between economic sectors.

Mitchell (2003) conducted an extensive literature review of studies from a diverse range of countries regarding the reasons for entrepreneurship. These results, which are presented in a synopsis in Table 2.3, reveal that there are a variety of contributing factors that prompt individuals to start an entrepreneurial venture. The need for independence, personal growth and development, recognition and status, job satisfaction, and wealth were some of the major motivational factors that emerged from Mitchell's research.

**Table 2.3: Summary of Entrepreneurial Motivational Factors (Mitchell, 2003)**

<b>Researcher</b>	<b>Sample</b>	<b>Findings</b>
Scheinberg & MacMillan (1988)	1402 entrepreneurs from 11 countries	Need for personal development. Need for independence. Need for personal development.
Hirsch & Brush (1984)	468 women entrepreneurs in the US.	Need to achieve. Desire to be independent. Need for job satisfaction. Need to earn a living.
Kuiper (1993)	South African, Mali, Kenya and Nigeria.	Improve economic situation. Family circumstance.
Singh (1993)	200 women entrepreneurs in New Delhi, India.	To become independent. To prove oneself. Job satisfaction. Gain status.
Cromie (1987)	69 entrepreneurs in Belfast, Northern Ireland.	Job dissatisfaction. Achievement. Earn more money. Job autonomy.
Vijaya & Kamlalabhan (1998)	195 potential women entrepreneurs in Madras, India.	Need for independence. Need to innovate and achieve. Achieve status. Earn more money.
Shane et al (1991)	679 entrepreneurs from the UK, Norway, & New Zealand.	Independence Recognition (status).
Buttner & Moore (1997)	129 women entrepreneurs in the US.	Seeking challenge. Self-determination. Freedom to determine their destiny.
Goffee & Scase (1985)	54 women entrepreneur sin the UK.	Job dissatisfaction Compatibility with other obligations. Economic and social independence.

Mitchell (2003) further analysed the dominant motivational factors among African entrepreneurs in the rural Northern Province of South Africa. A quantitative 21 item motivation scale developed by Scheinberg & MacMillan in 1988 was used to measure the motivation of entrepreneurs. This scale was perhaps the most comprehensive instrument designed for this purpose because it was developed in conjunction with researchers from 11 countries and was based on the motivation theories of Maslow, Hertzberg, McClelland, and Vroom. Six broad motivational factors were identified through a factor analysis process:

1. External approval and communication.
2. Personal development.
3. Recognition & status.
4. Need for independence.
5. Influence of community.
6. Benefits and security.

The outcomes of the study strongly supported three of Mitchell's four hypotheses, namely that the need for independence, material incentives, and the need to escape a negative situation were important motivation factors. The need to contribute to the community was not found to be a strong motivation factor and hence, this hypothesis was partly confirmed. Mitchell's research can be criticised on the grounds that the sample was selected from a single financial services company and thus this limits the generalising of the results to the wider population. Furthermore, the study focused solely on personal motivational factors, eliminating other factors such as social and cultural factors that influence the entrepreneurial environment.

Robichaud et al. (2001) identified the motivational objectives that drove and sustained 325 entrepreneurs to continue in business in New Brunswick, Canada. They subsequently developed a valid method of adequately measuring the perceptions that entrepreneurs have of their entrepreneurial objectives. In their study, the reasons for starting a business; motivation to stay in business; historical, family, or social influence in starting a business; definition of entrepreneurial success; indicators used to measure success; competencies needed to succeed in business; reconciling business, family, and community affairs; and the long-term vision of entrepreneurs were the issues explored in developing the content validity of the instrument through qualitative interviews. A factor-analysis of data revealed four broad motivational factors:

**Factor 1: Extrinsic rewards**

Acquire personal wealth.

To increase personal income.

To increase income opportunities.

**Factor 2: Intrinsic rewards**

Gain public recognition.

Meet the challenge.

Personal growth.

**Factor 3: Independence/Autonomy**

Maintain personal freedom.

Personal security.

Self-employment.

To be my own boss.

To control my own employment destiny.

#### **Factor 4: Family Security**

Secure future for family members.

To build a business to pass on.

Cheung and Chow (2006) investigated the reasons that motivated Chinese entrepreneurs into business and revealed a new range of personal factors that differed somewhat from traditional, ordinary motivating factors. Interestingly, they reported that Chinese entrepreneurs have become a special power group with their own culture and values that differed from global entrepreneurs. These included spiritual values, fate, religion, life values, and life philosophy.

#### **2.4.9.8. Opportunity versus Necessity Entrepreneurship**

In the 2002 GEM South African report, Foxcroft et al. (2003) distinguish between entrepreneurs who pursue opportunities (referred to as opportunity entrepreneurs) and those who start entrepreneurship because they have no other choice of work (referred to as necessity entrepreneurs). The report further revealed that 74% and 26% of entrepreneurs in all GEM countries were opportunity and necessity entrepreneurs respectively. However, South Africa's entrepreneurial pool was made up of 58% and 42% opportunity and necessity entrepreneurs respectively, placing the country a low 29<sup>th</sup> place overall in opportunity entrepreneurship. This statistic reinforces the harsh realities of the economic state of affairs in the country where inadequate job opportunities have forced employable people to enter self-employment. On a positive note, such individuals are pro-actively assuming control of their livelihoods.

The high necessity entrepreneurship rate in South Africa was confirmed by Van Vuuren (2007) who found that some entrepreneurs had become entrepreneurs because they 'had no other choice' and could accept a job if one was offered. Burger and O' Neil (2004) supported this statistic elaborating that a growing number of people were starting businesses because of desperation and necessity. Subsequently, due to a lack of knowledge, experience, skills, and resources, they fail dismally or end up earning a meagre income that is below the poverty line in South Africa. The 2006 GEM Report estimated that as little as 1% of Canadian labour force were necessity

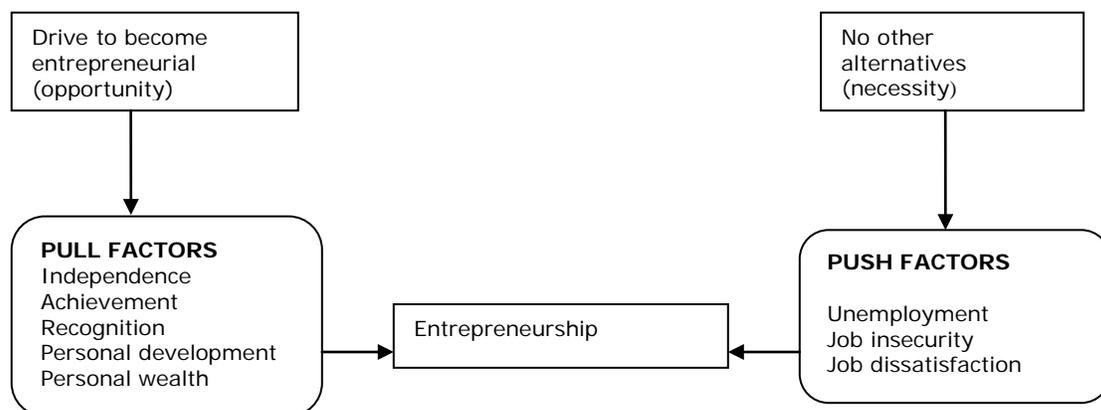
entrepreneurs (Maas & Herrington, 2007). This statistic places into perspective the state of the South African economy that is characterised by a post-recessionary climate, abject poverty, and high unemployment.

Hughes (2006) reviewed research motivating women to enter entrepreneurship from the US and Canada and identified three groups of entrepreneurs: classic, forced, and work-family entrepreneurs. A short operational definition is provided:

1. **Classic:** the need for independence, challenge, opportunity, and self-fulfilment.
2. **Forced entrepreneurs:** due to unemployment, job loss, and no job satisfaction.
3. **Work-family entrepreneurs:** the flexibility of balancing work and family.

#### 2.4.9.9. Push and Pull Factors

A related motivational theory identified by Van Der Merwe (2008), Hirsch et al. (2005), and Hughes (2006) were 'push' factors such as desperation, unemployment, or family circumstances that compelled people to start a business. Conversely, the existence of 'pull factors' attracts individuals to perceived viable opportunities in the market for new venture creation. Van Der Merwe (2008) presents a graphical illustration of this concept in Figure 2.13. Common drivers of entrepreneurship such as money, ownership, freedom, personal advancement, and security are common pull factors which Mkhwanazi (2009) regards as secondary by-products of the entrepreneurship process.



**Figure 2.13: The Push and Pull Factors of Entrepreneurs**

#### 2.4.10. **Social entrepreneurship (SE)**

An interesting theme that has merged from the literature is a relatively new concept of Social Entrepreneurship (SE). Dorado (2006) found literature on social entrepreneurship to be limited and in its infancy with much confusion and disagreement on the meaning of social entrepreneurship. Dorado emphasised that social entrepreneurship was different from corporate social responsibility and included a blend of business and social goals. The concept also appears to exist across non-profit, business or government sectors (Austin, Stevenson & Wei-Skillern, 2006). Pearce (1994) cited in Wallace (1999) provided a myriad classification of names of social enterprises that emanated over the past three decades which include community businesses, community cooperatives, community development trusts, and community development corporations.

The literature revealed that even though the concept is steadily growing, businesses and government remain somewhat ignorant of its benefits (Korosec & Berman, 2006). Tracey and Phillips (2007) added that social entrepreneurship was relatively novel with a lack of clarity regarding its relationship to more traditional entrepreneurship. Moreover, research about the factors that stimulate social entrepreneurship appear limited (Korosec & Berman, 2006).

Gibson (2007) cited in Blyth (2007) defined a social enterprise as a business that deals in goods and services for the benefit of the wider community. Tracey and Phillips (2007) defined a social entrepreneur as an individual who starts an enterprise for social purposes that has the potential to be both commercially viable and socially constructive and reinvests surpluses generated into social projects. Social entrepreneurs pursue initiatives to address social problems in their communities by mobilising resources and creating innovative, flexible, and effective entrepreneurial strategies and solutions (Fawcett & South, 2005). Sport and fitness, environmental health, environmental management, conservation, and education are examples of community sectors that social enterprises have targeted to address challenges such as social inclusion, obesity, sport development, conservation, illiteracy, and HIV/AIDS.

There is a perception that social enterprises are a mix of business and charity. Tracy and Phillips (2007) state that due to its hybrid nature, social enterprises have led to complex and difficult identity issues. They argue that while social entrepreneurs may develop a business venture in order to fund activities, they may also lobby government and the private sector in order to achieve their

social missions. Egawhary (2007) described social entrepreneurs as community spirited and ethically minded individuals who combine public service with innovative and efficient business practice.

In the UK, it is estimated that social entrepreneurs create ten times more job than business entrepreneurs (Mojapelo, 2002, cited in Nieman et al., 2008). In the UK, the social entrepreneurship sector has grown hugely over the last five years. Currently there are approximately 55 000 social enterprises in the UK which account for 5% of all businesses with employees and currently contribute 1% of the total GDP (Blyth, 2007). Unfortunately, figures for the South African industry are non-existent.

The literature is vast on social entrepreneurship in the field of sport. Particularly applicable to business opportunities in community sport is the existence of sport social enterprises. These small businesses trade to fulfil social aims and objectives (Sport England, 2008). McIntyre and Giddens (2004) were commissioned by Sport England to identify and define the current level of sport-related social enterprises in the East Midlands region of England. The study identified 80 sport social enterprises which were achieving significant social and economic benefits in the region and transversed a wide range of primary social aims such as health, crime reduction, education, and regeneration. They estimated the size of the sector in this region as generating a total income of R90 million per anum, employing 500 full-time and 500 part-time workers, utilising 1500 volunteers, and engaging over 200 000 participants.

The literature associates social enterprises with the capacity to be both commercially viable and socially constructive. This definition implies that social entrepreneurs identify and exploit market opportunities in order to develop products and services that achieve social ends. These are businesses with primarily social objectives that reinvest the bulk of profits into the enterprise or into the community.

#### **2.4.11. Conclusion**

In this section, perspectives on the state of entrepreneurship research in South Africa were firstly presented. Fundamental entrepreneurship theory was superficially explored. The entrepreneurial process was systematically investigated with a particular emphasis on the functions and activities

performed in each phase. An overview of the entrepreneurship and SMME culture in South Africa was observed. As a follow-up, the importance of entrepreneurship as the lifeblood of the economy was particularly highlighted. Key policy and legislative mandates relating to SMME development and entrepreneurship were examined in abbreviated format.

The literature further assessed the essential characteristics of current entrepreneurs. Motivating reasons for becoming entrepreneurs were explored. General entrepreneurial concepts relative to social entrepreneurship were briefly examined. Where possible, in the aforementioned sections, literature that was specifically relative to entrepreneurship in the sport business industry was assimilated and integrated into the literature review.

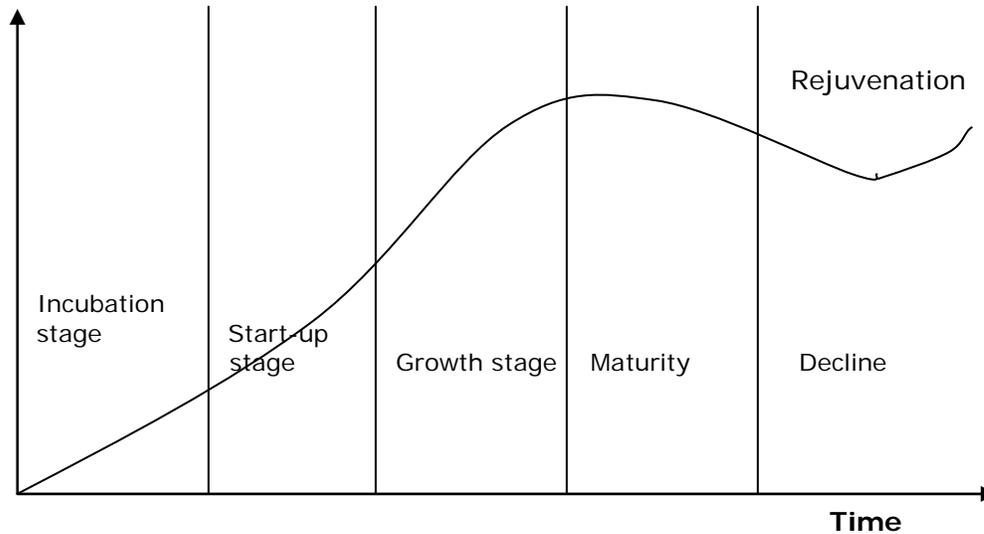
## **2.5. Entrepreneurial Small Business Management: Environmental Concepts and Principles**

### **2.5.1. Introduction**

From an entrepreneurial small business management perspective, fundamental business environmental variables are examined.

The task of business management according to Cronje et al. (2004) is to examine the factors, methods, techniques, approaches, and principles that enable a business to function efficiently and productively as possible in order to maximise its profits. Bearing this statement in mind, on a secondary basis, the study aims to uncover *inter alia*, details on the influence of the market and macro environment on sport enterprises, the range of products being offered by current ventures, and on generic matters relating to small business management. Hence, it is necessary to have a basic theoretical grounding of fundamental business management principles.

### 2.5.2. Small Business Life Cycle



**Figure 2.14: Stages of Business Growth**

Adapted: Nieman (2008), Morrison et al. (1999)

Small businesses have been identified as a key contributor to the phenomenal growth of the size and stakes of the global sport and leisure industry (Foster et al., 2006). SMME's in the sport industry could be as diverse as retail sport merchandising, sport marketing and sponsorship, sport tourism, events management, commercial leisure, and sport science. The nature of a small business changes over time with corresponding changes in the micro, market, and macro environments. SMME's are thus required to be flexible enough to respond to these changes.

The small business sector is not regarded as a homogeneous group. In order to understand small business, it is necessary to understand the concept of the small business life cycle and its underlying characteristics (Mitra, 2002; O' Bierne, 2004; Lorrain & Laferte, 2006; Storey, 1999). Mitra (2002) states that traditional business development models have adopted the stages approach to understanding the growth path of firms. Likewise, Lorrain and Laferte (2006) make reference to the business development life-cycle model in order to establish a theoretical framework to understand the problems of small business management.

Nieman (2008) provides a visual representation of the venture lifecycle phases (Figure 2.14). In reference to Figure 2.14, the business lifecycle follows the evolution of a new venture from its pre-start-up (incubation) stage, to the start-up (infancy) stage, the growth (breakthrough) stage, the maturity stage, and finally through to the decline or rejuvenation stage. In complementing Table

2.4, the venture life cycle model must be used as a guide of what could happen at a certain stage. Some inherent limitations of the growth stage concept are that many businesses fail early in their lifetime. Furthermore, it is difficult to determine when a business has reached a particular stage or can be expected to progress to the next phase (Wickham, 1998 cited in Nieman et al., 2008; Perks, 2006).

Lorrain and Laferte (2006) elaborated on this model (Figure 2.14) citing that the evolution of a business depends on the capacity of the owner or manager to solve the problems inherent in each stage. They further argue that without this capacity, the firm will decline and eventually fail. Moreover, very few businesses experience a smooth transition from stage to stage or the ideal scenario of an ascending journey along the venture lifecycle continuum eventually peaking and stabilising until decline or rejuvenation. Each business is unique, experiencing its highlights and low-points, depicting peaks and troughs.

Katz and Green (2009) defined the business life cycle as a sequence or pattern of developmental stages that any business goes through during its life span. As this cycle contains multiple stages, the key issues, challenges, level of risk, and actions at each stage are different. Katz and Green (2009) referred to the stages as the emergence, existence, success, and maturity stages. They also defined a 'take-off stage' - which is fairly rare among small ventures - when a business embarks on a period of exceptional growth, for example landing a massive contract or tender or being in the right place at the right time.

Considering that Figure 2.14 contains the actions and changes that take place in the different stages of the business lifecycle, the implications of the growth process to an incumbent entrepreneur would be to take note of what could be expected in respect of the number of variables in the business. Interestingly, First National Bank – one of South Africa's major banks - has offered business support in line with the business lifecycle approach (Lowe, cited in Anon, 2009b). Hence, understanding the dynamics of a business and how it changes and interacts during the stages of growth is important in enabling an entrepreneur to plan accordingly.

On a similar note, O' Bierne (2004) investigated sport SMME's and identified the different stages of the small business life cycle, namely the start-up phase, take-off phase, harvest phase, and the renewal phase. O' Bierne (2004) stated that each stage places different demands upon the business

and the entrepreneur. Table 2.4 illustrates a general SMME life cycle, the different phases of growth, the role of the entrepreneur, the characteristics of the enterprise at each stage, and the goals of each phase.

Table 2.4: Small Business Life Cycle

Phase	Start-up	Take-off	Harvest	Renewal
<b>Goal</b>	Survival	Sales	Profits	Revival
<b>Structure</b>	Informal	Functional	Decentralised	Matrix
<b>Management Style</b>	Creative	Leading	Delegating	Co-ordinating
<b>Role of the entrepreneur</b>	Owner-worker Initiator.	Owner-manager Developer. Implementer.	Administrator Manager. Leader.	Successor Re-organiser
<b>Characteristics</b>	Uncertainty. Vulnerability. Cash flow crisis. Fear of failure.	Growth. Sales. Delegation. Stress.	Complacency. Leadership. Confidence.	Re-defining strategies and goals. Innovation.

Source: O' Bierne (2004) and Nieman (2008)

A related ideology was proposed by Cronje et al. (2004) which is captured in Figure 2.15. Figure 2.15 illustrates that the products offered by SMME's go through a life cycle as well, namely the stages of infancy, growth, maturity, and decline. It is therefore necessary for entrepreneurs to be aware of which life cycle stage an idea for a new venture would slot into considering that each phase would require specific business strategies, growth targets, strategic planning, and action plans. Similarly, Katz and Green (2009) advised small business entrepreneurs to match their business strategy to the life-cycle stage of its industry. Prospective entrepreneurs in the sport sector would have to ensure that ideas conceived and opportunities generated would fall into the embryonic, growth, and maturity stages. Most sport products and services by their very nature would slot into the growth and maturity stages where there is sufficient market potential for generating revenue.

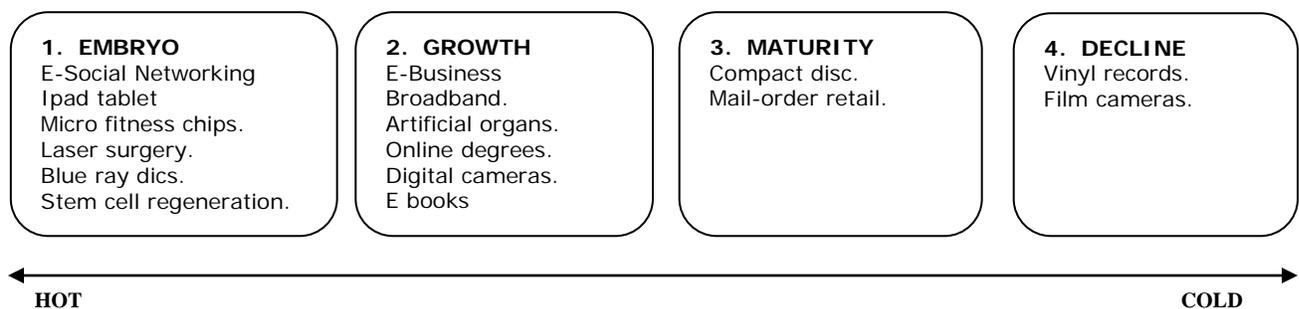


Figure 2.15: Lifecycle Phases of Products and Services

Undoubtedly, some of the markets associated with the leisure industry are past the growth stage in the product life-cycle. However, a market that is in the mature phase would still pose opportunities for the introduction and growth of new concepts. Morrison et al. (1999) criticised the product lifecycle stage model as being past its sell-by date and something that entrepreneurs should not really follow. They argued in a vibrant post-modern society, there is infinite opportunity for innovative ideas to be introduced which can reposition and re-launch products and services.

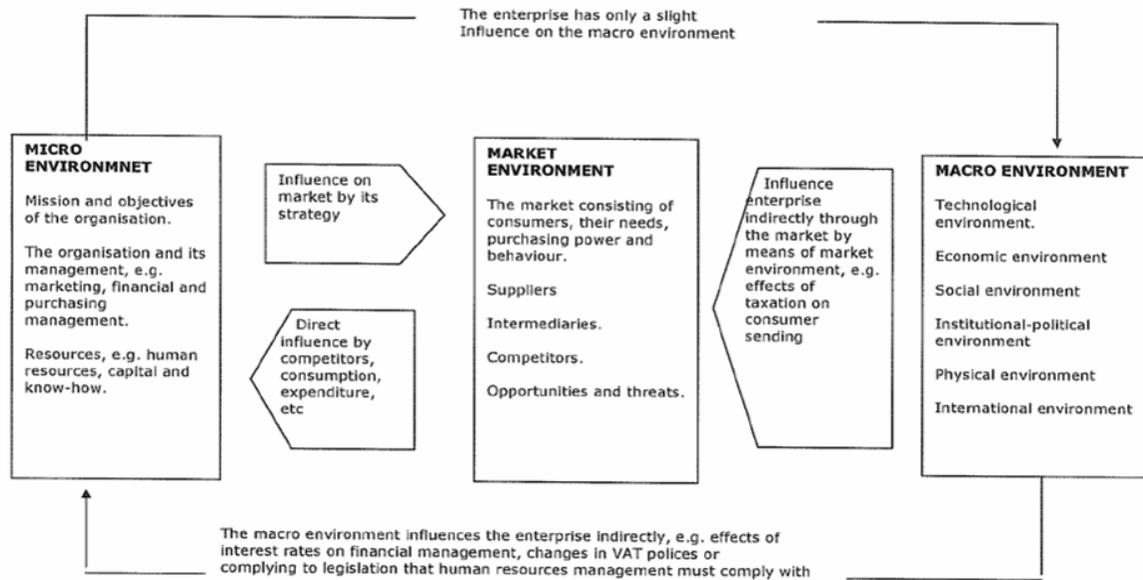
Storey (1999) likens the evolution of a small business to a process of metamorphosis where a business moves from the inception stage through to maturity. However, he also questioned the value of the stage model partly because the model describes, rather than predicts. Moreover, Storey criticized the growth stages model as having two inherent limitations:

1. Not all firms begin at Stage I and move to Stage 4 as implied by the model.
2. A firm may achieve a particular stage and never have any intention of moving beyond that stage.

Every small business is unique. The implications of the business life-cycle model is that while much of a firm's development is predictable, it is beneficial to understand the requirements and challenges at each stage of the lifecycle.

### 2.5.3. The Business Environment

Smith and Cronje (2005) defined a business environment as all those variables, both internal as well as external which may influence the continued successful existence of the business organisation.



**Figure 2.16: The Composition of the Business Environment**

Source : Smith & Cronje (2005)

The diagram illustrated in Figure 2.16 provides an overview of the make-up of the business environment consisting of three sub-components:

- 1. Micro environment:** consists of the internal environment of the business where three sets of variables, namely the mission and goals of the business, its resources, and its management that are responsible for the outputs of the business.
- 2. Market environment:** this is the immediate environment outside the business and includes key variables of consumers, competitors, intermediaries (retailers, wholesalers, and bankers), and suppliers who are sources of both opportunities and threats to a business. It should be understood that the South African market environment is complex and is characterised by a heterogeneous population where the personal disposable income and purchasing power of consumers varies substantially across racial and socio-economic lines as well by provinces and regions.
- 3. Macro environment:** the environment external to both the business and the market environment and consists of six distinct sub environments:

- 3.1. The technological environment that is continually responsible for the pace of innovation and change.
- 3.2. The social environment where consumer lifestyles, habits, and values shaped by culture make certain demands of a business.
- 3.3. The economic environment in which factors such as inflation, interests rates, monetary, and fiscal policy influence the prosperity of a business.
- 3.4. The physical environment which consists of natural resources, fauna, flora, and built infrastructure.
- 3.5. The institutional environment in which government, politics, and legislation are the primary components.
- 3.6. The international environment in which local and foreign trends and events influence the market and micro environments.

In reference to Figure 2.16, Smith and Cronje (2005) provide a conceptual framework of the overall business environment. It illustrates to an incumbent entrepreneur or nascent entrepreneur the dynamics of the business environment. The framework further implies that one needs to monitor the business environment, respond to influences of the environment, develop effective strategies, and take decisive decisions. Robbins and DeCenzo (2005), Bovee and Thill (2005), and Pride et al. (2005) expand on the importance of environmental scanning in detecting trends, anticipating and interpreting changes, and creating a set of scenarios. Smith and Cronje (2005) raised the importance of linking environmental scanning and information management. A fast-growing area of environmental scanning is competitive advantage, where a business strategically seeks information about the plans and strategies of a competitor and what affect it will have on the market.

There is interdependence between a business organisation and the environment in which it operates. Cronje et al. (2004) explained the mutually dependent relationship between business and the environment, whereby business obtains resources from the environment and transforms these inputs into outputs in the form of products and services. Hence, a business is dependent on the environment in which they operate whilst society depends on businesses for the products and services it needs. It therefore stands to reason that this relationship increases in complexity when certain variables in the macro environment such as technological innovation, economic events,

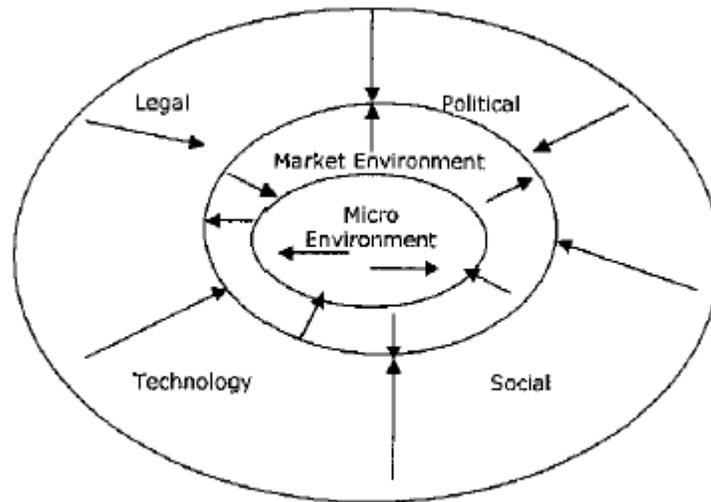
social movements, or political change bring about change in the environment which impacts in different ways on a business or determines the success or failure of a business.

The present post-recession economic recovery, the international financial crisis, the re-capitalisation of major banks, unprecedented job losses, stricter banking regulations, ASGISA, the Consumer Protection Act (Act 68 of 2008), the National Credit Act (Act 34 of 2005), the Millennium Development Goals, the B-B BEE Act, the King Report on Corporate Governance, the Skills Development Act, Blue Flag Beaches campaign, an unreliable power supply, a high crime rate, the HIV/AIDS endemic, illegal mass migration and xenophobic violence are recent examples of trends, changes, and fluctuations in the macro and market environmental landscape that have influenced small businesses. Whilst there is interplay between the components within a particular environment, at the same time there is also interaction between the various environments.

At this juncture, a brief reference is made to the influence of the economic environment on small business. According to Smith and Cronje (2005) the economic well-being of a country or its economic growth rate is measured by the range and number of products and services produced. Expressed in monetary terms, this standard is known as the Gross Domestic Product (GDP), which is the total value of all goods and services finally produced within the borders of a country within a year. Mlambo-Nguka (cited in Joffe, 2006) stated that that South Africa needed an economic growth rate of over 6% per year for its economy to create enough jobs. However, unemployment compounded by the high cost of living may adversely affect consumer spending. Reduced consumer power may lead to a decline in spending on sport and leisure products. The end result is that SMME's struggle to survive and eventually fail.

In analysing the sport industry and its associated environments, Parker (2004) emphasized the PESTEL analysis (an acronym) which was described as a framework for identifying the political, economic, social, technological, environmental, and legal influences on the sport industry and on sport businesses. This concept almost complements the generic framework adopted by Smith and Cronje (2005) with the exception for the legal influence which Parker described was necessary for an entrepreneur to recognise and understand the dynamics of the legal process. In Figure 2.17, Parker graphically illustrates the interface relationship between the three environments showing that each environment influences each other. Figure 2.17 further highlights the need to holistically

identify, understand, and analyze the environments influencing a sports business enterprise. This concept also encourages entrepreneurs to think strategically.



**Figure 2.17: Interface between Environmental Dimensions**

Adapted: Parker (2004)



#### 2.5.4. Conclusion

The concept of entrepreneurship is difficult to divorce from the subject of small business management due to the natural cross-pollination of principles between the two disciplines. Hence, basic principles of small business management were discussed to set the tone for the study. The small business life-cycle model was particularly emphasised. Finally, the business environment consisting of the constantly interacting micro, macro, and market sub environments was also discussed.

## 2.6. Relevant South African Socio-Economic Policies and Programmes and Its Influence on Entrepreneurship and New Venture Creation

### 2.6.1. Introduction

It is necessary to briefly examine some of the key generic national legislations, policies, and programmes that have determined South Africa's rate of economic growth and development, stimulated job creation, and shaped the business landscape since 1994. Compiled on a cross-cutting basis, such policies have a permeable influence on the SMME sector and thus cannot be considered in isolation. The key provisions and principles of these policies together with their successes and shortcomings will be reviewed in conjunction with entrepreneurship and new venture creation. Such policies, legislations, and strategies include:

1. Accelerated and Shared Growth Initiative for South Africa (ASGISA).
2. The National Skills Development Strategy (NSDA)
3. Joint Initiative on Priority Skills Acquisition (JIPSA).
4. Government's Programme of Action and APEX Priorities.
5. Millennium Development Goals (MDG's).
6. The New Growth Plan (NGP)

### 2.6.2. Accelerated, Shared Growth Initiative for South Africa (ASGISA)

For the purpose of this research scope, reference will be restricted to those aspects of ASGISA that are relevant to and influence the nature of the study.

ASGISA has its origins in the Reconstruction and Development Programme (Act 16085 of 1994) and the Growth, Employment, and Redistribution Strategy (GEAR) of 1996. ASGISA was launched in February 2006 by the Deputy President, Phumzile Ngcuka-Mlambo – the stewardess of the programme. It is an ambitious plan of government to halve poverty and unemployment by 2015 by achieving an economic growth rate of 6% per year by 2014 (ASGISA, 2006). This programme is based on a two-phase target. In the first phase between 2005 and 2009, an annual average growth rate of 4.5% or higher is required. In the second phase, between 2010 and 2014, an

average growth rate of at least 6% of the gross domestic product (GDP) is required (ASGISA, 2006).

ASGISA is widely regarded as South Africa's answer to the addressing the United Nations' Millennium Development Goal of halving world poverty by 2015. It also aimed at accelerating economic growth and distributing its benefits more widely. The programme has identified 'six binding constraints on growth.' Hence, removing these constraints would promote economic momentum. These key constraints were (ASGISA, 2006):

1. The relative volatility of the rand.
2. The cost, efficiency, and capacity of the national logistics system.
3. Shortages of suitably skilled labour and the spatial distortions of apartheid affecting low-skilled labour costs.
4. Barriers to entry, limits to competition, and the limited new investment opportunities.
5. The regulatory environment and the burden on small and medium enterprises.
6. Deficiencies in the state organisation, capacity, and leadership.

In order to achieve its targets, decisive and focused interventions and targeted action was necessary in the following categories (ASGISA, 2006): the macro-economy, infrastructure, sector and industrial strategies, skills and education, the second economy, and public administration. ASGISA consists of a limited set of interventions that are intended to serve as a catalyst to accelerated and shared growth and development Mbeki (2008). Mlambo-Ngcuka (cited in Robinson, 2006), Joffe (2006), and Mashabalala (2006) reaffirmed that ASGISA was not intended to replace GEAR but comprised of a limited set of interventions intended to identify and unblock 'binding constraints' and halve unemployment by 2014. This project has identified the SMME sector as an important economic role-layer in creating wealth and job opportunities in South Africa (Venter & De Clerq, 2007).

ASGISA (2006) has identified the following intervention principles:

1. Targets of accelerated and shared growth
2. Balanced growth
3. Infrastructure investment
4. Education and skills development

5. Eliminating the Second Economy
6. Leveraging the First Economy
7. Emphasis on Women Empowerment
8. Youth Development

Mlambo-Ngcuka (ASGISA, 2007) outlined the need for the faster expansion of Second Economy programmes and therefore, in the second year of the programme, government proposed a massification of Second Economy interventions which included the need to support SMME's and cooperatives (ASGISA, 2007).

### 2.6.3. Joint Initiative on Priority Skills Acquisition (JIPSA)

South Africa's democratic and economic emancipation was facing a dire shortage of relevant and adequate skills required to support economic growth (DOL, 2007). Whilst the country was achieving an average economic growth rate of over 5% during the first three years of ASGISA, the skills shortage has been identified as one of the main threats towards achieving a sustainable gross domestic product growth that will be consistent with the ASGISA targets set for the period 2005-2014 (JIPSA, 2006a).

The JIPSA approach is anchored around the view that the current state of the education system and skills development are binding constraints on economic growth and development (JIPSA, 2006a). JIPSA was launched in March 2006 to operate until March 2009 (three-years). As a sub-set of ASGISA, JIPSA was mandated with the task to identify urgent skills needed and to implement quick, effective solutions.

JIPSA and its implementing agents, namely the Department of Labour, CATHSETA, and tertiary institutions also influence the entrepreneurial and business management skills of nascent and current small business entrepreneurs which ultimately impacts on business growth and success.

#### 2.6.4. **Sector Education and Training Authorities (SETA's) and the Culture, Arts, Tourism, Hospitality, and Sport Education and Training Authority (CATHSSETA)**

Twenty-five SETA's representing major sectors of business and industry were established by the Minister of Labour in March 2000 under the Skills Development Act (Act No 97 of 1998). The SETA's are funded through skills development levies and are tasked with implementing the National Skills Development Strategy (DOL, 2005).

The former Tourism, Hospitality, and Sport Education and Training Authority (THETA) was the sector Education and Training Authority (SETA) established under the Skills Development Act (No. 97 of 1998) for the Tourism, Hospitality, and Sport economic sectors. The Sport Sector comprises of the following sub sectors, namely Sport, Recreation and Fitness. THETA has subsequently undergone restructuring and presently encompasses the spheres of arts and culture. This has resulted in CATHSSETA (Culture, Arts, Tourism, Hospitality, and Sport Sector Education and Training Authority).

A core function of CATHSSETA is to co-ordinate sector skills plans and learnerships. A critical outcome of the skills development and learnership process was whether learners were finding sustainable employment or being easily and readily absorbed into formal employment within their field of study. Ideally, learners should not struggle to find jobs as their experiences and new qualifications should make them more marketable and employable. In relation to the underlying motivation for this study, Chuene (cited in PMG, 2007) added although CATHSSETA was delivering work-related training, 80% of people who had completed learnerships through the agency could not find decent jobs. This statistic bear testament to the importance of this study.

#### 2.6.5. **The National Skills Development Strategy (NSDS)**

Mdladlana (cited in DOL, 2005) explained that the National Skills Development Strategy (NSDS: 2005 – 2010) contained national priority areas to which a projected R21,9 billion - income from the skills development levy – was to be allocated over the next five years. The NSDS was implemented in 2 phases. The first phase ran over a four year period from 1 April 2001 to 31 March 2005.

It was further revealed by the DOL (2007) that 6 851 unemployed and 3 422 employed people participated in learnerships under CATHSSETA between 1 April 2001 to 31 March 2005. This figure is astonishing as Chuene (cited in PMG 2007) earlier mentioned that approximately 80% of learners who completed learnerships under CATHSSETA did not find decent employment. Effectively speaking, 5 480 unemployed learners have failed to secure employment during these five years. It must be acknowledged that skills authorities have identified a difficulty in tracing learners to confirm their employment status (PMG, 2007). Nevertheless, this scenario merely reinforces the need for creativity and innovation in identifying opportunities for self-employment.

The second phase of the NSDS was launched on 1 April 2005 and will operate for five years until 31 March 2010. As one of the implementing agents of the NSDS, CATHSSETA has signed Service Level Agreements with the DOL through the amendment of the Skills Development Act in 2004.

#### **2.6.6. CATHSSETA and New Venture Creation**

The erstwhile THETA had been slow in promoting entrepreneurship and small business development as no persons had entered new venture programmes for the 2005/06 financial year which THETA attributed to capacity constraints and funding constraints (Totsetsi, cited in PMG, 2007). However, the NSDS has set rigid targets in terms of Priority 4 of the NSDS on the number of individuals being trained in new business creation (DOL, 2005). Subsequently, in April 2008, CATHSSETA issued a tender for an accredited service-provider with the new venture creation learnership ID 23953 to assist CATHSSETA in structuring, implementing, and managing a programme to assist in the building of capacity of aspirant young business people interested in establishing businesses (SMME's) within the THETA sector (CATHSSETA, 2008). Stipulated expected outcomes of the program included:

1. New venture creation within the THETA sector.
2. THETA stakeholders awareness and support for the New Venture Creation project.
3. 250 youth to set up their own businesses in the THETA sector business.
4. 80% of learners to successfully complete the project.
5. Ongoing mentorship.

This development implies that although much work has been achieved by CATHSSETA in the category of Sport, Fitness, and Lotteries, namely disbursing grants, assisting SMME's with WSP's, the registration of learnerships, management of learnerships, and the offering of a range of training courses, the placement rate of learners has been rather low (Chuene, cited in PMG, 2007). Hence, in keeping with this widely recognised trend which has also been underscored as one of the key stumbling blocks in the NSDS, a sensible alternative is to assist learners who have completed training under CATHSSETA to establish and operate sustainable SMME's under the formally recognised New Venture Creation Learnership. Whilst, CATHSSETA is targeting a modest figure of 250 people, incumbent participants are to be recruited from the several sub-sectors of THETA, namely tourism, hospitality, sport, and fitness. Cost containment and manageability are other possible reasons for the low target. Moreover, it appears that CATHSSETA is adopting a more proactive position in skills development and people development. This move complements the targets of JIPSA of grooming human capital to meet the challenges of the economic development and poverty alleviation (Tsotetsi, cited in PMG, 2007).

#### 2.6.7. **Government's Program of Action and Apex Priorities**

Emanating from the State President's 2008 State of the Nation Address and the first cabinet *Lekgotla* of 2008, specific issues were highlighted for attention by national government. Such issues give effect to and define Governments Programme of Action within which certain priorities called Apex Priorities are pursued. Such programmes and priorities are subsequently implemented, monitored, and evaluated by designated national ministers. In 2008, twenty four Apex projects were started falling under different clusters of departments. Ongoing priorities specific to this study include (The Presidency, 2008):

1. Self-employment interventions in the second economy.
2. Assistance to SMME's including procurement activities by government.

#### 2.6.8. **The Millennium Development Goals (MDG's)**

It is also necessary to review the Millennium Development Goals in relation to economic development and poverty alleviation through the growth of entrepreneurship, small business development, and job creation. At the Millennium Summit in September 2000, world leaders and

leading development institutions adopted an unprecedented set of Millennium Development Goals (MDG's) as a blueprint to improve the standards of living of people in especially resource-poor developing countries by 2015 (United Nations, 2008). These goals were:

1. Eradicating extreme poverty and hunger.
2. Achieving universal primary education.
3. Promoting gender equality and empowering women.
4. Reducing child mortality.
5. Improving maternal health.
6. Combating HIV/AIDS, malaria, and other diseases.
7. Ensuring environmental sustainability.

The eighth goal of 'developing a global partnership for development' is about the means to achieve the first seven goals. The declaration of the MDG's to halve all forms of grinding poverty by 2015 have been broadly accepted as a framework of time-bound measurable targets and indicators for measuring development progress (UN, 2008).

The establishment, development, and growth of small business entrepreneurship should form part of the response to achieving the eight target. In South Africa, the government has acted boldly and swiftly and implemented various national programs and strategies to achieve this target as well as to create decent and productive work for the unemployed. These initiatives include ASGISA, Provincial Growth and Development Strategies, JIPSA, the EPWP, the APEX Priorities, and more lately, the NGP. The principles of small business entrepreneurship are intertwined and integrated with these strategies. Moreover, realization of the MDG's requires direct support from richer countries in the form of aid, trade, debt relief, and investment to help developing countries (UN, 2008).

In South Africa, the Department of Foreign Affairs oversees the MDG process, while Statistics South Africa is responsible for assembling data that can be used to measure progress. At the halfway stage between the 2000 Millennium Declaration and 2015, Pahad (2007) commented that although the proportion of people living in extreme poverty fell from nearly a third to less than one fifth between 1990 and 2004, the lack of employment opportunities for young people, *inter alia* were still pervasive obstacles in Southern and South Africa. The numerous projects of ASGISA

that address the second economy and aim to assist the poor through job creation and income redistribution are examples that developing countries could follow to mobilize additional resources and increase public investment in order to achieve the MDG's.

Some positive thoughts were also shared by Lehohla (2010b) who observed that through a cocktail of interventions, the South African government has mitigated extreme poverty but singled-out unemployment as a major challenge.

#### 2.6.9. New Growth Path

The New Growth Path (NGP) was proposed in late 2010 as the latest economic reform and development plan for South Africa with the potential to create decent work, reduce income inequalities, enhance skills, stimulate small enterprise development, and defeat poverty through a new path of restructuring the South African economy (NGP, 2010). Patel (2010) stated that the NGP was aimed at setting the economy on a new road that will support growth and ensure that more ordinary South Africans can participate in the economy. Other objectives of the NGP include (NGP, 2010): to increase employment by 5 million in the next ten years through specific job drivers, alleviate constraints on long-term economic growth, and to counteract joblessness and income inequalities. The framing of the NGP was guided by ten micro-economic programmes to support an inclusive economy, social equity, and regional development. Of particular interest to this study, is Program 4: *Enterprise development: promoting small business and entrepreneurship; eliminating unnecessary red-tape.*

The NGP identified South Africa as having a relatively weak small and micro enterprise sector and thus aims to strengthen and consolidate initiatives to support small and micro enterprise with a forthcoming comprehensive strategy to be implemented by early 2011. The NGP follows through from GEAR and ASGISA. However, the policy has also been criticised as a recycling of old and existing economic policies with contradictions (Boyle, 2010; Vollgraaff, 2010). Core components of the ensuing strategy will include:

1. A one-stop shop and single funding agency for small and micro business established through the consolidation of Khula, SAMAF, and IDC funding, amongst others. To both improve access and reduce the overhead costs of government in order to make more resources available to end-users.

2. To integrate SMME support systematically into all sector strategies. This is critical to ensure space for smaller enterprise in the value chains of major industries and to support the development of clusters and sectoral regulations and market institutions that meet the needs of small producers.
3. To initiate a red tape elimination to simplify regulated procedures and forms and remove any bias against smaller producers.
4. To strengthen access to micro-finance for small enterprises in order to bring more citizens into economic activities and thus widen the enterprise pool in the country as one key step to promote the growth of new enterprises.

#### 2.6.10. The Implications of the Economic Recession on Consumers and Small Business

In 2009, Manuel (2009) outlined that the global economy was experiencing a sharp downturn, spreading from developed to developing countries. According to Manuel, its origins lay in macroeconomic imbalances of an unprecedented scale where an accumulation of debt by firms and households in some countries has been matched by an extraordinary rise in export earnings and savings in other regions.



Tribe (2005) listed the following objectives that constitute governments economic policy: low inflation, low unemployment, balance between government spending and income over the medium term (balanced budget), balance between overseas earnings and expenditure (balanced trade), and economic growth. The unprecedented low levels of economic growth and a subsequent recession in the South African economy resulted in unprecedented job losses. Close to one million jobs were lost during the recession (Mantshimuli, 2010; Moloko, cited in Du Preez, 2009).

A recession is a significant decline in economic growth in an entire economy that lasts for more than 2 consecutive quarters of a year (Du Preez, 2009; Pride et al., 2005). Moloko cited in Du Preez (2009) described the key indicators of a recession as a significant decline in real GDP, real disposable income, wholesale and retail sales, as well as rising unemployment. The economy revolves in cycles either expanding or contracting thus influencing the buying power of the consumer (Ferrell et al., 2009). In simple terms, due to the contraction of the economy, the levels of production and output shrink meaning there is less demand for inputs such as labour which results in job losses, wage stagnation, and pressure on consumer spending (Naidu, 2009).

The duration of this study coincided with South Africa's first real recession since 1992 (Mtshali & Mahlangu, 2009). Although it is acknowledged that sport has strong interconnections with diverse sectors of business and industry, it is not known exactly to what extent were SMME's in the sport industry affected by the economic slowdown. Due to unemployment, instability, and volatility of the South African economy, the volume of spending on sport and leisure goods and services will naturally decline as a consequence of reduced spending power, reduced household disposable income, and a smaller residual income available to the consumer (Du Preez, 2009; Shevel, 2010). Similarly, Mantshimuli (2010) stated that consumer activity broadly mirrored that of the general economy with growth in spending hovering at low levels.

There is no doubting that South African businesses and consumers have taken strain during the recession. Higgs (cited in Modimoeng, 2008) produced statistics that there has been a severe decline in the perceptions around business conditions and personal economic circumstances as consumers were under tremendous strain. Modimeng (2008) assessed the results provided by TNS Research Surveys and stated that South Africans (consumer) confidence in the economy has dropped sharply to a five-year low. Van Aardt (cited in Naidu, 2009) referred to the National Credit Regulator as reflecting clear signs of high levels of debt stress experienced by South African households. Twine (cited in Naidu, 2009) added a different dimension to the economic crisis citing that the economy had been affected because consumer credit had become overextended. Clearly, such conditions would have an adverse effect on spending in the sport industry and on SMME's in particular.

Laing (2009) supported Modimeng's assessment and referred to the economic climate survey conducted among South Africans released in June 2008 where it was found that only 24% of small businesses felt that business conditions were really good at the time compared to 40 % in 2007. Business confidence dropped to its lowest level in a decade in the first quarter of 2009 as global and domestic economic conditions deteriorated prior to the country slipping into a recession (Reuters, 2009). Small businesses are the engine, heat-beat, lifeblood, and backbone of the economy and were not spared during the economic turmoil. According to Stats SA, bankruptcies in February 2009 jumped 70% from a year ago, with financing and business services being some of the worst-hit sectors, followed by the wholesale and retail trade (Laing, 2009).

How do SMME's operate during the recession? Steenkamp (cited in Pelsers, 2010a) advised small business owners not to focus on elements that one cannot change such as the state of the economy – but rather use the opportunity to build competitive advantage and ensure that a business is optimally positioned for when the market turns.

Opportunity comes with risk (Terblanche, 2009). When people lose their jobs during a recession, opportunities present themselves as they need to earn a living. Hence, they start a business rather than wait for another job. There is normally a surge in franchising during a recession which actually grows market share (Terblanche, 2009). Gibson (2009) maintained that the adage 'opportunity knocks at every adversity' applies strongly during a recession. The implications are that enterprising individuals should capitalise on situations and circumstances to exploit opportunities in a downmarket during a recession. The most opportune time to make market gains and market share is when the economy is down (Gibson, 2009). Furthermore, entrepreneurs could play a role in stimulating the economy and aiding in economic recovery.

#### 2.6.10.1. Economic Recovery

Since early 2010, there have been signs of the recession abating and the economy on a slow road to recovery. The rate of job losses has declined as the economy has continued to grow, albeit at a low rate. Growth in household disposable income has fluctuated with changes in economic growth as well as employment trends. Pelsers (2010b) argues that while the effects of the recession may have passed, the effects of the slowdown are still being felt. Maswanganyi (2010) declared that the South African economy was still in a recovery phase and the country had officially pulled itself out of the recessionary quagmire with a slow re-balancing of the economy. Mashego (2010) and Lehohla (2010a) supported this argument re-iterating that data released by Stats SA indicate that the economy was slowly recovering from recession. Furthermore, Ndaba (2010) also shared positive sentiments that confidence in the South African economy jumped to a four-year high in October 2010. Further signs of economic recovery were observed by Lehohla (2010c) who commented that the quarterly GDP releases pointed to an economy that was recovering considering that the GDP grew by a favourable 3.2% during the second quarter of 2010. On the other hand, the Quarterly Labour Force Survey reflected that whilst the unemployment rate remained unchanged at 25.3%, there were job gains as opposed to job losses (Lehohla, 2010d).

Pelser (2010b) argues that although GDP figures for the second quarter of 2010 indicate that the economy grew by 3.2%, a number of sectors are struggling and their recovery has either slowed down or retracted. Hence, South Africans are being forced to live within their means even if it means cutting back on leisure and sporting pursuits. With inflation at an all time high, consumers are being cautious, circumspect, and sensible in their spending. Mantshumuli (2010) stated that whilst the 2011 economic growth prospects remain fragile, this was expected to improve in 2012 as economic growth was expected to move towards 4.5%.

Pelser (2010b) cautioned that business owners will not really see a boom in spending as consumers are likely to spend less during the uncertainty in the economy. Hence, small business owners will have to make some difficult decisions to generate revenue. It is at this stage that innovation and creativity are needed. Temporary cost-cutting might be one alternative while downsizing might be another. Diversifying products and services could also prove as a viable alternative.

#### **2.6.11. Conclusion**

Whilst it may seem that a mini historical perspective of the relevant statutory policies and legislation has been provided, such are nevertheless necessary. These policies and strategies have a transverse influence on SMME's, outlining governments concerted drive since 1994 to promote small business development and entrepreneurship.

## CHAPTER 3

# RESEARCH METHODOLOGY

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### 3.1. Introduction

Chapter three describes the nature of the study and the methods and procedures that were utilized in collecting and analyzing the data. The following sequential research steps were duly followed.

### 3.2. Research Design

In sport management, researchers typically use a wide range of research designs in a variety of sport settings to conduct research on people in organisations, their clients, customers, suppliers, sponsors, or partners as well as the media, sport products, events, and programmes (Parks et al., 2007). Gratton and Jones (2004) describe sport as an interdisciplinary subject. Hence, sport can be studied from various angles, including an economic perspective and business perspective. Within each of these broad disciplines, there are a number of more specific fields. In this study, such areas include SMME's, business trends, and business opportunities in sport.

With regard to the nature of the study, an exploratory, descriptive, quantitative, non-experimental research design by a mail questionnaire survey was utilized. Such a research design gives a structure and framework plan to the research study that provides for the systematic investigation of the research problem.

The characteristics and elements of the data collected in this study lend itself to being classified as quantitative research. There are instances in the instrument where the information is qualitative in nature but presented in quantitative form, for example in Likert scales. This study employs an overwhelmingly quantitative methodology. However, in the analysis of the data, the researcher has blended both qualitative and quantitative methods to provide a more thorough understanding of the status of small business entrepreneurs in the sport industry (Gratton & Jones, 2004).

### 3.3. Sample Selection & Methodology

The South African sport industry is not a homogenous industry but a heterogeneous industry subdivided into numerous sectors and sub-sectors. This inherent nature of the industry presented a challenge in terms of selecting a representative sample. In reference to Figure 2.6 in Chapter 2, the industry segmentation of the South African sport industry provided a guideline to the sample

selection. Due to the anticipated low response rate of postal surveys, contingencies were simultaneously implemented in the form of an electronic and hand-delivered survey. Moreover, as this was a nationally-based study, a combined postal and electronic survey was necessary.

To select a representative and reliable sample of SMME's from the sport business industry whilst simultaneously guarding against biasness, was not straightforward. However, such requirements were necessary in order to enable the researcher to generalize meaningful results and characteristics to the wider sport SMME population. In this study, the practicalities of the research context necessitated that a flexible approach be employed to that stipulated in sampling theory.

Although there was no actual indication of the size of the SMME sector in the broad sport industry, it was decided that the questionnaire would be administered to 250 small business entrepreneurs. This sample size was relative to the size of the sport industry SMME population which was estimated between 2500 to 3000 SMME's. Unfortunately, there was no single, complete, and clearly-defined sampling frame of SMME's in the sport industry. On this basis, sampling could not proceed systematically. Consequently, non-probability techniques were utilized, where a sample of 250 SMME's specializing in a wide spectrum of sport businesses was derived from three main sources as reflected in Table 3.1. The clustered, snowball, and convenience sampling techniques were utilized to best complement the respective source of the sample.

The instrument and methodology utilized to obtain data was a questionnaire and survey methodology respectively. The survey was administered in three mediums, namely electronic, postal, and physical. Whilst the nature of the sample prohibited probability sampling techniques from being implemented, in this case, the selection was neither haphazard nor bias but fairly-balanced as reflected in biographical and business characteristics in Chapter Four.

Table 3.1: Breakdown of Sample Sources, Survey Type, Sizes and Responses

Survey type	Sample Source	Sample Type	Sample Size	Actual response	Percentage of response	Overall percentage
Postal	CIPRO	Clustered-cum-Stratified	110	37	34%	19%
Electronic (email)	Internet search	Snowball-cum-Stratified	110	63	57%	33%
Postal (hand-delivered)	Local business community (Durban)	Convenience	30	24	80%	47%
	<b>Total</b>		250	124	175%	100%

### 3.4. Data Collection Procedures

A descriptive, self-administered questionnaire survey was the appropriate tool for gathering data for the purpose of this study. Within the operational phase of the research process, producing a well-designed questionnaire instrument has the greatest influence on the reliability of data. The researcher also bore in mind that the questionnaire design, format, and presentation would influence the accuracy of information collected.

#### 3.4.1. Postal Survey

The information contained in Table 3.1 reveals that the overall sample was derived from three sources, namely the Companies and Intellectual Property Registration Office (CIPRO), an internet search, and the immediate business locality of Durban. A sample size of 110 companies was selected through a clustered sampling technique from the CIPRO database. In CIPRO, companies in various business sectors are not listed at first glance. In this case, sport-related SMME's had to be located through a key word search within the multi-disciplinary sport business industry. This technique had an inherent limitation that was compounded by the un-user friendly nature of the CIPRO search functions. On the CIPRO website, companies with a title that bore no semblance to sport, for example, an alphabetical or a traditional indigenous name but nevertheless conducted sport as its main business activity could not be identified. Moreover, CIPRO does not provide a categorical breakdown of companies within a specific business discipline. The overall response rate of returned questionnaires from CIPRO was poor (34%).

#### 3.4.2. Electronic Survey

The internet is becoming a rapidly expanding tool for research in sport (Gratton & Jones, 2004). The use of email and the internet are rising in popularity resulting in an emerging category called the e-survey (Veal, 2006). In this particular instance, an email transmitted a covering letter with an attached copy of the questionnaire to potential respondents who had to save the questionnaire, complete the questionnaire, and finally email the questionnaire back to the researcher. The limitation of an e-survey is that it is confined to those companies who either have a website or an email address. Moreover, the risk of an e-survey is that the survey email can be filtered through into the spasm folder which usually contains junk mail that one would normally ignore or delete.

The second portion of the sample was selected through a non-probability sampling method of snowballing within the IT realm, specifically through an intensive internet search. Google South Africa was utilized as the primary search engine to select 110 additional SMME's focusing on sport business. In this instance, logging onto a particular website enabled the researcher to access numerous links to related websites and so forth. Within the internet context, most companies were further identified through various generic South African-based electronic business directories and networks available on the internet.

At this juncture, it must be noted that the contact details of companies on the electronic directories as well as on actual company websites indicate that the geographical spread of the electronic survey inherently leans towards businesses in the major urban or semi-urban metropolitan regions of the country. One has to be realistic in understanding this statement. The majority of businesses in the sport domain would be based in urban regions as opposed to rural peripheral locations. With the probable exception of sport retail outlets and businesses in health and fitness, the economic and business geography of the country dictate that the majority of companies in the sport industry would be based in urban regions.



It would be foolish to treat the approximately 3000 sport SMME's as equivalent. Given the broad extent of the sport industry, every attempt was made to attain some semblance of stratification. Enterprises were thus stratified according to sub sectors from where samples were drawn. At this juncture, the researcher attempted to link the conceptual typology presented by Parks et al. (2007) in Chapter 1 to the sample selection. The segmentation model purported by Parks et al. (2007) broadly divides the sport industry into three core category products, namely, sport participation, sport production, and sport performance. Under these three categories, the sport industry is segmented by sub-dividing these products according to function and characteristics (Pitts & Sotlar, 1996 cited in Gouws, 2001; Pitts et al., 1994 cited in Parks et al., 2007).

Whereas it proved onerous and complex to stratify the entire sport business industry in the electronic sample, the researcher, in an effort to reduce biasness, consulted the conceptual framework espoused by Parks et al. (2007) to focus on twelve popular sectors of the industry:

1. Sport marketing and promotions
2. Athlete management
3. Events management
4. Consulting
5. Health and fitness
6. Bio-kinetics and sport science
7. Extreme sport and adventure recreation
8. Sport retail
9. Sport facilities management
10. Community sport
11. Sport manufacturing
12. Commercial sport venues

The e-survey targeted 110 companies. Follow-up and reminders were easily facilitated through email. Table 3.1 reveals that the response rate from the electronic survey was 58%, which was much higher than the postal survey (34%). It should be noted that where applicable, sector-specific electronic databases of sport-related enterprises were consulted, namely:

1. Franchise Association of South Africa
2. SA Sport Business
3. SA-venues
4. Adventure South Africa,
5. Sports Trader
6. Sports Guide.

#### 3.4.3. **Postal Survey (Hand-Delivered)**

In anticipation of a poor response rate in the postal survey, the researcher implemented an early contingency or 'back-up' strategy of a concurrent hand-delivered postal survey. In this component of the survey, there was a directed geographic focus towards the city of Durban. Given that the researcher was based in the central business hub of the City of Durban, a convenience sample of forty SMME's were selected. In this strategy, whilst an argument of bias could be raised, it ought to be viewed in the context of the wider sport business geography where the perceived geographic

distribution of SMME's in the South African sport industry would be in urban or semi-urban hubs. In this regard, Durban approximates the urban sport business landscape quite appropriately.

Hand-delivered questionnaires were subsequently distributed directly to small business entrepreneurs. Such sport business enterprises were identified through the researchers' knowledge of the local sport industry and through those Durban-based companies found on CIPRO as well as the internet search. Non-probability sampling was utilized which is a form of convenience sampling or opportunity sampling which involves the sample being drawn from that part of the population which is readily available and close to hand. The questionnaire and covering letter were hand-delivered to small business owners and reinforced with a short verbal motivational pitch. Predictably, as portrayed in Table 3.1, there was greater response of 83% completed questionnaires. Moreover, the higher response rate was facilitated by the researcher's regular physical follow-up at these places of businesses necessitated by the researcher being based in the vicinity.

### 3.5. Designing the Questionnaire

The over-riding aims of the study guided the instrument design. The questionnaire comprised of relevant and structured questions to generate data on various entrepreneurial and business variables for the study. The instrument was structured into four main sections, each with numerous sub-sections:

Section One	:	Personal Information
Section Two	:	Company Properties
Section Three	:	Motivation for Starting a Business in Sport
Section Four	:	Basic Business Practices and Performance

#### 3.5.1. Instrument Content and Format

The exploratory questionnaire was based on the literature review and adapted by the author to suit the conditions prevalent in the South African sport business environment. Pre-coded questions were constructed to fulfill the study's objectives. Closed-ended questions were utilized for quick and easy responses and to streamline the analysis of data. Clear guidelines and instructions were provided to the respondents. In the instrument, standard multiple choice, attitudinal, checklist, and

ranking questions were utilized. With regards to the style of the questions, different scaling techniques were utilized to give the questionnaire a rich multi-dimensional structure, namely:

1. Nominal scales (non-numerical dichotomous and categorical variables).
2. Ordinal scale (ranking in order of importance or quantity).
3. Ratio scale (Likert / attitude variables)

Although different styles of questioning were utilized in the instrument, the focus was on simplicity. Responses were then scored and quantified. Only primary data generated by the questionnaire was used in the study.

The questionnaire construction was further informed by the overarching theoretical framework from the literature review. Due to the fact that there is no record of this research topic or any related studies been previously undertaken in South Africa, the researcher felt it necessary for a new questionnaire to be specifically designed for the study. The literature review on the topic and themes guided the researcher in formulating the final questionnaire content.

### 3.6. **Validity**

In an effort to promote face, content, and construct validity and accuracy of the measuring instrument, the questionnaire construction was guided by the overarching theoretical frameworks from the literature review in order to achieve internal validity. The questionnaire was further validated through a threefold process: consultation with the Statkon Department of the University of Johannesburg, screening by the supervisor, and a pilot study. Such steps were necessary in order to confirm that instrument and questions were relevant to the aims of the study. A further rationale for internal validity was to ensure that the instrument would measure what it is supposed to measure, that the research questions are representative of the variables operationalized in the study, and that valid conclusions are drawn (Gratton & Jones, 2004; Veal, 2006; Finn, Elliott-White & Walton, 2000).

From an interpretative standpoint, the intent of external validity is to ensure that the results of the research can be generalized to the fullest extent possible to the broad SMME sport business industry in South Africa. In terms of external validity, the stratification of a sample that was

nationally-based does predispose the results as being representative to sport industry. Moreover, the generalization of the results of the study to the wider SMME population is enhanced given that probability methods were used (Veal, 2006).

### 3.7. **Reliability of the Questionnaire**

The reliability of a study is its consistency in replication (Long, 2007; Gratton & Jones, 2004). A measure is reliable if the measurement does not change irrespective of the number of times it is measured. For the purpose of this study, reliability was measured by using a group of small business owners. Questionnaires administered to these business owners during the pilot study were re-administered four weeks later. The responses of both sets of questionnaires were fairly similar leading to the conclusion that the questionnaire used for the purpose of this study was fairly reliable.

### 3.8. **Ethical Considerations**

Ethical issues were considered in the design of the study, the actual fieldwork, and in the reporting of results. Due to the confidentiality of the information received and data processed, there were virtually no risks to the respondents. Whilst it was not possible to obtain the informed consent of small business entrepreneurs to participate in the study, they were nevertheless, advised of the voluntary nature of participation and given an opportunity to participate or decline. Due to time constraints, a letter and the instrument were jointly forwarded directly to the potential respondents. The content of the letter stated that the small business owner had been selected to participate in this study. The letter simultaneously solicited their support for the study in view of the expected outcomes and benefits. Matters on confidentiality were also clearly outlined.

### 3.9. **Pilot Study**

The preliminary research instrument was tested beforehand in the form of a pilot study or ‘dry-run.’ This was a small-scale exercise conducted to determine the reliability and validity of the questionnaire instrument (Finn et al, 2000). The content and structure of the instrument were assessed in the pilot study. This mini survey also tested the admissibility of the questions. This pilot study was further used to eliminate any difficulties which may exist in the entire project. A convenient stratified sample of ten local SMME’s representing different sub-sectors in the sport

business industry was selected. This sample was derived from SMME's in the greater Durban region of Kwa-Zulu Natal. Prior arrangements were made to meet with each respondent where the purpose of the exercise was explained. Contained below are observations from the pilot study:

1. Two respondents commented that although the instrument was lengthy, it was very valid.
2. A respondent suggested including a more specific and direct question on BEE.
3. Some respondents answered some questions inconsistently and incoherently.
4. Some missed out several questions.

Feedback was solicited from the respondents in the form of a face-to-face de-brief. Overall, comments were by and large positive. Errors were duly rectified and relevant corrections pertaining to the clarity on the aptness of questions, correct word usage, grouping of questions, order of questions, and the time limitations of the instrument were made prior to the main survey four weeks later.

### 3.10. **Administering the Questionnaire**

#### 3.10.1. **Introduction**



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Due to the scale and complexity of the survey, it was administered between 1 October 2009 and 30 November 2009. Each questionnaire was accompanied by a covering letter, which provided details of the researcher, the nature of the research, the purpose of the research, concise guidelines and instructions, and the expected benefits of the study. The following conditions were offered to all respondents:

1. Participation was optional.
2. Confidentiality and anonymity was guaranteed.
3. Results of the study would be made available to the respondents on request.
4. In the postal survey, a free reply-paid envelope was provided with each questionnaire in order to minimize the inconvenience to respondents and to encourage co-operation.

### 3.10.2. **Fieldwork**

Based on the absolute size of the sample, two hundred and fifty (250) questionnaires were circulated. According to the information in Table 3.1, one hundred and ten (110) questionnaires were posted while one hundred and ten questionnaires (110) questionnaires were emailed to companies. As per Annexure 3, in the e-survey, instructions in the cover letter differed somewhat regarding the process to be followed. Thirty (30) questionnaires were hand-delivered to the owners or managers of small business premises in the greater Durban area.

The postal and electronic survey methods were considered the most convenient, particularly from a cost perspective. A four week allowance was made for respondents to return questionnaires. Returns were monitored and at the end of two weeks, the response rate was dismal. Reminder letters and emails were dispatched after two weeks to those recipients who did not respond (in which case, this constituted a large percentage). In cases where telephone numbers were available, telephonic reminders were conducted. Where applicable, physical visits were made to the local small businesses within the Durban region. With the response being fairly low, a decision was taken to extend the deadline by a further two weeks. It was encouraging to note that there was a steady increase in the response rate following the emailed and telephonic reminders. A last minute surge inevitably preceded the deadline which resulted in a final yield of 124 questionnaires prior to submission to Statkon. At the end of eight weeks, 124 completed responses were received out of a sample of 250.

In total, this figure translated into a total overall return response rate of a satisfactory 49%. Due to exorbitant costs of the survey and time constraints, the study had to nevertheless proceed. Veal (2006) states that the disadvantage of a respondent-completed survey is that there is a more often than not, invariably, a low inherent response rate which can introduce bias in the results. Low response rates are a problem because sample surveys are supposed to be representative of a population. Whilst the pre-notification of participants may have improved the response rate (Finn et al., 2000), this was not practical in this study. However, every possible avenue was explored to boost the response rate through reminders and follow-ups.

It is worth noting that there were no significant differences between the responses from the postal and electronic surveys and the hand-delivered survey. The advantage of the hand-delivered survey

was that the researcher was able to physically follow-up at the place of business which yielded a higher return rate.

Considering that no existing comprehensive sport business database existed, a 49% return rate was somewhat higher than the normal rate of questionnaire studies and acceptable under the circumstances. Notwithstanding the satisfactory response rate of 49%, it is the researchers' opinion that the results of the study can be generalized to the broader SMME sport business industry. The researcher is confident that the results will nevertheless reflect meaningful and insightful trends on SMME's in sport.

In consolidating the reasons for the non-response from the postal, delivered, and electronic survey, simple and long-winded written, telephonic, verbal, and electronic reasons were supplied by individuals as to why questionnaires are not completed. Outdated CIPRO information, apathy, suspicion, reluctance, and work and time constraints were some of the common reasons for non-response.

The postage was dispatched in three batches. Hence, due to the intermittent postage, the submission dates varied on the post. At all times though, respondents were given a clear four week period to complete. It must be borne in mind that the mere press of a delete button or the tossing of a questionnaire in the dustbin are inherent realities of any survey. The use of the University of Johannesburg Letterhead on the cover letter portrayed a sign of professionalism and credibility. Postage-paid envelopes were used and a thank-you in advance was extended. Eight respondents insisted on being furnished a summary of the final analysis.

### **3.11. Data Analysis and Statistical Techniques**

A sample of 250 small business owners was selected to participate in the study. The data collected via the survey instrument needed to be organized, catalogued, and analyzed prior to being interpreted. The Head of Statkon at the University of Johannesburg provided a guideline to the entire process. The questionnaire instrument was firstly coded. Data was subsequently extracted, captured, and consolidated into the grid of an Excel spreadsheet. In this spreadsheet each column represented a variable from the instrument and each row represented a case (the responses of each respondent). The data capturing was done by the researcher with the aid of a volunteer who read

out the data. Prepared data was then statistically analyzed by the STATKON of the University of Johannesburg. The Factor Analysis was prepared by the Department of Sport Management of the Vaal University of Technology. The responses were presented in tabular and graphical form in Chapter Four.

One hundred and twenty four questionnaires (124) were adequately completed for analysis. Quantitative research was employed to analyze, interpret, and report on factual information. The data was examined from various angles to construct a rich and meaningful picture of a multifaceted situation. In this study, the data was analyzed using non-parametric, descriptive, and inferential statistics. Descriptive statistics included frequencies, measures of central tendency (mean), and measures of dispersion (standard deviation). In descriptive statistics, variables were further quantitatively measured according to different scaling techniques. For the purpose of data analysis, the data was divided into nominal, ordinal, and scale types.

The analysis of data was computed using the Statistical Package for the Social Sciences for Windows program (SPSS). The SPSS program processed all raw data in order to generate frequencies. Where necessary, responses were converted into numerical values and actual and cumulative percentages. The focus of the data analysis was to be scientific and rigorous in reporting. Hence, the level of scrutiny and interrogation was raised. Due to the multi-dimensional structure of the instrument, the data collected thus lent itself to be subjected a battery of relevant non-parametric statistical tests. In this regard, inferential statistics were also employed which are more sophisticated statistical techniques. Factor Analysis and Cronbach Alpha were utilized to specifically yield more meaningful analyses on the antecedent reasons for starting a business in sport.

As an analytical technique, Factor Analysis was calculated for the section on reasons motivating entry into sport business which utilized a Likert scale. With reference to Question C1, the statements, items, or reasons contained therein are not actual factors. The objective of Factor Analysis is on data and scale reduction where the SPSS Program breaks down items into factors. The process of Factor Analysis reduces the motivational scale into dimensions which can have lower or higher Cronbach Alpha than the total scale. In this particular section of the questionnaire, the aim is to determine whether items on the measuring scale can be clustered clearly and meaningfully into small groups of factors or dimensions (Ntoumanis, 2001). The data was run

using Principal Component Analysis where the main components were extracted with Kaiser Normalization according to the Varimax factor rotation procedure. In this case, a factor analysis was run to ascertain which items loaded highest on which dimensions, followed by a Cronbach Alpha for each subset of items. Cronbach alpha was calculated to check the relationship between individual items and the overall scale concerning the measurement of the antecedent factors influencing entry into the business realm. According to Ntoumanis (2001), reliability measures the internal consistency of a scale and further examines the homogeneity and cohesion of a group of items that comprise a particular scale (in this case on entrepreneurial motivation).

### 3.12. Conclusion

Chapter Three has discussed the research methodology utilized to conduct the study. From an applied perspective, this study was descriptive in nature. The selection of subjects, the survey method, and the research instrument were examined. The method of data collection in this study was structured and methodical through a questionnaire survey coordinated through the post, electronically, and through physical delivery. The survey enabled the researcher to collect data from a geographically dispersed sample group. In the construction of the questionnaire, questions, statements, factors, and responses were based on the literature review and research themes. Due to the highly-segmented structure of the broad field of sport business, commonly-used sampling techniques could not be fully-implemented. The non-availability of an accurate and designated sampling database meant that non-probability sampling techniques were used. Every effort was made to ensure that the sampling frame was representative of the population. The researcher is of the opinion that although a 49% response rate constitutes a satisfactorily representative sample, the results obtained can provide an insightful and meaningful exposition into the opportunities and trends affecting SMME's in the sport business industry in South Africa.

Chapter Four provides an analysis and discussion of the results.

## CHAPTER FOUR

# RESULTS AND DISCUSSION

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#### 4.1. Introduction

Chapter Three provided an overview of the research design undertaken for the study and the statistical procedures to be applied to analyse the findings. This Chapter discusses the results of the statistical analysis proposed in Chapter Three. Descriptive analysis and factor analysis are used to present the results from the main survey. The empirical findings are cross-referenced with the literature relevant to the study. Where necessary, the results are descriptively illustrated.

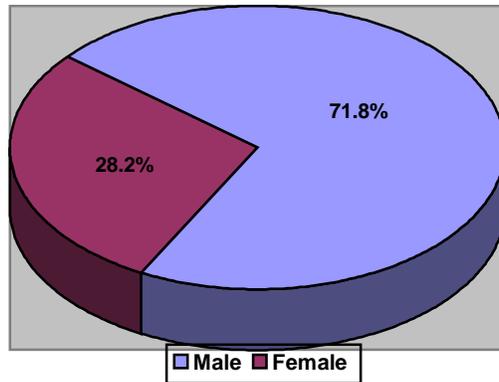
In analysing the results of the study, it should be noted that N refers to the total number of respondents. Although there were 124 respondents, total responses refer to cases where there were multiple responses. Percentages have been rounded-off to one decimal place. However, in the sections of the results pertaining to the motivating reasons for starting a business in sport, percentages have been rounded-off to the nearest whole number. In order to obtain a more accurate analysis in the ranking questions, mean scores were used. Such scores were rounded-off to two decimal places.

It should be further noted that although the sample was composed of respondents from different sectors of the broad sport business industry, in the analysis, it was treated as a homogeneous group. Finally, it should be pointed-out that it is beyond the scope of this study to discuss every section of the data analysis or link all variables. Variables relating to personal demographics, company properties, antecedent factors to sport business, and reasons motivating small business entrepreneurs to remain in the sport industry are selectively discussed.

#### 4.2. Personal Information

The analysis and discussion of the demographic variables were broken down according to five elements, namely gender, age, qualifications, business management or entrepreneurship training, and the form of such training.

#### 4.2.1. Gender



**Figure 4.1: Gender of Small Business Entrepreneur**

Figure 4.1 illustrates that the over-whelming majority of the respondents were males who constituted 71.8 % (n= 89) of the sample. This finding was largely pre-empted considering that it is a well-documented trend that more males tend to own and operate small enterprises in the business world (Radipere & Van Scheers, 2005; Van Scheers & Radipere, 2007; Antonites & Van Vuuren, 2005; Pretorius et al., 2005). In this case, the sport business industry is no exception. Radipere and Van Scheers (2005) describe the dominance of the male over female demographic profile in business as being indicative of a typical African business profile. The findings in Figure 4.1 are also consistent with the findings of Van Scheers and Radipere (2007) who found that 72.8% and 27.2% of the small business owners profiled in Pretoria were male and female respectively and reiterated that in South Africa, men are twice as likely as women to become new enterprise entrepreneurs. Similarly, Pretorius et al. (2005) analysed a final sample of 218 SMME's in Gauteng from the Gaffney Business Contacts and discovered that 75.7% were male and 24.3% were female. Antonites & Van Vuuren (2005) also utilised a sample of 40% female and 60 % male in their study.

The results of this study and of the studies quoted above are confirmed by the GEM which has consistently found that since its inception in 1999, women generally have lower entrepreneurial activity rates than men (Langowitz, Sharpe & Godwyn, 2006). The South African scenario differs in comparison to statistics in developed countries where the split between male and female small business entrepreneurs does not appear to be very pronounced. For example, a Canadian study in 2001 found that nearly half of all SME's had at least one female owner with females having majority ownership in 18% of SMME's (Carrington, 2006).

General stereotypical attitudes toward females exist in almost all forms of society. Such stereotypes are most manifested in work and business spheres. The trend of male dominance in business is entrenched in the traditional culture and social norms of society. Females are traditionally and stereotypically viewed as being domesticated individuals engaging in domestic responsibilities such as child rearing and household management. However, this outdated philosophy is being challenged by women who are breaking the mould of discrimination. Females are currently occupying prominent roles of leadership and authority in business, politics, sport, and Government.

According to Naidoo and Hilton (2006), there is no uniform standard among government institutions for defining a woman-owned enterprise, with the definition varying between 20% to 51% women's shareholding. Although Porter and Nagarajan (2005) speak of the worldwide exponential growth in women's entry into self-employment, the presence of women business owners in the sport business landscape is currently under-represented. The possible measures to address and rectify this scenario are numerous: the education authorities need to encourage females to embark on entrepreneurship at schools and at tertiary level, families ought to persuade females to enter the business world, and government should concerted monitor and ensure that women-owned entrepreneurial ventures are the main beneficiaries of business incubation and support programmes run by agencies such as SEDA, Khula Enterprises, and the Umsobomvu Youth Fund.

Whilst this study does not set out to distinguish and compare business trends between males and females, it is worth noting that Carrington (2006) found that 85% of Canadian female entrepreneurs who owned micro businesses, were concentrated in the service industries, and on average were less profitable than those SMME's owned by men. Likewise, Mitra (2002) acknowledges that there are differences between male and female entrepreneurs across biographic characteristics, business skills, psychological traits, educational backgrounds, motivations for business ownership, business goals, and business growth. The journey of females towards consolidating and entrenching a firm footing in the business world will be a long and arduous one. Professional business associations like the prominent BWA (Business Women Association) are working hard to change the face of the South African business by creating more opportunities for women to establish themselves in business.

## 4.2.2. Age

Table 4.1: Age of Small Business Entrepreneurs

AGE	N	%
UNDER 20	0	-
22-24	6	4.8
25-29	19	15.3
30-34	16	12.9
35-39	30	24.2
40-44	15	12.1
45-49	15	12.1
50+	23	18.5
<b>N = 124</b>		

The descriptive data presented in Table 4.1 indicate that the small business owners were dispersed across seven age categories. The majority of small business entrepreneurs (24.2%) fell into the 35-39 years age category which can be described as a middle-aged. The age group 25-29 years accounted for 15.3% of the respondents which is fairly commensurate with young entrepreneurs establishing a foothold in business during the incubation and start-up phases of a business. A combined total of 42.7 % of the small business entrepreneurs were in their later maturity, namely over forty years or older. Overall, most entrepreneurs were concentrated in the middle aged groups.

This finding augments the comments of Robichaud et al. (2001) and Driver et al. (2001) cited in Nieman et al. (2008) who stated that entrepreneurs tend to be mature individuals. Robichaud et al. (2001) discovered that Canadian entrepreneurs who were under 40 years accounted for 33% of the sample while entrepreneurs between 40 and 50 years made up 42% and those 51 years and over made up 25%. Likewise, Driver et al. (2001) found most entrepreneurs to be in the 35-54 age category. It was also pre-empted that a low percentage of respondents would be young start-up entrepreneurs who eventually would progress through the business lifecycle phase. The results could possibly mean that the sport business profession is fairly well-established given that 42.7% of the small business owners were forty years or over. Almost 5% of respondents fell into the 22-24years category. The DEAT and Tourism SA commented that being young means that although

one does have an entrepreneurial spirit, one would have a lack of working and business experience (DEAT, 2007). The variable of age is an excellent predictor of business success. Moreover, this variable can be cross-tabulated with numerous selected variables. However, such calculations could be covered in a separate follow-on study.

#### 4.2.3. Qualifications

Table 4.2: Qualifications of Small Business Entrepreneurs

Highest Qualifications	N	%
Post-graduate Masters or PHD degree, for e.g. MBA or MBL.	11	8.9
Post-graduate Honours degree / equivalent diploma	19	15.3
B-degree / Diploma	59	47.6
Certificate programme	18	14.5
Secondary school (Grades 8-12)	15	12.1
Primary school (Grades 1-7)	2	1.6
No formal education	0	-
<b>N = 124</b>		

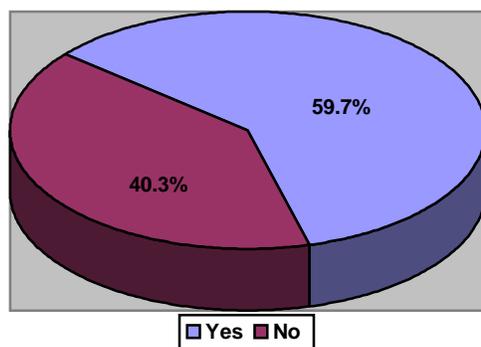
The information depicted in Table 4.2 reveals that a combined total of 28.2% of small business entrepreneurs in the sport business industry do not have a formal B degree. That such a large percentage of entrepreneurs lack a degree does lend credence to the claim that a B degree is not an essential pre-requisite to becoming an entrepreneur. Rather, conceiving a sensible idea, exploiting a viable opportunity, combined with vision, motivation, business savvy, and a determination to succeed are acceptable substitutes. A combined total of 71.8% of the respondents were found to have a formal qualification, with 47.6% of them having a basic Bachelors Degree. There has always been the argument of whether a Degree is essential to success in business and in the work environment. Whilst there is no empirical evidence to support or refute this claim, there is anecdotal evidence of hugely successful entrepreneurs and small business owners who have defied the odds of not having a formal qualification and achieved much success in their respective fields of business. The Information Technology mogul Bill Gates is one such entrepreneur.

Table 4.2 further informs that the majority of small business owners are those with a degree and higher qualifications. This certainly suggests that such individuals are the ones who are more

entrepreneurially-inclined. This finding augments the findings of Evans and Leighton (1987) cited in Chueng and Chow (2006) who found that individuals who were highly educated were more likely to become self-employed. Similarly, Robichaud et al. (2001) found that 50.5% of small business entrepreneurs had a college or university education. The Tourism and Sports Skills audit of small business owners undertaken by the DEAT in 2007 found that only 11% had a degree or diploma (DEAT, 2007). This finding implies that such persons are probably ill-equipped with the appropriate sector skills, entrepreneurial skills, and business skills to operate an effective customer-oriented business that they can grow and sustain and therefore create new employment opportunities (DEAT, 2007).

The results of Table 4.2 are further consistent with the explanation about the background and characteristics of entrepreneurs provided by Driver et al. (2001) cited in Nieman et al. (2008) who maintain that through a good formal education one increases one's capacity to pursue entrepreneurial activities. A person who is adequately educated is able to understand the benefits of entrepreneurship and the need for self-employment in South Africa. Driver et al. (2001) commented that tertiary education increases the durability or sustainability of entrepreneurship. In this regard, most of South Africa's universities have set up specialised schools or departments of small business and entrepreneurship. Moreover, such tertiary institutions are offering specific stand-alone degrees in entrepreneurship. The implications of such are that the output from such institutions would contribute immensely to raising the country's TEA rate. In a follow-on study, the influence of education as variable is cross-tabulated with business success.

#### 4.2.4. Completion of Business Management or Entrepreneurship Training



**Figure 4.2: Completion of Business Management or Entrepreneurship Training**

With reference to Figure 4.2, it is evident that a high percentage of 59.7% small business entrepreneurs did complete entrepreneurship or business management training. This result reinforces the point that contemporary entrepreneurs are adhering to the global trend of enhancing their business acumen and developing a propensity to succeed in business. With the field of entrepreneurship firmly regarded as a recognised profession and occupation, it is incumbent of prospective and start-up entrepreneurs to embark on entrepreneurship and business management training. Off-course, there has been the exception of entrepreneurs who have achieved success without attending business management or entrepreneurship training. However, the field has evolved enormously in terms of subject matter that it would be naive for a small business entrepreneur not to attend such training in order to keep abreast of trends and technologies or to empower oneself with skills and knowledge to grow ones business. Understanding business management and the dynamics of the broad business environment requires business management skills that can be acquired through appropriate training and experience

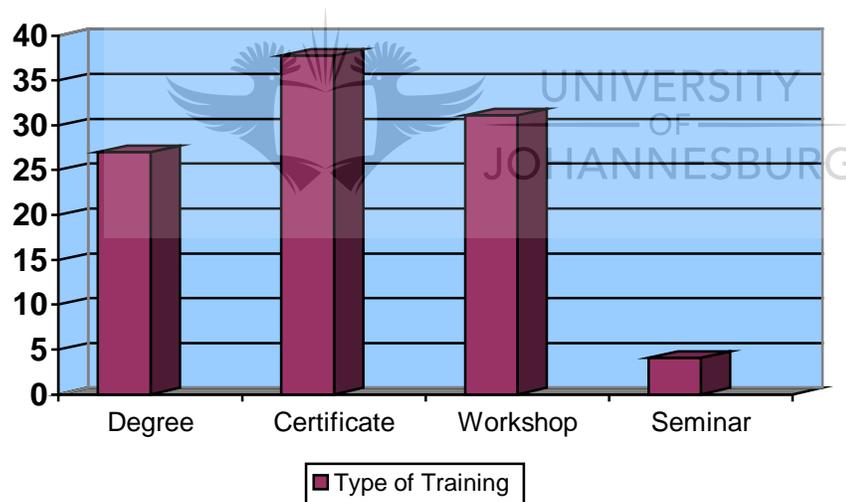
At this junction, it is not known when such training was undertaken. Such training could have been completed during any of the business life cycle phases.

Perks and Struwig (2005) stated that micro business owners needed to possess a combination of four broad categories of skills: personal skills, technical skills, management skills, and general business and operation skills in order to grow into medium-sized businesses. It would be foolish for a prospective small business owner to enter into a business without some working knowledge of business management. A safer option would be for a start-up small business entrepreneur to proceed with an entrepreneurial venture while simultaneously embarking on a course on business processes, principles, and systems. On the contrary, business skills can be acquired though learning on-the-job.

The importance of completing business management and entrepreneurship training was reinforced when business acumen and management skills shortages were identified as a genuine business constraint and challenge hampering entrepreneurship development and resulting in business failure (Nigrini & Schombee, 2002; Venter et al., 2003 cited in Steyn & Steyn, 2006; Cook 2001; Saayman & Olivier 2005; DEAT, 2007). This trend was particularly evident when Goldstruck (cited in Daniels, 2008d) stated that of 6000 small companies surveyed, 91% were in need of business skills and expertise.

The overriding aim of South Africa's state-funded, donor-funded, and private SMME development programmes are to ensure the growth, survival, and sustainability of SMME's beyond the infancy stage so as to impact positively on job creation in the longer term. In Figure 4.3 the respondents have indicated that they predominantly attended short certificate courses and workshops. In this regard, the training and development sector within the ambit of the Skills Development Act, SAQA, and CATHSSETA structures have identified the importance of business survival. The Unit Standard SRF64 stipulates that there is a strong element of entrepreneurship in running a sport business. An outcome of Unit Standard SRF64 is that a learner will be able to utilise entrepreneurial skills in the development of a sport business (THETA, 2009). The underlying connotation is that entrepreneurial skills are essential to the survival of an enterprise in sport business.

#### 4.2.5. Predominant Form of Training



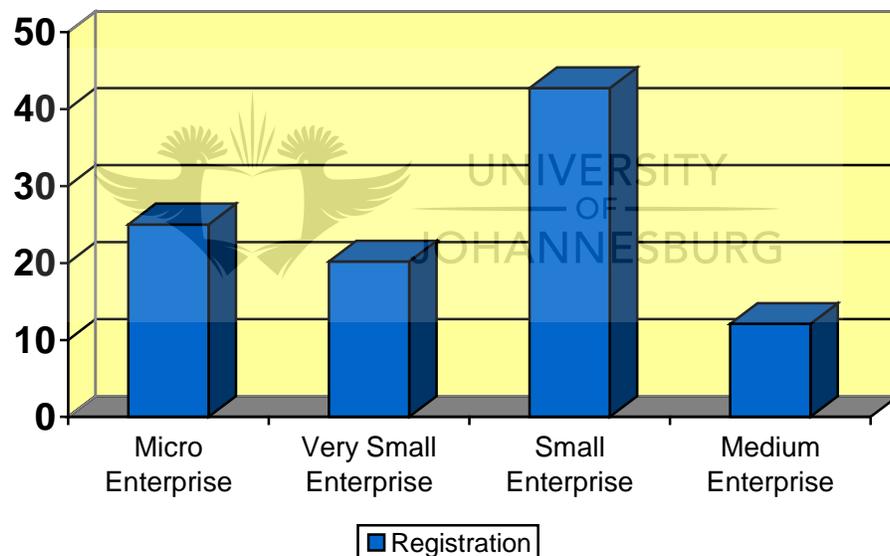
**Figure 4.3: Format of Business Management and Entrepreneurship Training**

The results gleaned in Figure 4.3 reveal that short, outcomes-based, and interactive methods of teaching and learning are the popular forms of entrepreneurship training. Certificate programs (37.8%) and workshops (31.1%) are the most desired forms of such training given the time constraints involved in the fast-paced world of business. Moreover, these forms of training are designed by service providers to make the greatest possible impact in the shortest possible time.

### 4.3. Company Properties

This section reveals eye-opening information of SMME's in the sport business industry. Company properties examined, include variables such as the registration of the business, size of a business, how did one enter small business management, legal form of business, number of full-time and part-time staff employed in the business, age of the business, geographic location of the company, and the actual headquarters of the business. Additional variables previewed included the existence of company websites, whether an SMME is registered with a professional business association, and the proposed attitude of small business owners towards an all encompassing sport business association.

#### 4.3.1. Registration of Company



**Figure 4.4: Company Registration**

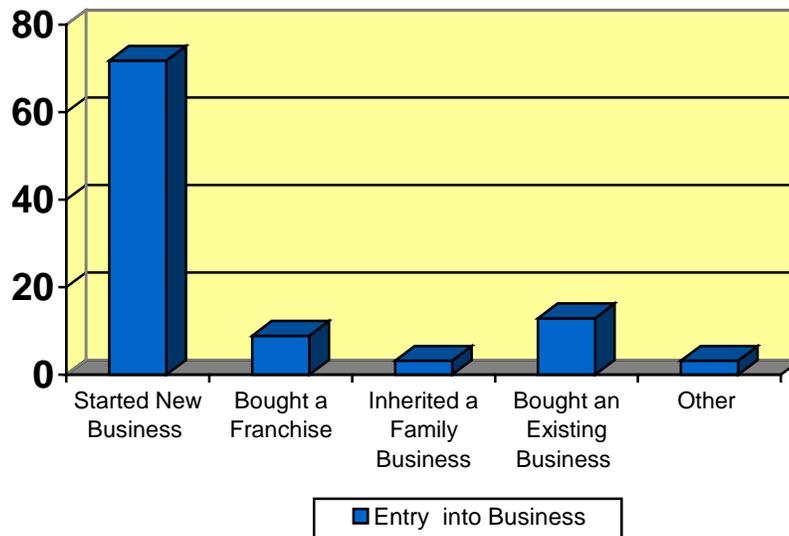
It is graphically illustrated in Figure 4.4 that almost forty three percent (42.7%) of the companies which responded in the survey were categorised as small enterprises. The literature review has provided ample discussion on the various categories of company registration including the advantages and disadvantages of each category. A fairly small percentage of companies were classed as medium (12.1%). These findings were expected given that the sport business industry - by virtue of its characteristics and structure - does not lend itself to establishing or forming

organisations that can grow into unprecedented scales. Notwithstanding this argument, one should not underestimate the value of a medium-sized company. Such companies precede the establishment of a large company and the fact that it has grown to the level of a medium-sized enterprise reflects that such businesses are successful employment generating enterprises. When one examines the characteristics of a medium company, it is then only possible to fully appreciate the identity and true value of such companies to the sport business industry. According to the Standard Industrial Classification of the DTI, the quantitative criteria of a medium company in the four relevant sectors of retail services, community services, finance services, and manufacturing services classifies a medium company as having a turnover between R10 million to R51 million per annum and a staff complement of between 100 to 200 workers (DTI, 2003b).

The sport business industry by virtue of its multi-dimensional nature predisposes itself to being infiltrated by companies varying in size from micro to medium. For example, sport consulting, project management, sport apparel retail, sport marketing, sport coaching, and sport media are segmented sectors within the broad industry where varying sizes of companies are found. Given that 25% of companies were registered as micro enterprises gives one an understanding of the diverse nature of the industry. One needs to apply some circumspection in this case given that there might be large companies that have a sport-related company as a subsidiary of a broader consortium of companies. A case in point is SAIL Sports which is a subsidiary of the BidVest Group.

Micro enterprises operate on a micro scale largely on an individual basis or are serviced by a workforce of not exceeding five employees whilst generating between R20 000 to R150 000 per annum (DTI, 2003b). Nigrini and Schombee (2002) describe micro-enterprises as very small businesses, often involving only the owners, family members, and at most, one or two paid employees. Interestingly, the study by Dockel and Ligthelm (2005) found that size of the business had a significant effect on the business. There is a tendency to classify micro enterprises as survivalist enterprises. Survivalist enterprises are usually informal, unregistered, and unlicensed plying their trade in the largely unregulated informal sector. Dockel (2005) elaborated that the majority of such businesses active in the service and trade sectors. Such businesses serve as a stepping stone to the more formally structured small business sector. However, in the context of this study, micro enterprises are viewed as formalised entities registered on CIPRO.

#### 4.3.2. Entry into Small Business Management



**Figure 4.5: Entry into Small Business Management**

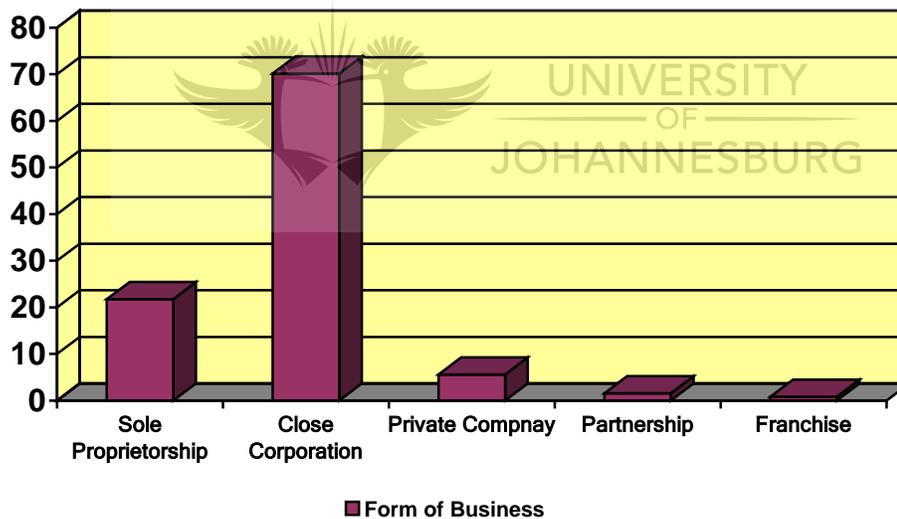
The information portrayed in Figure 4.5 indicates that an overwhelming 71.8% of small business entrepreneurs entered the sport small business industry through starting a new business. Approximately, 13% of the respondents bought an existing business while 8.9% were operating a franchise purchased from various franchisors. At this stage, it should be acknowledged that perhaps, there were more small business owners who purchased a business franchise in the sport realm but indicated generically that they started a new business. A combined percentage of 3.2% of the respondents entered the business world through either starting a master franchise, being invited to join a business and a close corporation, or by joining a pre-existing business. These findings are consistent with the work of Robichaud et al. (2001) who found that the entrepreneurial mode of Canadian entrepreneurs in the service and retail sector was as follows: 72.3% started up their own business, 23.6% purchased an existing business, while 4.1% inherited a business.

Over and above the legal registration of the business, Macleod (1999) classifies a business into four types where a would-be entrepreneur could consider either one of the following forms of business: the service business, franchising, manufacturing, and retailing. In this regard, Nieuwenhuizen et al. (2005) suggest that a firm needs to identify its market position in advance, namely a consumers market, a re-sellers market, or an industrial market. Franchising appears to be an evolving form of business growth in the sport industry. It is also one of the safest forms of investment mostly

because the franchisee is able to draw on the experience and support of the franchiser and is marketing a product that is already established (Hough, 2008; Madura, 2007; Pride et al., 2005; Macleod, 1999). It should be mentioned that a bona fide franchise is registered with the Franchise Association of South Africa (FASA).

Some of the notable and reputable sport development and sport coaching franchise's in South Africa include Play Sport, Sport for All, Adventure Bootcamp, Surf School, Sporting Opportunities, and Coaching Concepts. Franchising also appears to be taking-off in the fitness industry where it was announced that the prominent national business concern Planet Fitness, will be launching a low-frills opposition to market leader Virgin Active, called Valuefit which will be based on a franchised model (Shevel, 2010). This business development strategy targeted the growing black middle-class in former townships (Shevel, 2010).

#### 4.3.3. Legal Form of Business



**Figure 4.6: Legal Form of Business**

Due care was taken to ensure that every enterprise sampled was a legal entity. With reference to Figure 4.6, a vast majority (70.2%) of the businesses were registered as close corporations. This result was pre-empted given the various benefits of registering as a close corporation with CIPRO, such as the simplicity of registration and VAT concessions. Those enterprises registered as sole proprietorship formed 21.8% of the sample. Joint ventures accounted for 1.6% while private companies made up 5.6%.

Figure 4.6 further indicates that 0.8% of the respondents were operating a franchise. It is further evident from the results analysed that 70% of these franchises belong to the sport development and sport coaching category. The sport market currently is being serviced by a wide range of such enterprises offering community-based and school-sports coaching. It is inevitable that franchising will be high in the category of sports coaching given the mass participation and recreational nature of this sphere of the sports participation continuum. Furthermore, the non-existence of structured, sustainable, and all-encompassing physical education curriculum at some public schools has also created a fertile environment for such franchise businesses to flourish.

The aims of a business would normally guide a prospective small business entrepreneur to choose what form an enterprise will assume. In South Africa, a registered or licensed business is a legal and formal firm with institutionalised processes (Van Vuuren, 2007). Consumers and clients would want to do business with a bona fide legal entity that has a name, a registration number, and a VAT registration number (bearing in mind that not all small enterprises qualify for VAT). Of course, being legally registered is one of the conditions for obtaining business finance from a bank or financial institution. A registered business enables an owner to further enjoy limited liability, access to business finance, open a business account with overdraft facilities, enjoy tax advantages, and to be able to access tenders (UYF, 2003b).

#### 4.3.4. Full-time Staff

Table 4.3: Number of Full-Time Staff

<b>Number of Full-time Staff</b>	<b>N</b>	<b>%</b>
Only myself	<b>24</b>	<b>19.4</b>
2-5	<b>53</b>	<b>42.7</b>
6-10	<b>19</b>	<b>15.3</b>
11-20	<b>16</b>	<b>12.9</b>
21-50	<b>8</b>	<b>6.5</b>
51 or more	<b>4</b>	<b>3.2</b>
<b>N = 124</b>		

The findings contained in Table 4.3 indicate that a high percentage of sport SMME's (42.7%) employed between 2-5 staff. It further reveals that 19.4% of enterprises had a sole employee – arguably the owner-manager of the business. Such statistics are indicative of the characteristics of SMME's in sport which generally tend to employ small teams of workers. Those companies with a workforce of between 6-10 employees and a work team of between 11-20 employees accounted for 15.3% and 12.9% of the sample respectively. A combined percentage of 9.7% employed between 21 to over 51 staff. It is presumed that such companies are most probably medium-sized companies. Carrington (2006) attributed the number of staff employed within a firm as an indicator of the size of one's business. Size of a business in terms of staffing has a bearing on a business's application to agencies and banks for business loans (Radipere & Van Scheer, 2005). The implications of the number of staff in a firm are worth noting. The staff complement of an enterprise further influences the implementation orientation of creativity and innovation in a company (Pretorius et al., 2005). The important business variable of customer services is also influenced by the size of a company's staff complement, especially in a service-oriented enterprise.

#### 4.3.5. Age of Business



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Table 4.4: Age of Business

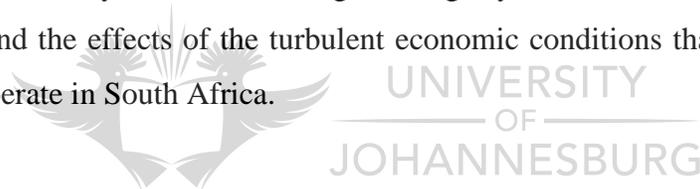
<b>Age of Business</b>	<b>N</b>	<b>%</b>
Less than 1 year	<b>4</b>	<b>3.2</b>
1-2 years	<b>16</b>	<b>12.9</b>
3-5 years	<b>41</b>	<b>33.1</b>
6-10 years	<b>24</b>	<b>19.4</b>
11 years or more	<b>39</b>	<b>31.5</b>
<b>N = 124</b>		

Table 4.4 reflects that only 3.2% of the small business enterprises in sport were less than a year old, thus occupying the seed phase of the business life-cycle. It can be deduced from the results that the companies in the sport business industry are mainly growing and established companies. The statistics support this assertion, given that 19.4% of SMME's were between 6-10 years in operation whilst those companies older than eleven years accounted for 31.5%. A cumulative total of 49.2% of the companies were less than five years old. Table 4.4 displays similarities with the

study of Pretorius et al. (2005) which found that 8.7% of small enterprises were in the start-up phase of the business life-cycle, 54.1% of SMME's were in the growing phase, and 31.2% in the mature phase.

The age of a business reflects its market experience and affects its ability to grow and move to the next size class (Van Scheers & Radipere, 2007). The actual length of existence of a business further reflects *inter alia* its status and image, its level of experience, its reputation, its market presence, and its market share. Such are important variables that determine a business's access to financial resources (Van Scheers & Radipere, 2007). In view of Table 4.4, one would also expect a business eleven years or older to have an established market reputation and some competitive advantage in their specific sector of the sport business industry.

In the present macro business environment of unprecedented job losses, high unemployment, and with an economy in post-recession recovery mode, it is an encouraging finding that over 50% of the firms are older than 6 years. This finding does signify that established firms are more equipped to able to withstand the effects of the turbulent economic conditions that started in 2008 and still continue to reverberate in South Africa.



#### 4.3.6. Geographic Location of Business

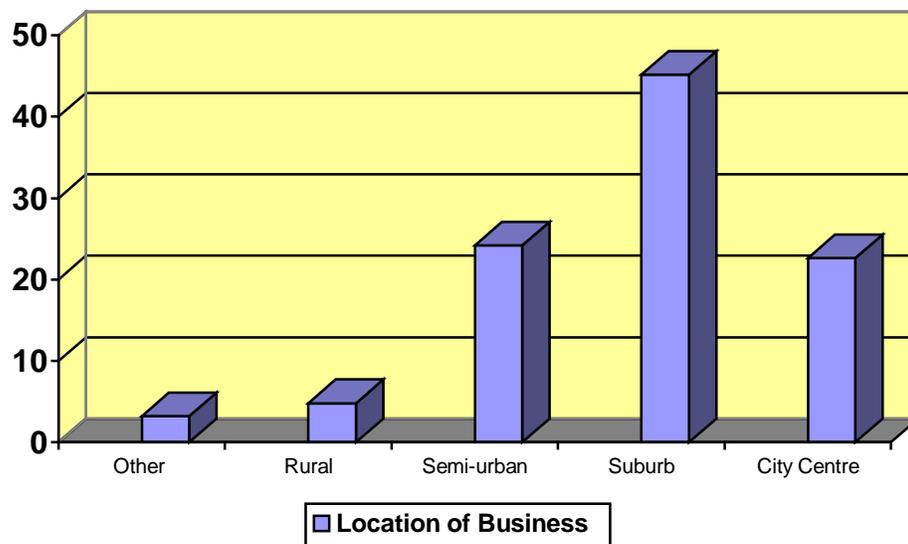
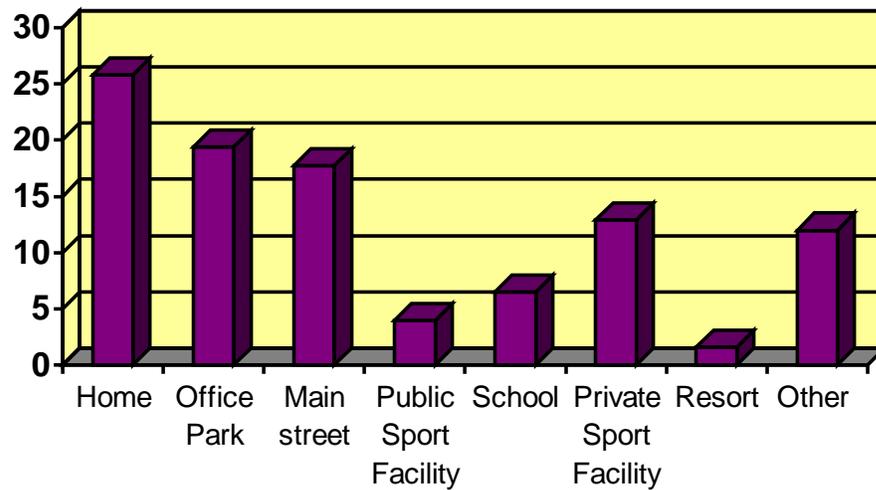


Figure 4.7: Geographic Location of Business

Figure 4.7 supports the finding that 45.2% of small business entrepreneurs are located in a suburb. There was not much difference between enterprises located in urban and semi-urban areas with these categories accounting for 22.6% and 24.2% respectively. Zapalska, Perry, and Dabb (2003) found growth in entrepreneurial firms to be concentrated in the urban metropolitan areas. In South Africa, factors such as urban decay, high rentals, and crime are unfavourable urban push factors to businesses which are relocating to suburbia. That only 4.8% of small business enterprises in the sport industry are located in rural areas is indicative of the wider general business norms in the country. In-fact, this percentage might be higher than the national norm for rural-based SMME's given that it is expected these sport-based enterprises in the rural areas are fulfilling social responsibility services like community upliftment.

In the former dispensation, apartheid-designated geographic locations restricted business owners from choosing their preferred business locations. However, with freedom of movement, sport-based SMME's are based in suburbs and urban environments. Lyons (2002) argues that rural enterprises face major challenges such as the economies of scale which may be harder to achieve, difficulty in accessing business services, and a short supply of resources. Other constraints that a rural enterprise would encounter are a lack of infrastructure and a non-existent consumer base. Hence, it is a sign of the industry that rural-based SMME's are far and few. Berret et al. (1993) found that the proper location of ones business in the rapidly growing sport business industry would enhance the chances of business success. Macleod (1999) maintains that location determines competitive advantage. Thus, researching and choosing the correct location during the planning and feasibility phase of setting-up a business would have a bearing on the future success of a business (Ross, 2006).

#### 4.3.7. Primary Operation of Business



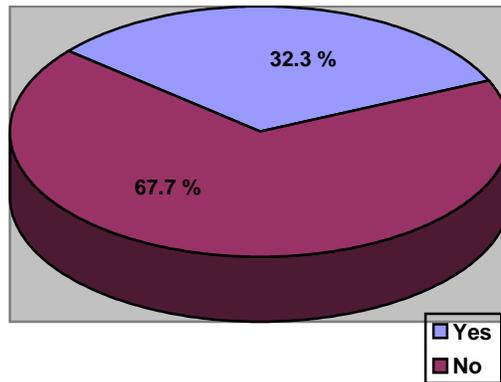
**Figure 4.8: Headquarters of Business**

The statistics illustrated in Figure 4.8 reflect that almost 26% of the SMME sport business enterprises operate from the home environment. This finding may be indicative of the smallness of the industry. However, it is well-known that successful entrepreneurs started small from the home context and transformed their businesses into successful empires. Figure 4.8 further reveals that 19.4% of the small business enterprises operated from a typical office park or business centre. It can also be gleaned from the results that 17.7% of SMME's in the sport business industry were based on a main street or shopping mall. The findings show that 13% operated from a private sport facility like a gym or perhaps a private school while 6.5% had their headquarters at a school. Interestingly, 12% of small businesses in the broad sport industry were based at rather unique settings that complemented their line of business. Such locations included a national park, a sport club, a factory, an industrial park, and a hospital.

The ability to operate a small business from home has further increased the popularity of entrepreneurship (Rehman, 1999). Working from home does present its advantages such as flexibility in working arrangements, reduced overhead costs, reduced fixed costs, and shorter commuting time. Whilst every business owner wants to provide a convenient, attractive, and accessible environment for customers, the nature of the business dictates where its premises are to

be located. More often than not, issues of practicality, convenience, and cost are intervening factors that must be considered in the choice of location.

#### 4.3.8. Registration with Professional Business Association



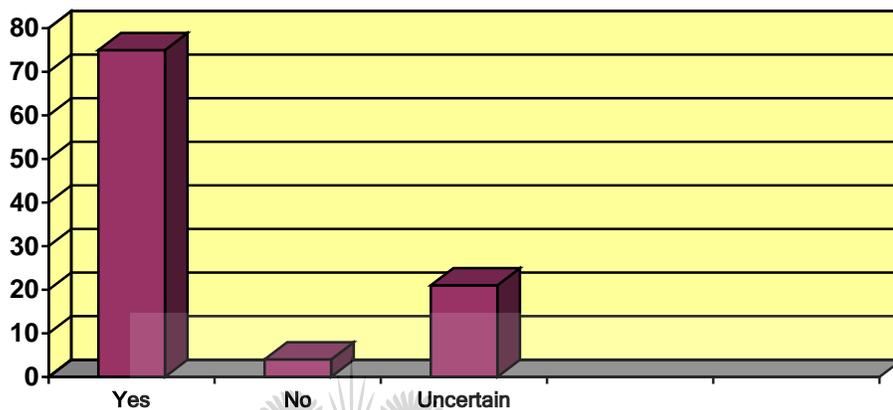
**Figure 4.9: Registration with Professional Business Association**

Figure 4.9 reflects that a rather conservative percentage of 32.3% companies were registered with a business association. The findings show that a high percentage of SMME's (67.7%) in the sport industry were not registered with a business association. According to Tables 4.8 and Table 4.9, the cross-cutting effect of the sport industry is prominently demonstrated in various spheres of business and industry such as manufacturing, health, medicine, leisure, construction, architecture, tourism, marketing, finance, and media. On this basis, such SMME's could register either with a specific or multidisciplinary sport business association. However, the responses to Question B10 were not entirely accurate as SMME's listed registration or affiliation to generic business associations, sector-specific agencies, regulatory bodies, government agencies, and state financial agencies. This finding reinforces the highly segmented nature of the sport industry. It further means that presently there is no one all-encompassing business association to represent the broad sport business industry.

Presently, the sport management industry holistically does not have a multidisciplinary body that represents sport practitioners. Related agencies do exist. The Institute of Environment and Recreation Management (IERM) is very one-dimensional leaning towards municipal parks, recreation, cemeteries, and horticulture. The recently established professional leisure association,

LARASA (Leisure and Recreation Association of South Africa) claims to be an all-encompassing leisure body. However, a closer overview of its management committee and objects points to a pigeon-holed sphere of leisure and recreation. Excellent international examples of established sport business associations include the Sporting Goods Manufacturers Association (SGMA) and the International Health, Racquet and Sportsclub Association (IHRSA).

#### 4.3.9. Perceived Attitude towards a Professional Sport Business Association



**Figure 4.10: Perceived Attitude Towards Professional Business Association**

The results presented in Figure 4.10 significantly reveal that 75% of the small business entrepreneurs agreed that a professional sport business association would be good idea in terms of rendering industry support. A rather small percentage of small business owners (4%) did not support the idea. Understandably, 21% of the respondents were uncertain as to whether a professional sport business association would be a good idea or not. Bernstesen (2007) supported the establishment of smaller sector-based organisations for SMME's that could represent the interests of small business owners, harnessing support for them, and advocating their rights. The rationale for sector-specific associations is that if entrepreneurs want changes in the business environment, they have to start by helping and organising themselves to ensure that their collective concerns are heard. SMME's are faced with ever-present impediments. In uniting, SMME's can support each other through the formation of mutually beneficial associations and networks (Mambula, 2002).

SA Tourism (2005) in conjunction with the DEAT postulated that on a micro level, SMME's should strengthen individual and collective bargaining positions in the value chain through the establishment of a co-operative of sport enterprises in order to create stronger links between SMME's. Such a professional association can enable sectors across the spectrum to interact as apposed to just sector specific industries interacting with each other. A similar viewpoint was shared by Porter & Nadarajan (2005) who found that women entrepreneurs expressed a desire for a women entrepreneurship organization that would serve as a support group.

A host of extended networks, business associations, forums, and bodies have been established since 1994 in response to the enactment of new economic and SMME policies, economic reforms, and economic opportunities. An added impetus has been the subsequent proliferation of SMME's in various sectors and the increase of black and emerging entrepreneurs. While there is no specific body representing small business entrepreneurs in sport, there remains a niche in the market for the establishment of such a body. It ought to be borne in mind that the sport business industry is broad and highly segmented. Hence, one needs to examine a likely scenario of whether an upmarket, upward mobile, MBA-qualified sports marketer could interact on the same level with a simple, grassroots community-based professional swimming coach?

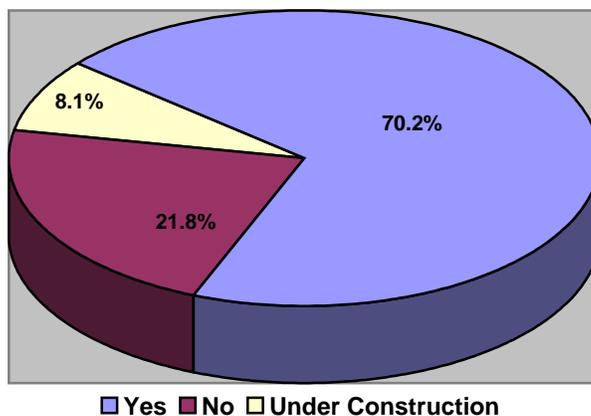
The time is ripe for role-players and decision-makers to moot the idea of a sport business association with a view to conception. It is envisaged that such a professional umbrella business association would set a platform for SMME's trading in sport business. Anticipated benefits of a representative sport business association would encompass the rendering of professional services, business development services, and an enhancement to the image and reputation of the sport business industry. Further mandatory services of a sport business association would include engaging with industry stakeholders, representing members' interests, effecting partnerships with government, advising government on macro strategies, and creating an enabling environment for sport business development. A professional body is necessary to help establish and grow small businesses in sport.

At this juncture, it is worth noting that the sport business industry is not fully represented with Business Unity South Africa (BUSA). BUSA was established in 2003 through a merger between the former Black Business Council and the former Business South Africa. As a unified umbrella body representing South African business on macro-economic issues, BUSA has 45 affiliates from

a diverse range of industry sectors. BUSA further represents various interests such as the National African Federated Chamber of Commerce and Industry (NAFCOC), Business Women's Association (BWA), the Black Management Forum (BMF), and the South African Leisure and Tourism Association (SALTA). BUSA also represents South African business on macro-economic and high-level issues that affect it at the national and international levels. Its function is to ensure that business plays a constructive role in the country's economic growth, development, and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand, and be competitive (BUSA, 2009).

However, the majority of the SMME sectors are not affiliated to BUSA. Similarly, regional Chambers of Business and Commerce – which deal with pre-dominantly micro-economic issues – have regional sector-based business organisations as their affiliates. A more grassroots based umbrella business association that is seriously championing the cause of SMME's is Business Coalition South Africa (BCSA). Blumethal cited in BCSA (2009) described BCSA as actively creating a united front to collectively represent a unified voice of SMME's in South Africa that is able to engage with organised labour and government. Unfortunately, government only recognises BUSA as the official representative of business. Notwithstanding this, if one examines the list of the eighty-five affiliates to BCSA, it clearly demonstrates its commitment to serving a diverse range of small business sectors such as public relations, health care, skincare, hairdressing, advertising, special events, clothing, funeral directors, property, and shopping centres.

#### 4.3.10. Availability of Company Website



**Figure 4.11: Existence of Company Website**

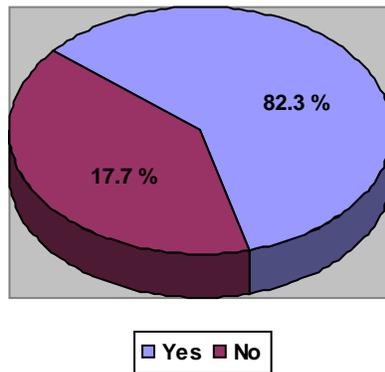
The information represented in Figure 4.11 reflects the trend in the global business market that companies are increasingly reverting to information technology and capitalising on the benefits of having a website on the World Wide Web. It is becoming uncommon to find a decent business enterprise operating without a company website. Information technology is growing at an unprecedented rate and companies have to adapt with the pace of evolution and become part of the process. This appears to be the trend in the sport business industry given that 70.2% SMME's have a registered company website and that 8.1% of small business enterprises are currently constructing or considering to build a company website. The implication of this finding is that such companies are professional and organised thus inviting business from its main customers.

A small business entrepreneur needs to be aware of advances in the business environment which can be used to the advantage of the business. In this case, the correct exploitation of the internet and IT can enable a business to reduce costs, work smarter, and become more competitive in the marketplace

The ability to access online bookings and execute payments for exercise classes, sport courts, and entry into entertainment parks are conveniences that are made possible through exploiting IT. Hutchinson (2009) describes the need for technology as helping small business 'leapfrog' market access and communication constraints. In several cases, small business entrepreneurs in sport operate a 100% web-based business such as online sport retail, online sport betting, online sport magazine, and the online advertising of sport employment opportunities.

A prospective small business entrepreneur should consider building a website and registering on major internet search engines and on-line business directories as a marketing tool. Moreover, listing a business on popular social network sites is an added avenue that companies are capitalising on (Hutchinson, 2009) thereby gaining greater access to markets and customers. South Africa's internet bandwidth was significantly improved for the 2010 FIFA World Cup. High speed broadband internet is becoming almost as compulsory as a basic utility in businesses and households. SMME's need to react quickly and appropriately to embrace technology to enhance efficiency, grow competitive advantage, and maximize business potential.

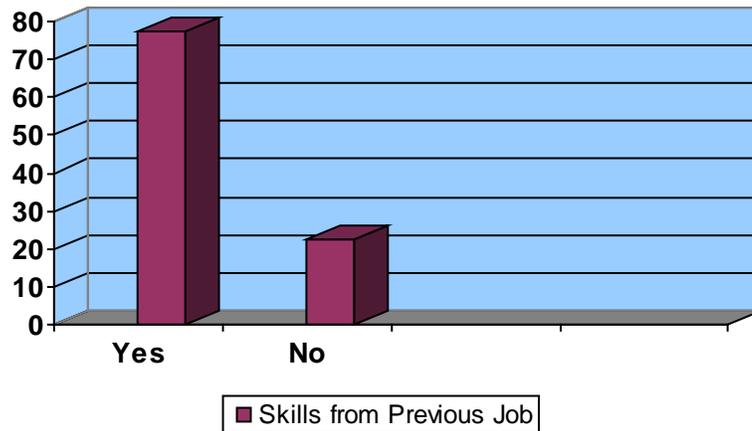
#### 4.3.11. First Business in the Sport Industry



**Figure 4.12: First Business in Sport Industry**

According to Figure 4.12, an overwhelming 82.3% of the small business entrepreneurs were operating their first business in the sport business industry. The study did not ascertain whether these entrepreneurs had previously operated a business in any other industry. Almost eighteen percent (17.7%) of small business owners were not running their first business in the sport industry. It can therefore be deduced that either one of several scenarios could have transpired: such small business owners are either operating several businesses concurrently or some of them owned a previous venture that closed, failed, or was sold. The high percentage of first time business owners in the sport industry can be attributed to South Africa's sporting emancipation in 1994, the growth and professionalism of sport, and the hosting of multiple world cups. Van Scheers and Radipere (2007) found that 71.6% of small business owners were first-time business operators in the service, retail, and manufacturing industries while only 28.4% had prior business experience. In all likelihood, the majority of the 17.7% of respondents who owned a previous enterprise in sport business encountered business failure, but persevered to open a new venture in the same industry. This highlights that persistence is an important psychological attribute of successful entrepreneurs (Cheung & Chow, 2006). It further implies that entrepreneurs learn from failure and mistakes, and if they persist, they will be more successful the next time round. Likewise, Matthews (cited in Daniels (2008e) explained that a failed entrepreneur does not give up, learns valuable lessons, and tries again.

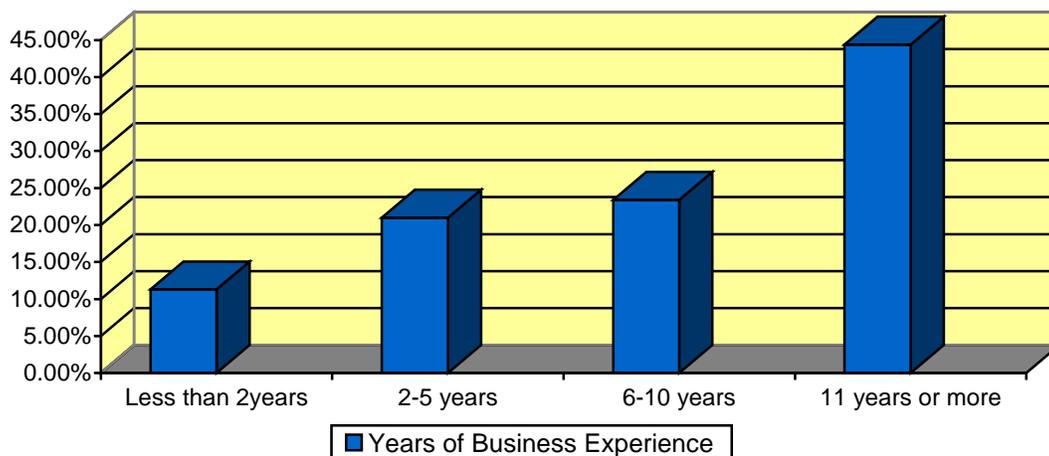
#### 4.3.12. Experience and Skills Obtained from Previous Job



**Figure 4.13: Skills Acquired from Previous Job**

Figure 4.13 depicts that 77.4% of small business entrepreneurs were experiencing business success partially due to their embedded skills and accumulated career experience acquired from their previous job. It can also be deduced from this finding that prior work experience and already-acquired job skills are contributory business success factors (Radipere & Van Scheers, 2005). As early as 1964, Hoad and Rosko cited in Cheung & Chow (2006) found that prior working experience was associated with greater entrepreneurial success.

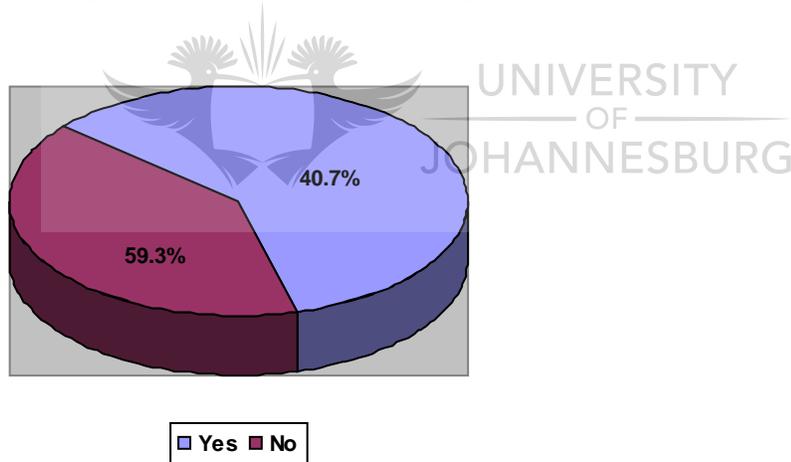
#### 4.3.13. Years of Total Business Experience



**Figure 4.14: Years of Total Business Experience**

The information represented in Figure 4.14 indicates that 44.4% of small business entrepreneurs had more than eleven years total business experience. Small business owners with between 6-10 years total business experience accounted for 23.4% of the sample. A combined total of 32.3% had five or less years of experience. The findings are consistent with the study of Pretorius et al. (2005) who found that 8.7% of their sample had 0-2 years business management experience, 20.2% had 3-5 years experience, 15.6% had 6-10 years experience, while 55.5% had in excess of 10 years business management experience. The statistics in Figure 4.14 reveal that SMME owners in the sport business industry have varying levels of experience. Such experience was acquired with their current business enterprises, through previous business ventures or working in a general business environment but not necessarily owning a business. Business experience in the sport market is an important variable that has a bearing on business growth, business success, and in gaining access to finance. Such variables are examined in a follow-up study.

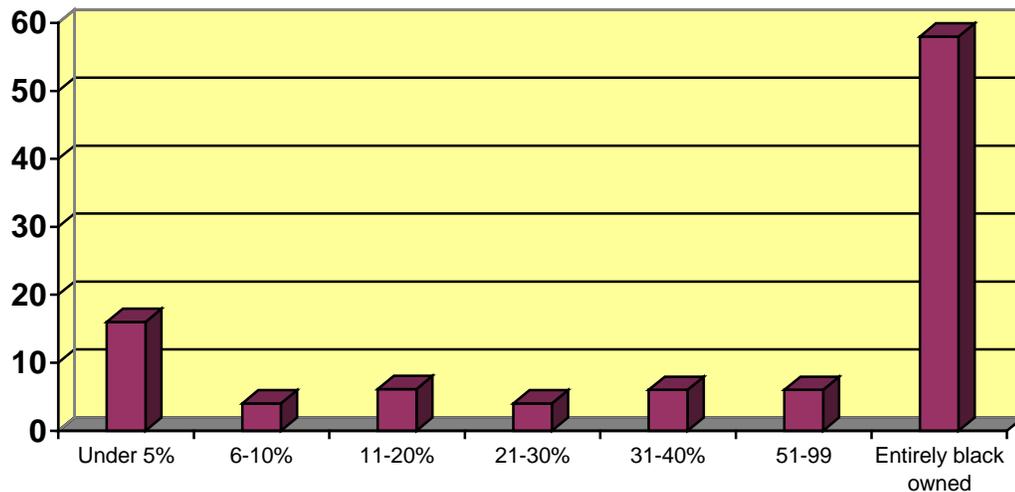
#### 4.3.14. Ownership by Previously Disadvantaged Stakeholders



**Figure 4.15: Ownership by Previously Disadvantaged Stakeholders**

Figure 4.15 provides a straightforward picture where 40.7% of SMME's in the sport business industry indicated having some form of previously disadvantaged ownership. It is probably a true reflection of the state of the South African economy and business ownership that 59.3% of SMME's in sport business industry are entirely white-owned. However, given that 40.7% of SMME's have some semblance of black-ownership is encouraging and signals that the South African business landscape is transforming, albeit, slowly.

#### 4.3.15. Percentage of Historically Disadvantaged Stakeholders



**Figure 4.16: Percentage of Black-Ownership of Sport SMME's**

Examining the percentage of black ownership of SMME's in the sport business industry is a relevant trend that is worthy of deeper analysis and debate. In analysing the graph in Figure 4.16, one is able to immediately ascertain that a striking 58% of SMME's were entirely black owned. Moreover, this percentage factored against the total number of respondents provides a figure of 23.38% of the entire sample of SMME's who were completely black-owned. Two related concepts are relevant at this stage. According to SEDA (2008b), a black company is one which is 50.1% owned by black persons and where there is substantial management control. SEDA (2008b) further distinguishes that a black-empowered company is one that is at least 25.1% owned by black persons who have substantial management control in the company.

#### 4.4. Motivation for Starting a Business in the Sport Industry

In this section, the underlying reasons motivating individuals to embark on new venture creation within the sport business realm are explored from several dimensions. Given that the rationale behind entering the sport business environment remains one of the key objectives of this study, the researcher delves quite in-depth into this issue. Results are firstly presented in the form of basic descriptive statistics, namely means, standard deviations, and percentages. Finally, this interpretation is complemented by an exploratory factor analysis (EFA) where the main factors

influencing small business owners to embark on entrepreneurial ventures in sport are extracted with Kaiser Normalization and the orthogonal rotations according to the Varimax procedure. EFA provides a more detailed explanation of the determinants of embarking on new venture creation within the sport industry.

**Table 4.5: Items, Means, Standard Deviations, and Frequencies: Motivation for Starting a Business in the Sport Industry**

Reason for Starting a Business in Sport	Mean	Std Deviation	A	B	C	D
I was seeking a new challenge	2.56	1.135	22.6	27.4	21.0	29.0
I had a need for self-expression and creativity	2.60	1.111	21.8	24.2	26.6	27.4
To be able to achieve self fulfilment	2.92	1.064	14.5	16.9	30.6	37.9
I resigned from a previous job	2.01	1.297	58.1	8.1	8.9	25.0
I had prior general business experience	2.32	1.159	34.7	19.4	25.0	21.0
I was an unemployed graduate	1.32	.870	86.3	3.2	2.4	8.1
Few job opportunities, so it was a necessity	1.76	1.122	62.9	12.9	9.7	14.5
I had prior experience in the sports industry	3.17	1.034	11.3	12.1	25.0	51.6
I have a passion for sport	3.44	.931	8.1	6.5	18.5	66.9
I identified a viable business idea or opportunity	3.45	.790	4.0	6.5	29.8	59.7
To be my own boss i.e. independence and freedom	2.76	1.157	21.0	18.5	24.2	36.3
Flexible hours and maintain work-family balance	2.32	1.071	27.4	31.5	22.6	18.5
I had a desire to earn more money	3.01	1.144	17.7	11.3	23.4	47.6
I was influenced by family & friends	1.80	1.028	53.2	25.0	10.5	11.3
I was retrenched from my previous job	1.12	.487	92.7	4.0	1.6	1.6
I inherited a family business.	1.07	.407	96.8	0	2.4	.8
I wanted to gain more job security	2.30	1.155	33.9	24.2	20.2	21.8
I wanted to improve my self-image and social status	1.77	.989	54.8	21.8	15.3	8.1
I had a need for job satisfaction	2.35	1.120	29.8	25.8	23.4	21.0

**Legend:**

**A: Not Applicable**

**C: Moderate Influence**

**B: Slight Influence**

**D: Strong Influence**

#### 4.4.1. Reliability and Standard Deviation

The reliability of the entire scale of 19 items calculated by using Cronbach Alpha is 0.721. In comparison to the 0.7 benchmark set by Nunnally (1978), the reliability of the motivational scale is acceptable. Standard deviation was also calculated to measure the variation of scores scattered around the mean value of each statement. In this instance, the standard deviation is explained against the maximum value of the scale, which is four. As evident in Table 4.5, there are very few

respondents who differed on the statements with the highest and lowest means. The standard deviations calculated for the statements with the highest arithmetic mean, namely 'identified a viable business opportunity,' 'passion for sport,' 'prior experience in the sport industry,' and 'a desire to earn more money,' are all somewhat small, indicating less variance with the mean. On closer interrogation, these reasons were also found to be the most popular motivating reasons to enter sport business as evidenced by the high percentages in the fourth level of the instrument, namely 'strong influence.'

The principle of standard deviation implies that the smaller the value of the standard deviation, the more congruent is a particular score with the mean. In the case of the statements with the low mean scores, namely 'I was an unemployed graduate,' 'I was retrenched from my previous job,' and 'I inherited a family business,' the standard deviation is large. This finding implies that a high percentage of respondents indicated that these statements were not applicable in their decision to enter the sport business realm. Hence, on this basis, one cannot rely on such statements as motivating reasons for new business formation in sport. The implication is that such statements are weak indicators of antecedent reasons to start a sport business and thus, cannot be relied on.

#### 4.4.2. Overview of Findings



A trend emerging from the literature is that entrepreneurship process is not cast in stone. No one model can explain entrepreneurial activity holistically (Co, 2003). The determinants of entrepreneurship in the sports business industry are multiple. People become small business owners through varying circumstances (Muhana, 2007). In trying to understand the determinants of entrepreneurship, one needs to examine both the exogenous and endogenous variables (Niewenhuizen, 2008) that motivate one to become an entrepreneur. Similarly, such factors could be termed intrinsic or extrinsic variables. Co (2003) further explains that one's predisposition to entrepreneurship could either be situational or deterministic. The literature further supports the notion that choice or circumstance (Van Der Merwe, 2008) determines the extent to which people have been pulled or pushed into entrepreneurship (Hughes, 2006).

There are a multitude of explanations for the entrepreneurship phenomenon. These could be personal (Hisrich et al., 2005), cultural (Co, 2003), economic (Smith & Cronje, 2005), or psychological (Mahadea, 1994) in nature. Personal characteristics, culture, education, work

experience, job skills, and the entrepreneurial inclination of one's family also determine a person's entrepreneurial orientation. Hughes (2006), Van Der Merwe (2008), Foxcroft et al. (2003), and Hirsch et al. (2005) classify the motivating reasons of entrepreneurship as either 'Pull' or 'Opportunity' motivators and 'Push' or 'Necessity' motivators. This section attempts to discuss the findings in conjunction with the above theories.

Based on the literature review, Table 4.5 contains multidimensional motivating statements that small business entrepreneurs would normally associate as reasons compelling them to enter the field of sport business. In Table 4.5, the scales from A to D reflect the extent of the influence of variables on the motivation of small business entrepreneurs to start a business in sport. These scales range from A = Not applicable to D = Strong Influence. According to the mean score statistics contained in Table 4.5, the identification of a viable business opportunity ( $\bar{x}$ =3.45), a passion for sport ( $\bar{x}$ =3.44), prior experience in the sports industry ( $\bar{x}$ =3.17), and the desire to earn more money ( $\bar{x}$ =3.01) are the statements with the four highest means. With a maximum rating value of four, the implications of these findings are that these variables have a strong influence on small business entrepreneurs to start a business in sport. On the high end of the scale, the greatest influence on their decision to open a business in the sport industry was the mere fact that sport entrepreneurs had recognized a viable business idea or opportunity ( $\bar{x}$ =3.45).

On closer examination of the percentage statistics in the fourth scale category, namely 'strong influence' in Table 4.5, one is able to ascertain that on a commensurate level, the identification of a viable business opportunity or idea (59.7%), the desire to earn more money (47.6%), prior experience in the sport industry (51.6%) and having an inherent passion for sport (66.9%) were found to be the variables with the highest percentage scores. That 66.9% of the small business entrepreneurs reported having a passion for sport, indicates that this is a pre-requisite to starting a business in the sport industry. It implies that a prior involvement in sport either as a participant, spectator, administrator, or official predisposes one to embarking on an entrepreneurial venture in the same field of interest.

The scale contained in Table 4.5 exhibits a maximum value of four. Small business owners in general regarded the majority of the listed variables as having a moderate to high influence on their decision to embark on a small business venture in sport (the mean exceeding 2.0 on the four-point scale). Resigning from a previous job and the need to gain more job security are antecedent

reasons with moderate mean scores, thus implying that such variables had a moderate influence on a potential or nascent entrepreneur's decision to start a business in sport. Other statements such as seeking a new challenge, the need for self-expression, the need for more job security, and the need for job satisfaction were reasons that were found to be rather evenly distributed across the four levels of the scale.

The inheritance of a family business, being retrenched from a previous job, or being an unemployed graduate made up the three lowest means of the potential reasons for starting a sport-related business. Coupled with the statement 'few job opportunities,' these were the reasons that small business owners felt were not really relevant in their decision to start a business in sport. This finding aptly complements the arithmetic mean calculations for the same statements as can be gleaned in Table 4.5.

The findings of this section are contrary to the low entrepreneurial activity levels found among South Africans (Pretorius et al., 2005) and the GEM report of 2002 where Foxcroft et al. (2003) bemoan South Africa's high rate of necessity entrepreneurship. It further dispels Burger and O'Neil's (2004) statements that South Africa has a common problem to many developing countries where necessity entrepreneurship exceeds opportunity entrepreneurship. The findings in Table 4.5 presents a rather positive and encouraging scenario whereby reasons that could be classified as push factors or necessity entrepreneurship featured very low in the mean scores, namely unemployed graduate ( $\bar{x}=1.32$ ), few job opportunities ( $\bar{x}=1.76$ ) and retrenched from previous job ( $\bar{x}=1.12$ ). The desire to gain extra job security ( $\bar{x}=2.30$ ) also featured rather average in the respondents decision to start a new venture. The implications of these findings are that reasons that would normally force a person into entrepreneurship are shown in this case to have a minimal influence on the respondent's motivation to enter the field of sport business.

#### 4.4.3. Opportunity Versus Necessity Entrepreneurship

Overall, Table 4.5 reveals that there are a plethora of reasons in the motivations of sport business entrepreneurs. Closer interrogation of Table 4.5 with reference to the work of Hughes (2006), Van Der Merwe (2008), Foxcroft et al. (2003), and Hirsch et al (2005), it is suggested that the motivating reasons with the top four mean scores (discussed previously) can be referred to as 'Pull' or 'Opportunity' reasons, as such reasons attract a person to small business entrepreneurship.

Other moderately-scored pull variables include the seeking of a new challenge, the need for self-expression, and to be able to achieve self-fulfilment. On the contrary, 'Push' or 'Necessity' reasons, force a person into self employment when one has no other option (Nieman, 2006) to earn a living. In this case, being retrenched from a previous job, being an unemployed graduate, and the prospect of few job opportunities are all motivators that scored the lowest means in Table 4.5.

Three similar concepts were proposed by Hughes (2006):

1. **Classic entrepreneurs:** are motivated by the need for independence, financial independence, challenge, opportunity, and self-fulfilment.
2. **Forced entrepreneurs:** are motivated by unemployment, job loss, and no job satisfaction. In the same vein, Co (2003) also refers to the concept of marginality, namely, disadvantages such as poverty, unemployment, under-employment, and discrimination that lead minority members to turn to self-employment.
3. **Work-family entrepreneurs:** are motivated by the flexibility of balancing work and family.

Becoming an entrepreneur by necessity or by opportunity was discussed at length in the literature (Co, 2003; Muhunna, 2007; Hughes, 2006; Nieuwenhuizen, 2008). With the exception of the need to earn more money, neither the classic nor work-family motivators cited by Hughes (2006) featured strongly in Table 4.5. Moreover, necessity motivators that force one into entrepreneurship also featured very poorly as antecedent reasons to become small business entrepreneurs. Table 4.5 clearly illustrates that opportunity or pull factors as espoused by Foxcroft et al. (2003) and Hirsch et al. (2005) tend to supersede all other underlying motivators.

The implications of this finding to the sport industry, to nascent sport entrepreneurs, and to individuals contemplating embarking on self-employment in sport are that the industry itself contains opportunities that need to be exploited. Being passionate sport administrators, participants, or avid fans predisposes one to consider self-employment and building a career within the sport industry. The desire to see a vision to fruition and to earn money in the process is a further motivating reason. The results are consistent with the findings of Hughes (2006) who

found a low 22% of female entrepreneurs were forced entrepreneurs. The findings further refutes Van Vuuren's (2007) study where entrepreneurs in townships became entrepreneurs because they had no other choice. However, one ought to bear in mind that job opportunities are virtually non-existent in townships. The findings also conflict with the work of Mroczkowski (1997) cited in Bliss and Garrat (2001) who also found poor employment opportunities as a motivating factor for 46% of women to start self-employment.

It is assumed that the reason for South Africa's high necessity entrepreneurship rate can be attributed to South Africa's high unemployment rate that compels desperate individuals to embark on pre-dominantly micro, informal, petty trade ventures. Considering that such survivalist businesses are homogenous and focus on mass-produced goods, earn an income that is below the poverty line, and conduct their activity in a saturated informal street sector, these entrepreneurs tend to fail. Furthermore, such informal entrepreneurs lack the necessary skills, education, resources, and capacity to grow and develop.

#### 4.4.4. **Passion for Sport and Achievement Motivation (N-Ach)**

Almost 67% of the sample identified having a passion for sport as playing a strong role in their decision to become small business entrepreneurs. This finding supports the study of Berrett et al. (1993) who found that most entrepreneurs' main reason for running a business in sport was due to their passion, interest, and hobby. Passion might be a complex concept to identify considering that it borders on attitude or a personality trait of a person. However, what does constitute the concept of passion is having a pre-occupation (Wiktionary, 2009) or an enthusiasm (Free dictionary, 2009) for something. It stands to reason that such passion and sincerity towards a hobby or activity could translate into a career in the form of self-employment.

At this juncture, passion for sport can also be linked to several theories of motivation, namely McClelland's theory of Need for Achievement (n-Ach) and Maslow's Hierarchy of Needs. According to Smith and Cronje (2005), McClelland postulated that certain needs predominate in different people. For example, a motivated person tends to be a high achiever. McClelland's model proposes that when a need is strong, it motivates the person to engage in a behavior to satisfy that need. McClelland asserted that entrepreneurs have a high need for achievement when compared with other individuals who are not entrepreneurially inclined (Mahadea, 1991). With regard to

entrepreneurs, McClelland's theory implies that such individuals are self-starters and go-getters with a positive attitude. Hence, the need for achievement (n-Ach) is the need to excel, to succeed, and to achieve in relation to a set of standards (Smith & Cronje, 2005). According to Mahadea (1991), Van Der Merwe (2008), and Cheung and Chow (2006), McClelland linked entrepreneurship with the psychological trait of achievement motivation (n-Ach). The need to achieve is the driving force to accomplish goals and objectives (Cheung & Chow, 2006). It thus stands to reason that high n-Ach people are goal-oriented and performance-oriented people (Robertson, 2006) who are motivated by challenging tasks with attainable goals.

McClelland's research shows that people are not static and can improve their own abilities. It is possible that South Africa's shortage of successful small business entrepreneurs can be alleviated by stimulating the achievement needs of employees with the potential to become entrepreneurs. The need for achievement can be acquired (Boshoff & Scholtz, 1995) as demonstrated that employees can be successfully trained to stimulate their achievement tendencies. The objective of such training is to encourage them to think positively in terms of accomplishments, winning, and success. N-Ach can also be instilled in early life through a supportive family environment and the institution of a school (Mahadea, 1994) where independence and striving for excellence or high standards of performance are encouraged. McClelland's theory underscores that there are highly motivated prospective and incumbent entrepreneurs in society that need some persuasion, enticement, and convincing to take-up entrepreneurship and new venture creation.

#### 4.4.5. Identification of Viable Business Opportunity

Table 4.5 indicates that 59.7% of small business entrepreneurs regarded the economic variable of identifying a viable business opportunity as having a strong influence on their decision to start a business in sport. This statement is supported by the fact that it scored the highest mean ( $\bar{x}=3.45$ ). The results in Table 4.5 make a compelling statement that in the sport business industry, entrepreneurs have emerged and SMME's have been conceived through finding, reacting to, and exploiting an opportunity or niche in the market environment. This finding gives credence to Sternberg and Wennekers's (2005) study where it was discovered that the perception of opportunities were one of the perceptual variables of nascent entrepreneurs which were significantly correlated with an individual's decision to become an entrepreneur. This finding further supports the research of Ferrell et al. (2009) which found that some small business

entrepreneurs have the ability to see emerging trends and in response, they establish a company to provide a product that serves customer needs.

Rather than inventing a major new technology, an innovative company may take advantage of an existing technology to create markets that did not exist before, such as on-line sport gambling, or an electronic sport magazine. Alternatively, sport entrepreneurs may offer something familiar but improved or repackaged, such as cardiac rehabilitation, sport-specific match analysis software programmes, all-inclusive sport consulting, or an on-line sport employment website. This result is in congruence with Dockel's (2005) comments that pro-active reasons such as the exploitation of opportunities observed in the market and the need to increase one's income are two strong motivators to enter entrepreneurship. Likewise, Durand (2007b) found that among reasons that local South African entrepreneurs in sport cited for starting a business, was an opportunity or gap in market. The growth, professionalism, commercialism, and entertainment value of the South African sport industry has placed demands for a variety of products, services, and expertise. Such demands have opened an array of opportunities in the marketplace for SMME's. Furthermore, it appears that businesses started on such motivating principles were more likely to lead to success than those SMME's started by push-factors such as unemployment (Dockel, 2005). Opportunity recognition is thus a strong and reliable motivator to enter sport business.

#### 4.4.6. Influence of Family and Inheritance of Family Business

Interestingly, Thomas and Mueller (2000) cited in Pretorius and Van Vuuren (2003) refer to McClelland's n-Ach theory from another angle. According to them, McClelland suggested that socialization factors such as a family's influence also determines n-Ach, which in turn generates entrepreneurial propensity within a community. Muhanna (2007) cited that having entrepreneurs within your family can have a robust and positive effect on entrepreneurship behaviour, while Co (2003) underscored the role of social mobility, which he referred to as the social structures within society that are significant for entrepreneurial emergence. However, in this study, the influence of family and role models on one's decision to enter sport business was virtually minimal given that the mean score of family influence was low ( $\bar{x}=1.80$ ).

Another related reason in Table 4.5 (inherited a family business,  $\bar{x}=1.07$ ) was one of the least important antecedent reasons to sport business as evidenced by the fact that almost 97% of the

respondents felt that this reason had no influence on their decision-making. This statistic is consistent with the finding of Muhanna (2007) who also found a small percentage of just 5% of entrepreneurs who were fortunate to inherit a family business. There is no doubting that social networks such as family and friends have a positive effect on embarking on self-employment. However, in the case of sport business, it appears that the socio-cultural influence has been rather minimal as evidenced by 53.2% who found this variable not applicable.

#### 4.4.7. Independence, Flexibility, and Work-Family Balance

Contrary to the findings of Price (2009), Steinberg and MacMillan (1988) cited in Mitchell (2003), and Michell (2003), the need for independence and freedom ( $\bar{x}=2.76$ ) and flexibility and work-family balance ( $\bar{x}=2.32$ ) did not score highly in this study. Perhaps Hugh's (2006) argument that work family and lifestyle motivations apply mainly to women entrepreneurs holds merit in this study given that only 28.2% of the respondents were female. Hughes (2006) discovered that independence and freedom was the foremost motivator of females to embark on small business ownership while work-family balance was the second highest factor motivating females into small business ownership. Hugh's work lends support to the earlier findings by Rehman and Frisby (2000) who examined the work experiences of self-employed women consultants in the fitness industry and found that such females employed a balanced approach based on the liberation perspectives of self-employment. They described the liberation perspective of self-employment as being associated with self-fulfillment, autonomy, control, and increased flexibility in balancing work and family demands. The need to balance work and family responsibilities was also found to be a common motivator among female entrepreneurs (Porter & Narajan, 2005). Similarly, Macloed (1999) stated that independence and the desire for freedom were motivating factors in small business.

Table 4.5 further reveals that overall, Hugh's (2006) concept of classic entrepreneurship, were not very prominent in the findings but occupied an above average presence (the means of all relevant items in the scale were greater than the average of 2). Seeking a new challenge ( $\bar{x}=2.56$ ), having a need for self-expression ( $\bar{x}=2.60$ ), and to be able to achieve self-fulfilment ( $\bar{x}=2.92$ ) reinforce this point. Hence, the desire to take on new challenges, apply ones self in a different context, and achieve self realization and job satisfaction are valid but moderate motivators to enter sport business.

#### 4.5. Factor Analysis of the Motivational Scale: Reasons Behind Starting a Business in Sport

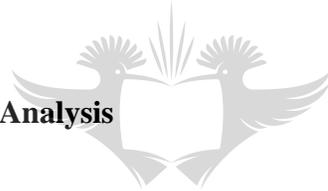
Table 4.6: Rotated Factor Structure for Antecedent Reasons to Enter Sport Business

Factors	Factor Loadings
<b>Factor 1: Self-Development</b>	
I was seeking a new challenge	.877
I had a need for self-expression and creativity	.857
To be able to achieve self fulfilment	.576
<b>Factor 2: Forced Entrepreneurship</b>	
I was an unemployed graduate	.829
Few job opportunities, so it was a necessity	.906
<b>Factor 3: Predisposition to Sport Business</b>	
I identified a viable business idea or opportunity	.573
I had prior experience in the sports industry	.690
I have a passion for sport	.849
<b>Factor 4: Previous Business Experience</b>	
I resigned from a previous job	.816
I had prior general business experience	.698
<b>Factor 5: Job Security &amp; Flexibility</b>	
To be my own boss i.e. independence and freedom	.546
To work flexible hours and maintain work-family balance	.712
I had a desire to earn more money	.725
<b>Extraction Method:</b> Principal Component Analysis.	
<b>Rotation Method :</b> Varimax with Kaiser Normalization.	
a. Rotation converged in 3 iterations.	

Table 4.7: Factors, Items, Eigenvalues, Percent of Variance, Cumulative Percent of Variance, and Cronbach Alpha Reliabilities

Factor	Eigenvalue	Percent of Variance	Cumulative percent of variance	Cronbach Alpha Coefficient	Number of Items
Self Development	2.764	23.032	23.032	0.738	3
Forced Entrepreneurship	1.671	13.927	36.959	0.752	2
Predisposition to business	1.445	12.042	49.001	0.618	3
Previous business experience	1.188	9.901	58.902	0.539	2
Job security and flexibility	1.041	8.678	<b>67.580</b>	0.494	3

#### 4.5.1. Reliability Analysis



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The alpha ( $\alpha$ ) value (reliability) of the entire motivation scale to start a business in sport was found to be 0,721. This figure is considered acceptable according to the benchmark recommended by Nunnally (1978). However, in Factor Analysis, SPSS was employed to break down the scale of 19 items into factors. Cronbach alpha was calculated to evaluate the item reliability for each extracted factor. Each of the factors was subjected to an item analysis as part of establishing internal reliability (Antonites & Van Vuuren, 2005). By removing items from the scale, one is able to either increase or decrease the Cronbach Alpha. In this instance, the dimensions or factors have a lower Cronbach Alpha than the total scale.

The Cronbach-alpha reliability coefficients for the major dimensions are illustrated in Table 4.6. With reference to Table 4.7, the factors internal consistency ranged from 0.494 to 0.738. It is generally agreed that 0.7 is used as the benchmark against which to measure the Cronbach Alpha values (Nunnally, 1978). Unfortunately, the five factors created do not really show high internal reliability consistency. From the 13 items posed on a 5-point Likert Scale, the derived first three

factors delivered good Cronbach Alpha results as evident in Table 4.7. The reliability for three factors were either close to or greater than the recommended significance level of 0.7 (Nunnally, 1978) indicating an acceptable correlation of ranked values among parameters (Surajlal & Singh, 2010).

On the contrary, the internal consistency was well below 0.70 for factors four and five. Although the acceptable level is 0.7 (Nunnally, 1978), the relevant items load satisfactorily onto these factors. The researcher has nevertheless opted to report on the cronbach alpha and although it is low for two factors, it does point to the fact that given the exploratory nature of this study, it has not yielded perfect scores all-round. This finding further implies that this research does not set-out to achieve a perfect study. A possible explanation could be attributed to the researcher's decision to choose a balanced set of antecedent variables and not only common or positively-oriented variables that may add biasness to the results.

#### 4.5.2. Factor Analysis

An exploratory factor analysis was performed on the motivation scale of nineteen items in order to determine whether a stable and reliable set of sport business or entrepreneurial motivation factors existed. The data was run using Principal Component Analysis where the main components were extracted with Kaiser Normalization according to the Varimax factor rotation procedure. The findings of the factor analysis are illustrated in Table 4.6 in the form of a rotated factor matrix.

Previous studies (Surajlal & Singh, 2010; Botha, Nieman & Van Vuuren, 2007; Antonites & Van Vuuren, 2005) used varimax rotation to enhance the interpretability of the extracted factors. In this instance, the iterative process was re-run three times until a clear factor structure was achieved. The final Principal Component Analysis was performed on 13 items producing a final model consisting of five factors as contained in Table 4.6. Each factor was labelled and includes the necessary factor loadings. The rotated component matrix revealed that six items multi-loaded on more than one factor. Such variables were eliminated through what Pretorius et al. (2005) describes as 'cleaning.' These items were removed to reduce ambiguity (Tabachnick & Fidel, 2001, cited in Surajlal & Singh, 2010) in the interpretation of the factors. Table 4.7 contains specific factor eigenvalues, alpha coefficients, and the percentage of total variance for each factor. The data reflected in Tables 4.6 and 4.7 indicate that the factor analysis depicts the emergence of a five

factor solution that accounts for 67.58% of the total cumulative variance in the scale. Using a minimum eigenvalue of 1.04, the five first order factors extracted only those items that loaded with absolute values greater than one.

Section C of the measuring instrument attempted to test the motivation behind small business entrepreneurs entering the realm of sport business. Theoretical indications were that such a measuring instrument was not utilised previously in sport entrepreneurship research and therefore, confirmation was sought that this instrument could indeed test the distinct construct of motivation to start a business. Table 4.6 shows the item analysis for the five factors identified through exploratory factor analysis. An investigation of the variables for each factor confirmed that there were five constructs that were measured with the questionnaire: self development (three items), forced entrepreneurship (two items), previous business experience (2 items), predisposition to business (three items), job flexibility and security (two items).

In addition, the number of factors to be extracted was also established by sketching a scree plot. On examining the scree plot, it was established that the scree levelled-off after five factors, indicating that the further extraction of factors will not enable any meaningful interpretation of data (Ntoumanis, 2001). A scree plot test duly confirmed that five factors ought to be selected. This was derived by plotting the eigenvalues against the number of factors extracted. The five factors and their relative contribution to variance are presented in Table 4.7. It can be noted that all five factors have an eigenvalue of above 1, ranging from 1.04 to 2.76.

#### 4.5.3. Naming and Interpretation of Factors

Robichaud et al. (2001) argued that motivation is one of the key elements in the success of small business implying that ones initial motivation to enter the business world determines ones behaviour patterns which has a bearing on the success of the business. With reference to Table 4.6, the statements were clustered together into five dimensions. These factors further appear to approximate the generic motivational intrinsic and extrinsic factors found by researchers in the literature, namely the need for independence, material incentives, achievement, and to escape a negative situation (Mitchell, 2003) as well as autonomy, independence, personal security, and personal growth (Robichaud, et al., 2001). A brief discussion on the five factors that mobilise small business entrepreneurs to sport entrepreneurship follows hereunder.

**Factor 1: *Self-development*:**

Factor 1, labelled *self-development*, comprised three variables and accounted for 23.0% of the variance explained by the factor. The eigen value was 2.764. Table 4.6 reports on the loading of each variable relating to self-development. A multitude of reasons could persuade an individual to embark on the challenge of starting a new business. An individual embarking on a business venture would always regard this as a challenge of venturing into un-chartered territory. Taking calculated risks in the quest to start and operate a successful business is a challenge that entrepreneurs would thrive on. Furthermore, small business entrepreneurs would want to creatively and innovatively explore and express their skills and abilities in the business field. This factor also gives effect to Maslow hierarchy of needs theory. According to Maslow's theory, peoples needs are arranged in order of importance with self-fulfilment being the highest order need that ones aspires to achieve. Self-fulfilment means when one is able to satisfy ones ability, realise one's potential, and to develop to the fullest extent possible. The implication is that one embarks on an entrepreneurial endeavor in anticipation of a rewarding and self-actualizing experience. Self-actualization represents the apex of human needs (Smith & Cronje, 2005).

In the practical application of Maslow's theory, Smith and Cronje (2005) elaborated that the theory has great intuitive appeal as it stresses the importance of personal growth and self-actualization in the workplace. Self development can also be regarded as an intrinsic factor which is consistent with Cheung and Chow's (2006) findings where three-quarters of small business entrepreneurs perceived themselves to have high self-esteem levels pertaining to self confidence and the competency to do well in business. Regardless of the challenges facing a would-be entrepreneur, operating a leisure business can be rewarding and enjoyable (Ross, 2006). It thus appears that self-determination, the desire to take-on new challenges, expressing oneself imaginatively in order to achieve self-realization are valid reasons that attract one to small business entrepreneurship in sport. This factor is consistent with Steinberg and MacMillan's Growth Factor 4 as cited in Mitchell (2003). The emergence of self development as a factor further reinforces Mitchell's study where personal development was found to be a strong motivating factor to self-employment. Overall, self development is a strong motivating factor to business entry in sport.

**Factor 2: *Forced Entrepreneurship*:**

Factor 2, labelled *forced entrepreneurship*, comprised two variables and accounted for 13.92% of the variance explained by the factor. The eigen value was 1.671. Table 4.6 reports on the high loading of each variable relating to forced entrepreneurship. These items are negative-oriented entrepreneurial statements which imply that one has been pushed or forced into business due to trying circumstances. Despite the high reliability of this factor, in contrast to the other four factors, this factor was of little relevance to the decision of the respondents to enter sport business.

**Factor 3: *Predisposition to Business*:**

Factor 3, labelled *predisposition to business*, constituted three variables and accounted for 12.0% of the variance explained by the factor. The eigenvalue was 1.445. Table 4.6 reports on the loading of each variable relating to this factor. Recognizing a workable idea naturally propels one towards converting and implementing that idea into a viable business opportunity in the form of a business venture. Business ideas can originate from prior work experience (Cronje et al., 2004). In such a scenario, potential entrepreneurs would feel that they possess the experience and essential skills to start a business, offer a better quality product, gain market share, and eventually realize a profit. The literature strongly supports the fact that passion for a pastime or hobby generally translates into a business (Van Der Merwe, 2008). Durand (2007b) referred to the pre-economic recession period in South Africa and highlighted the ample opportunities this presented for entrepreneurs to start their own sport-related businesses. He found that among reasons that local South African entrepreneurs cited for starting a sport business were: passion, previous experience in coaching, experience from professional sport, and an opportunity or a researched gap in the market. Therefore, the three variables that make up this factor generate a propensity to start a business in the sport industry.

**Factor 4: *Previous Business Experience*:**

Factor 4, labelled *previous business experience*, comprised of two items and accounted for 9.9% of the variance explained by the factor. The eigen value was 1.188. Table 4.6 reports on the loading of each variable relating to previous business experience. When one resigns from a job, one exits with invaluable industry experience, knowledge, and skills which one could put into good

use by transferring such skills and adapting experience gained into the business world. Having prior general business experience, gives one a head start in starting a business venture. It is assumed that respondents acquired previous business experience within the sport industry. In such a case, it predisposes one to strongly consider embarking on a self-employment venture in the same industry. Zapalska (1997) cited in Bliss and Garrat (2001) found that both male and female entrepreneurs started businesses to more fully utilise their knowledge, professional qualifications, expertise, and experience. This factor is thus consistent with the comments of Macloed (1999) who stated that any nascent entrepreneur should concentrate on business ideas that would be appropriate to ones embedded skills and acquired experience. Indisputable business knowledge and industry experience has become a much sought-after asset. With the growth and professionalism of major sport in South Africa and with the country hosting an array of major sport events in recent years, expertise and knowledge is in high demand. This has prompted seasoned sport administrators to offer their services in the form of consultancy businesses.

Previous employment can also be a source of ideas that could form the basis of a new business (Macleod, 1999). Several successful entrepreneurs in the sport industry initially resigned from former jobs in participatory, coaching, or administrative capacities to start self-employment initiatives from ideas gained from such former roles. Interestingly, Saayman and Olivier (2005) found that 88% of SMME's in the tourism sector indicated that experience and knowledge assisted in the identification of business opportunities, thus implying that one does not need to spend too much time on intensive and scientific market research to identify viable business opportunities.

**Factor 5: *Job Security and Flexibility:***

Factor 5, labelled *job security and flexibility*, comprised three variables and accounted for 8.67% of the variance explained by the factor. The eigen value was 1.041. Table 4.6 reports on the loading of each variable relating to job security and flexibility. Factor 5 scored the lowest Cronbach Alpha score. It would be naïve for any nascent or potential business person to enter the business realm without knowing that some of the advantages of being self-employed are independence, being in control, working flexible hours, and particularly, for women entrepreneurs, the advantage of maintaining work-family balance to suit ones lifestyle. In comparison to the findings of Mitchell (2003) and Robichaud et al. (2001), the reliability of Factor 5 was satisfactory.

This finding implies that job security and job flexibility does not feature highly as an antecedent factor to sport business.

#### 4.5.4. **Conclusion**

This section reported on the results of the Cronbach Alpha and the Factor Analysis of the motivational scale. The diagnostics of the Factor Analysis appear to be quite relevant and the results do make logical sense. The decision to enter new venture creation in sport is relative to the factors of self-development, forced entrepreneurship, one's predisposition to sport business, previous business experience, and job security and flexibility. The ensuing section of this Chapter presents the findings for business practices and performance.



#### 4.6. Business Practices and Performance

##### 4.6.1. Introduction

This section reports on selected aspects of the business practices of SMME's in the sport business field. Products, related principles as well as the consumers of these products are the variables examined.

##### 4.6.2. Products of SMME's in the Sport Business Industry

Table 4.8: Products of SMME's in the Sport Business Industry

Product	Primary %	Secondary %
Sport goods manufacturing	5	5
Sport retail: clothing, apparel & equipment	9	9
Sport management, i.e. marketing and promotions.	12	5
Sport management, i.e. player & coach management.	5	2
Stadia & facilities management.	3	8
Sport medicine & biokinetics.	3	2
Health & fitness.	7	7
Commercial recreation / leisure centre	2	8
Project management.	4	9
Consulting, research and policy.	4	7
Major events management.	5	11
Elite athlete development / high performance	2	1
Extreme sport / adventure recreation / edu-venture	3	2
Sport development (leading or coaching, school sport, and community sport)	15	11
Sport tours and travel.	2	2
Sport education and training.	9	9
Other:	11	4
<b>Total Responses</b>	<b>171</b>	<b>119</b>

Table 4.9 Additional Products in the Sport Business Industry

Product	Primary	Secondary
Publication of adventure and outdoor sport magazine	1	
Teambuilding	1	
Health and performance gym equipment	1	
Own and manage a sport website	1	
Publisher of sport business magazine	1	
Health equipment repairs	1	
Leisure and play equipment manufacturing	1	
Sport goods retail	1	
Building of sport surfaces	3	
Sport betting	1	
Design of sport facilities.	1	
Sports photography	1	
Sports nutrition and supplements	1	
Sport news and information	1	
Suppliers of specialist sport awards	1	
Sports entertainment		1
Community-based events		1
Grassroots sports events		1
N = 20		

Table 4.8 delineates in percentage the primary and secondary products that small business enterprises in South African sport are currently offering. It should be noted that the research instrument instructed respondents to list one primary and if necessary, one secondary product. However, this instruction did not suffice. In hindsight, the researcher was technically forcing the respondents to make only one choice in each category. Nevertheless, several respondents made multiple choices in both categories which were factored into the calculations in the SPSS analysis. Hence, in the case of multiple responses, the researcher did not select one answer randomly, but rather created more than one variable (Finn et al., 2000).

With reference to Table 4.8, sport management (sport marketing and sport promotions), sport development, sport retail, education and training, health and fitness, sport management (player and coach management), sport goods manufacturing, and major event management were the found to be the most popular primary products that were been offered by SMME's in the sport business industry in South Africa. Major event management, sport development, sport retail, project management, commercial leisure, and stadia and facilities management were found to be the most

popular secondary products being offered by SMME's in the sport business industry. It should be noted that a stratified sample consisting of equal representation from each and every sector could not be attained due to reasons outlined in Chapter Three. Whilst every effort was made to attain an equal stratified sample, Table 4.9 reveals that certain products had low percentages, such as sport medicine and biokinetics (3%), adventure sport (3%), high performance services (2%), and sport tours and travel (2%). It is essential that the data in Table 4.8 and Table 4.9 be viewed in context that there was no all-encompassing sport SMME database.

Respondents were also allowed an opportunity to stipulate if they were offering other products. In this regard, Table 4.9 lists these other products and services. Three respondents indicated that their primary product was building sport surfaces. In this case, such responses could have been incorporated under the broad product 'facility management.' Sport betting, sport photography, and sport entertainment were identified as other additional products in the sport business industry. Similarly, other products mentioned such as managing a sport website, publishing a sport business magazine, and publishing an outdoor sport magazine could be collectively grouped as sport media.

There has been an increase in the positive awareness of health and fitness. People are exercising regularly and adopting active healthier lifestyles. Subsequently, there has been a huge demand for services within the health and fitness industry with various income streams flowing from the fitness industry. Sport and leisure SMME's tend to be highly flexible to changing customers demands and offer personal and localised service which typifies business owners such as sport coaches and personal trainers (Ball, 2005). This is typified in the sport development and exercise industry where many small enterprises offer coaching and fitness services.

South Africa's free mixed market economy is an economic system in which businesses and individuals decide what to produce and buy. It is a system in which the market determines the quantities to be sold and at what prices. The broad sport industry is replete with SMME's (Crouch & Ritchie, 1995) which are diverse providers of goods and services across a wide range of business types. The relatively low entry barriers and fewer restrictions or regulations imposed in the sport business industry thus encourage the proliferation of small and micro firms (Ball, 2005; Quinn et al., 1992, cited in Crouch & Ritchie, 1995). The attractiveness of the sport industry to SMME's often extends beyond economic motivations to human, personal, and psychological reasons. The SMME sector is not homogenous and consists of various sub-categories. A sound product is one

that satisfies a consumer's need. Therefore, businesses ought to adopt a customer-led approach where products offered complement and augment customer needs. Table 4.8 does paint a typical South African sport business product profile that is very fragmented and where SMME's normally offer multiple products for the mass sport market. Another possible reason that explains this trend is the intense competition for business. On the contrary, there are small business entrepreneurs with expertise who would find a preferred niche and specialize in a particular product rather than attempting to be all things to everyone. This point was emphasized by Rehman's (1999) who did research on female sport and fitness consultants in Vancouver, Canada and discovered that each business woman had found a unique niche that ensured one's business was different from the other, for example personal training, weight loss, and alternative health.

On a positive note, the information in Table 4.8 is indicative of the highly segmented nature of the industry. This point is aptly reinforced given that over and above the sixteen products selected in Table 4.8, twenty additional products (17 primary and 3 secondary) were identified by the SMME's in sport (Table 4.9). It must be acknowledged that several of these products could be categorised into the original list provided and perhaps several entrepreneurs misconstrued the interpretation of the original list. Nevertheless, a total of 34 different sport business services and goods are currently being offered in the industry in South Africa. This finding lends credence to the widely-held view that the sport business industry is dynamic and highly specialised. On this basis, Bannatyne's (2007) assertion that sport crosses various product lines does hold merit.

Additional sport business products that are offered by small business entrepreneurs are contained in Table 4.9. Interestingly, Table 4.9 demonstrates that small business entrepreneurs have entered into the sport business world outside of stereotypical mainstream sectors into more specialised avenues such as sport photography, sport architecture, sport betting, sport media (magazines and websites), team building, sport nutrition, and sport supplements. Products are offered by businesses to satisfy needs. At this juncture, it is relevant to highlight that products in the sport industry are both tangible and intangible (Ross, 2006; Torkildson, 2004). Nieman (2006) makes a valid statement when he refers to the positioning and marketing of a product either as something of convenience or something of importance. Positioning of a product largely takes place in the consumers mind in terms of how a product is perceived and the value it can yield (Nieman, 2006).

Sport business products are multifaceted. On a global perspective, different sectors of the sport industry are of importance in different countries (Tribe, 2005) largely due to the cultural legacy of a country. For example, the football industry is particularly significant in Europe; golf, gridiron, basketball, and baseball in the United States; Australian Rules Football and Rugby League in Australia; the horseracing industry in Dubai; the ice-hockey industry in Canada; the cricket industry in India; and the rugby industry in South Africa.

The sport products and services depicted in Table 4.8 and Table 4.9 are indeed not arbitrarily offered for the sake of running a business enterprise. The supply of such products to its own niche market is regulated by the need and demand for this product. The economics of supply and demand are determined by general economic conditions because consumers tend to buy more products and services when the economy is strong and they have a good income and vice versa (Madura, 2007). Demand is also influenced by conditions within a specific market, for instance, the demand for event marketing clothes is dependent on the number of events hosted.

#### 4.6.3. Segmentation of the Sport Market

The findings in Tables 4.8 and 4.9 reveal that businesses in the sport industry are offering multiple products and services. This reinforces the business concept of market segmentation. The nature and structure of the South African sport business industry does lend itself to the sport industry framework model proposed by Parks, et al. (2007) and Gouws (2001) who propose that the sport market can be segmented into three main streams, namely sport participation, sport production, and sport performance. Notwithstanding this model, Niewenhuizen, Le Roux, and Jacobs (2005) advise that a potential market can be segmented geographically as well as demographically in terms of lifestyle and the buying patterns of the consumers. Market segmentation refers to a scenario where the total sport market is meaningfully subdivided into smaller relatively homogeneous groups of consumers with relatively similar needs, characteristics, and behaviour (Gouws, 2001; Niewenhuizen et al., 2005; Madura, 2007; Bovee & Thill, 2005). Such market segments or portions can then be appropriately targeted by offering products that are priced, distributed, and promoted accordingly (Bovee & Thill, 2005). Gitman and McDaniel (2008) described market segmentation as the process of separating, identifying, and evaluating the layers of a market in order to design a marketing mix. Segmenting a market not only gives focus to a company but further adds some form of economy and feasibility to operating a business. It further

allows a business to compete more effectively by catering to the needs of a particular group of consumers (Macleod, 1999).

#### 4.6.4. **Diversification and Differentiation of Sport Products**

The survey has revealed as per Table 4.8 and Table 4.9, that SMME's have penetrated multiple markets. For instance, a company focusing on sport performance would offer either one specialised product or a range of related products within that sector. Furthermore, it is not uncommon to find a company specialising in sport management, marketing, and promotions and at the same time offering a service in event management and sport development. It is understandable that start-up entrepreneurs would experiment with a variety of business products until the correct niche is discovered. The findings in Table 4.9 are also consistent with Tribe's (2005) comments of risk bearing where medium-sized enterprises have diversified interests so that a fall in demand in one area can be compensated for by business elsewhere. From an economic perspective, a company may diversify its products if forecasted growth prospects in a particular market or sector are dismal thus reflecting a low income elasticity of demand (Tribe, 2005).

The disadvantage of diversification means that one is not able to focus steadfastly on a particular product unless a company has the necessary capacity, infrastructure, and systems to diversify its services. Pelsler (2010a) advises one to consider the cost-benefit scenario of diversification and the inherent risk of growth and expansion. A further problem with a small firm contemplating diversification is that it may lose sight of its core objectives. Under such circumstances, de-cluttering may be implemented whereby a company disposes of its fringe activities and concentrates on its core business (Tribe, 2005).

At this juncture, it is worth noting that there are scores of firms offering similar products. Hoye et al. (2009) describe the sport marketplace as being very crowded and hence business owners need to carve out a niche by firstly understanding the nature of their business, the level of demand for their products and services, and the macro environment in which they operate. In a crowded and competitive marketplace, Beret et al. (1993) and Tribe (2005) underline the need for differentiation where an enterprise produces a product or offers a service that is different from those of its competitors by exploiting unique selling points. The rationale for product differentiation is to

make the demand for a good or service less elastic, giving the company more scope to increase prices, sales, and profits (Tribe, 2005).

It is a challenge for SMME's to offer a product that is different and stands out. Therefore, it is through product differentiation that SMME's gain competitive advantage, leading to market share gains, increased turnover, and increased profits (Macleod, 1999). Differentiation is further recommended in order to make an impact on the industry and attract sufficient custom (O' Beirne, 2004). For example, South Africa's two largest fitness chain groups, namely Virgin Active and Planet Fitness are in competition for dominance and market share by differentiating their products in the categories of membership, facilities, exercise classes, programs, ancillary services, and interactive websites.

In order for an SMME to attract custom and gain market share, it is advisable to utilise unique forms of marketing, advertising, innovation, creativity, and improvements to produce a product with a stand-out effect. Differentiation can promote brand loyalty and influence the purchasing decisions of consumers. A classic case of product differentiation has been the Kazier Chiefs Football Club brand that has diversified into credit card branding, insurance policies, and funeral schemes thus adding value to the brand.

On the subject of sport products, Tribe (2005) emphasises the importance of demand forecasting. Proper business planning should precede the supply of sport and leisure goods and services as leisure services are highly perishable. For example, it is unprofitable for a small business owner to keep stocks of unsold squash courts, unsold sport tour packages or surplus sports apparel. Macleod (1999) raises the subject of continued product development. This is essential to counteract obsolescence and involves an ongoing assessment and appraisal of a company's product or service to keep abreast with consumer needs. Figure 2.15 (Chapter 2) highlights this point on the product life-cycle. Every product has a probable lifespan (Macleod, 1999) and passes through the clearly demarcated stages of development, growth, maturity, and decline. Thus, the onus is on the business owner to be alert to new ideas that could improve the needs of the target market. Scanning the environment for new ideas, opportunities, trends, and developments is a business imperative. Considering that commercial sport products are consumer-driven, business owners need to invest effort into defining and meeting customer's wants and needs (Ross, 2006).

Small business entrepreneurs have invented or designed numerous ‘first’ products in the South African sport industry. For example, in sport media, the development of the first sport jobs website and the development of the first comprehensive sport business website. Naturally, such authentic and original products would need to be legally patented.

#### 4.6.5. **Competition in the Sport Marketplace**

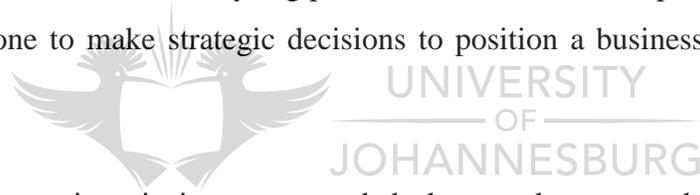
Competition among SMME’s in the sport industry to satisfy customer needs or to bid for a customer’s leisure time and disposable income can be fierce. Each business has a market share which represents its sales volume as a percentage of the total sales in a specific market (Madura, 2007). The level of competition is determined by the size and growth of the market, the number of competitors, their respective market share, and the degree of product differentiation (O’ Beirne, 2004). Any enterprising and innovative owner should manage the affairs of one’s business through various tools and strategies. A marketing strategy, Total Quality Management plans, environmental scanning, and SWOT analysis are examples of tools owner-managers could employ to become a competitive role-player. An entrepreneur would naturally prefer to pursue markets where competition is limited. In reality, the South African sport business market is tightly contested and competition is an omnipresent reality that SMME’s must deal with. The situation is further aggravated when SMME’s have to compete with larger enterprises for market share. Hence, it is sensible, where necessary to rather supply and work with large businesses than to compete with them.

#### 4.6.6. **Market Analysis**

Given that products and services have strong connotations and links to the marketplace, a brief examination of market analysis and market research is necessary. Preceding the actual operation of a business, certain fundamental processes ought to be executed as depicted in Figure 2.8 in Chapter 2. Nieuwenhuizen et al. (2005) underscored the necessity of the market feasibility study which entails ascertaining a company’s market position, performing market segmentation, designating the target market, and calculating the market share. A market feasibility study further consists of an antecedent market research analysis where the intention is to collect information on the market profile. Critical information needed include the size of the market, the likely customers, prevailing market conditions, what marketing strategy or plan will be adopted, and the marketing mix which

refers to how a product will be priced, promoted, and positioned (Macleod, 1999; Madura, 2007; UYF, 2003b). Market research is extensive, time-consuming, and expensive. Small business market research need not be sophisticated but rather practical to assist with decision-making and eliminate wastage.

Macleod (1999) supports the need for a market analysis in order for a prospective entrepreneur to determine whether there will be a fairly long-term demand for a product or service. At this juncture, the importance of market share is demonstrated. A business owner is expected to calculate the size of his potential market which can be an extremely prosperous scenario, a most probable scenario or a very weak scenario (Nieuwenhuizen et al., 2005). Antonites (2008) argued that SMME's need to produce services or products that are market-oriented, in other words, that are in demand with a ready and sustainable market. It is fruitless exercise to start a business without some indication of the product demand. New entrepreneurs thus need to give priority to their business approach, researching and segmenting their markets, forecasting sales, calculating the size of the potential market, analysing product demand, and anticipating competition. A market analysis enables one to make strategic decisions to position a business for success (Parks et al., 2007).



To conclude this section, it is recommended that market research, due diligence, and the application of basic economic principles should form compulsory elements of the planning process prior to the commencement of a business.

#### 4.7. Consumers in the Sport Business Industry

Table 4.10: Classification of SMME Consumers in the Sport Business Industry

Customers	Primary	Secondary
	%	%
General public	20.3	9.0
Government schools (pre-primary, primary & secondary)	9.3	12.1
Private schools (pre-primary, primary & secondary)	8.4	10.6
Professional sportspersons & coaches	4.8	6.0
Professional sport clubs, teams, and franchises	5.3	4.0
Sport Federations (regional, provincial and national)	7.5	6.0
Sport Federations (international)	2.6	5.0
Commercial wings of federations, for e.g. SA Rugby Pty Ltd	1.3	5.0
Local municipalities	7.5	5.5
Provincial government	3.5	5.0
National government	1.8	3.5
Corporate businesses	7.0	6.0
NGO's & CBO's	0.4	5.5
Amateur sport clubs	6.6	6.5
Sport community at large	10.1	9.5
Other:	3.3	0.5
Total Responses	227	199

According to the results in Table 4.10, respondents were requested to indicate who where their primary and secondary consumers of their products and services. In this section, although the respondents were instructed to choose one primary and one secondary consumer, several respondents chose multiple consumers from the list provided. This did not present a problem, as in hindsight, the researcher was effectively forcing the respondent to limit their answer to one primary and one secondary consumer. In fact, these small business entrepreneurs were providing multiple products to consumers. Hence, all this information was included and processed in the SPSS programme. This is evident from the findings that there were 227 and 199 primary and secondary responses respectively compared to the fact that there were only 124 respondents.

The statistics in Table 4.10 place the general public as the most common primary consumer (20.3%), followed by the sport community at large (9.3%) and government schools (9.3%). Furthermore, private schools (8.45), sport federations (7.5%), local municipalities (7.5%), and corporate businesses (7.0%) were the other primary customers of SMME's in the sport business industry.

SMME's in the sport business field similarly regarded government schools (12.1%), private schools (10.6%), the sport community at large (9.5%) and the general public (9.0%) as their common secondary customers. It is suggested that one should not read too in-depth into these results given that the sample spread is not equally stratified across the various SMME sectors. What is indeed important is the fact that there is a broad spectrum of customers supporting SMME's in sport business. Moreover, sport is a mass market product as evidenced by the fact the general public and the sport community at large accounted for a combined percentage of 34% and 18.5% of primary and secondary customers respectively. Hence, given that sport development (15%), sport management (12%), and major event management (11%) and sport retail (9%) were the main products of South African sport SMME's, one is able to gauge that the corresponding clientele as a matter of logic are the general public, the broader sport community, and schools.

Ross (2006) advises that sport enterprises need to develop detailed customer profiles to ensure that they target the proper market. So often, SMME's do not have a designated target market but rely on the general populace to support their businesses. Whilst such hopeful marketing might pay off, it is advisable to market one's products to a definitive group of consumers. Nieuwenhuizen et al. (2005) underscore the importance of a target market as that portion of the market that a company can reach with its products or services. Targeting a niche market is imperative to business success. The success of a business further depends on its ability to develop appropriate marketing strategies to attract and retain customers. Relationship marketing is one such strategy where an enterprise forges long-term relationships with customers, which can lead to repeat sales and reduced costs.

A business owner who has a better understanding of customers is able to develop products and services that meet their needs. The value of understanding consumer behaviour through market research and market analysis is thus reinforced. The World Bank (2006) found in a survey that micro-enterprises were not very well integrated into larger product supply chains in South Africa and thus recommended stronger business to business links. Being labelled a small enterprise often carries the misconceived tag of being survivalist. Therefore, SMME's should aggressively market themselves. Government also needs to support the small business sector by ensuring that sport SMME's are included into the databases of sport federations, municipalities, parastatals, and government departments such as Sport and Recreation South Africa. The very fact that just two enterprises in the sample were registered with a business chamber places into perspective why sport SMME's are not interwoven into major supply chains.

#### 4.8. Motivation to Stay in Sport Business

A key objective of the study was to understand the reasons which motivated small business owners to remain in sport business. In this section, generic statements derived from the extensive literature review on the reasons motivating small business entrepreneurs to remain active in sport business were listed. Respondents were requested to rank such reasons in order of importance. Selected aspects of the results are discussed hereunder.

Table 4.11: Reasons Motivating Small Business Entrepreneurs to Stay in Sport Business

Reasons that motivate you to stay in sport business	X	Std Deviation
Gives me personal fulfilment, joy, and satisfaction	3.28	2.626
There is much future business potential in the sport industry	3.47	2.134
My business has grown	3.52	2.420
My business has an established market reputation	4.01	2.816
I maintain good profit margins	4.02	2.837
Provides me with a challenge	4.26	3.008
I'm contributing to the community (e.g. job creation)	4.30	2.618
The growing professionalism in sport	4.31	3.544
A healthy sports consumer market	4.52	2.957
My business has become competitive	4.55	3.105
I draw a competitive salary	4.60	3.320
Provides my family and I with personal security	4.85	3.633
I can maintain flexibility and work-family balance	5.17	3.536
Gives me recognition and status	5.62	4.076
The ongoing hosting of mega events like the FIFA 2010 WC	5.76	3.554
Other:		

- The lower the mean score, the greater the importance of the reason to remain in sport business.

##### 4.8.1. Personal Fulfilment and Satisfaction

Respondents were provided with a list of reasons that promoted business retention in the sport industry. A closer observation of the results in Table 4.11 confirms that personal fulfilment and satisfaction was the most important reason that prompted small business owner-managers to continue doing business in the sport industry ( $\bar{x}=3.28$ ). This statistics implies that small business entrepreneurs display a great deal of identification and personal involvement in their businesses.

This finding is further consistent with the study by Berret et al. (1993) which revealed that intrinsic rewards such as being one's own boss and controlling one's own destiny outweighed all other benefits of running a business. In order to substantiate this finding, the researcher at this juncture refers to management theory and Maslow's hierarchy of needs. With reference to Maslow's theory, basic lower order needs are met in terms of legitimately making a living through the means of a business. However, one presumes that over and above survival needs being satisfied, higher order needs, namely ego, self-esteem, and self-actualization needs are being achieved in this scenario. This was perhaps expected given that running one's own business requires creativity, determination, perseverance, and a sense of enterprise. Moreover, it is a means of self-empowerment, self-sustenance, and self-sufficiency. Thus, the highest level needs of self-actualization are those related to creative development and self-realization. It is at this stage where small business owners are able to realise their fullest potential and growth by maximising their talents and abilities whilst making a living out of doing so.

#### 4.8.2. Future Potential in the Industry

With reference to Table 4.11, small business entrepreneurs have made perhaps one of the most important statements of the study. Respondents have indicated that there is indeed long-term potential in the broad and diversified sport business industry ( $\bar{x}=3.47$ ). This statement was rated as the second most important reason that prompted SMME's to remain in business within the sport industry. This reason has emerged the most important of the generic business-related variables and industry-related variables motivating one to operate a business in the sport industry. Historically, sport in South Africa has undergone a metamorphous in the way it is produced and consumed. In the modern era, both competitive and recreational sport has grown incrementally. As a commodity, sport has given rise to a dynamic business industry. The survey was conducted pre-FIFA 2010 Football World Cup where it was evident to all and sundry that there were genuine opportunities for certain SMME's in sport business. The legacy of this event has re-affirmed the country's sporting pedigree. Proactive SMME's are beginning to leverage off the positive spin-offs of this event to grow their businesses.

Further business opportunities for SMME's are being fuelled by the growing entertainment value of sport. This point is underscored by the recent birth of the Sport Industry Group which is a networking organization for major role payers in sport business. The Sport

Industry Group is also the organiser of the Virgin Active Sport Industry Awards which recognizes and rewards the best the sport business industry has to offer in marketing, public relations, sponsorship, new media, publishing, and advertising. Whilst South Africa is still in recovery mode after the devastating affects of the recession, sport SMME's are nevertheless hopeful that there is a bright future for the industry in terms of future business prospects. SMME's are indeed well-positioned now to take advantage of business opportunities given that the outlook on the economy is improving. This positive prediction by the industry of the industry does indeed pose an encouraging scenario to prospective entrepreneurs, nascent entrepreneurs, and start-up entrepreneurs in sport business.

#### 4.8.3. Business Growth

The growth of one's business ( $\bar{x}=3.52$ ) featured highly in the motivation to remain in sport business. In substantiating this finding, one needs to be somewhat circumspect in the interpretation of this result. Growth is a rather broad and abstract concept. It is acknowledged that this was a rather general statement and perhaps respondents did experience growth in specific aspects of their businesses as opposed to overall growth. Hence, the high rating of this statement could be attributable to overall or specific growth. Nevertheless, Wickham (1988) cited in Nieman (2006) and Perks and Struwig (2005) stated that there were four dimensions of growth, namely financial growth, strategic growth, structural growth, and organisational growth. Growth in either of these dimensions of a business is viewed as a positive and encouraging sign of enterprise, progress, and success. Such elements are positive motivators that would compel a business person to stay in business. Therefore, individuals who are entrepreneurially-predisposed can take heart from this finding that positive growth of SMME's in sport is retaining current entrepreneurs to trade in the sport business industry.

#### 4.8.4. Established Market Reputation

Table 4.11 further illustrates that an established market reputation was another underlying reason that was highly ranked ( $\bar{x}=4.01$ ) by small business entrepreneurs as a motivator to remain in sport business. A reputation defines a company's identity in a competitive market and is further indicative of the quality of its products or services. Stinchcombe's (1965) assertion cited in

Goldberg, Cohen, and Fiegenbaum (2003) that newly-founded small businesses suffer from a 'liability of newness' remains valid to this present day. Newly-established SMME's would understandably struggle to gain new customers, secure bank loans, and attract skilled or experienced staff. Goldberg et al. (2003) found that investing in an integrated, broad spectrum of reputation building strategies would enable a business to quickly develop a reputation for excellence in the field.

Attaining a reputation as a company of good standing does not happen overnight and involves arduous work. It would be naïve for a wise business person to contemplate embarking on any risky initiatives when one's company has a prominent footprint in the sport business industry. On this basis, a prudent business person would not be foolish to sacrifice a reputable reputation that has been hard earned and deserved. In sport business, medium and large enterprises with established international reputations include *inter alia* Octagon, BMI Sport Info, SAIL Sport, and Megapro Sport Marketing. Small business owners thus need to take a pragmatic and premeditated decision to invest in building a corporate reputation as one of the primary objectives during the early stages of business development (Goldberg et al., 2003). As an intangible asset, a corporate reputation could prove pivotal in obtaining good standing within the marketplace.

#### 4.8.5. Profit Margin

The common reason that one generally associates with business retention, namely a profitable enterprise was placed a close fourth in the mean ratings ( $\bar{x}=4.02$ ). This result places into perspective that the notion of profit being the overall deciding reason to remain in sport business, is certainly not true. Contrary to general misperception, not every small business entrepreneur is motivated to remain in business due to consistent profit margins. Business growth, business reputation, long-term opportunities, and personal job satisfaction are factors that small business entrepreneurs attach more importance to. This finding is somewhat contrary to business norms that the aim of every business person is to make a profit. It is clearly evident that other factors have come to transcend the profit motive in the business world. It must be acknowledged that perhaps some respondents were reluctant to indicate that generating good profit was indeed their main reason for running a business in sport and thus rated this statement somewhat lower.

#### 4.8.6. Flexibility and Work-Family Balance

Contrary to common opinion that small business entrepreneurs are able to lead a flexible lifestyle and balance work-family responsibilities, this factor was rated fairly low ( $\bar{x}=5.17$ ). Perhaps, a combination of business stress and the onerous, unsociable hours that a small business entrepreneur invests in a business precludes one from leading a balanced lifestyle. Making any business work is a tough assignment. SMME's are commonly owner-managed thus implying that one engages solely in an array of business management responsibilities. Multi-tasking in areas of marketing, accounting, operations, and so forth becomes a compulsory, time-consuming, and demanding exercise. The findings in Table 4.11 do not support the findings of Brown et al. (2002) cited in Carrington (2006) who found that self-employment among women expanded by 43% in Canada between the period 1991 to 2001 largely due to the opportunity for females to acquire a balance between family obligations and working life. Off-course, in this scenario, gender-specific motives were the probable reasons for this increase, namely a greater sense of responsibility for child care amongst females.

#### 4.8.7. Discussion on Selected Variables



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The other factors that featured pre-dominantly as moderate motivating reasons to remain in sport business included a small business entrepreneurs contribution to job creation ( $\bar{x}=4.30$ ), the growing professionalism of sport ( $\bar{x}=4.31$ ), and a healthy sport consumer market ( $\bar{x}=4.52$ ).

Operating a business for egotistical reasons and to achieve status, respect, or recognition in the community was one of the least important reasons ( $\bar{x}=5.62$ ) motivating small business entrepreneurs to remain in business. This finding partially refutes research done by Porter and Nagarajan (2005) who found that women entrepreneurs harboured aspirations to use their business gains for upward social mobility. Major events management also featured lowly as a motivator to stay in business. The information in Table 4.11 does indicate that whilst a temporary and transitional event like the 2010 FIFA World Cup would present invaluable opportunities to specific SMME's, realistically, not all SMME's doing business in the sport business sector would be afforded the opportunity to be part of such events.

The contribution of SMME's to the community was moderately ranked ( $\bar{x}=4.30$ ). The last official estimation on the number of employees employed within SMME's in the sport, leisure, and fitness industries was 20 000 (DEAT, 2007). There is no doubt that SMME's in the sport industry are committed towards making a positive and meaningful contribution in generating employment, creating wealth, and improving livelihoods. However, it must be acknowledged that the job-creating potential of SMME's in the sport business industry would not be as strong as compared to their counterparts in the construction or tourism industries which are by comparison more labour-intensive and service-oriented respectively. This is largely attributable to the inherent characteristics, dynamics, and structure of the field of sport business. This statement is supported by the fact that 87.9% of the firms surveyed were small, micro or very small firms. Moreover, 62.1% of the SMME's surveyed employ five staff or less. Perhaps, it is on this basis, that this statement is not a highly regarded as a motivator to remain in business.

It should be mentioned that this list was non-exhaustive and respondents were encouraged to list any additional reasons that prompted them to stay in sport business. For the purpose of the analysis, these self-explanatory responses contained below in Table 4.12 were not included in the calculation of the mean score. Some of these additional reasons included:

**Table 4.12: Additional Motivating Reasons to Remain in Sport Business**

<p>There is a gap in the market for school sport and physical education.          Current secondary business strategically supports a primary business.          The small business owner was not qualified to do anything else.          Business provides a much-needed community service.          It is a very interesting and ever-changing environment.          Fantastic and friendly people work in this industry.          There is a dire need for such programs in developing communities.          A unique franchising model that helps to build and develop entrepreneurs.          To grow the potential of young South Africans and keep them fit.          The need for affordable sports coaching.          A passion for sport.</p>
---

#### 4.9. Conclusion

This chapter has examined the data of the survey. It has analyzed and interpreted the results and provided a critical discussion thereof. The researcher is thus prepared to conclude and make recommendations in Chapter Five.

**CHAPTER FIVE****CONCLUSION & RECOMMENDATIONS**

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## 5.1. Introduction

Chapter Five consolidates and concludes the study. Recommendations are duly proposed.

## 5.2. Conclusion

This section provides the main conclusions of various sections of the study.

### **Biographical Profile**

The characteristic profile of small business entrepreneurs in sport demonstrated a pre-dominance of male, middle-aged, highly-capacitated, and well-experienced individuals who entered the sport small business industry through starting a new business for the first time. The findings further suggest that entrepreneurs in sport business place much value on their acquired business skills. Almost 60% of them have supplemented their business acumen with business management or entrepreneurship training.

It was found that 42.7% of SMME's in sport business employed between 2-5 staff. This finding suggests that while the sport industry may be a significant contributor to the country's GDP, it is by no means a mass employment generator. A significant finding from the results was that 68.6% of businesses were under ten years of age thus implying that the sport business industry is relatively young and still growing. The geographic location and wide choice of headquarters of most enterprises in the sport industry reflects the flexible and multi-dimensional structure of the industry. In concluding this section, it was found that 70.2% of SMME's in the sport business industry featured on the World Wide Web with company websites.

### **Business Association**

A satisfactory percentage of 32.3% of small business entrepreneurs indicated affiliation to a myriad of business associations, regulatory bodies, industry-specific organisations, and government agencies. This finding implies that the cross-cutting effect of the sport industry is prominently felt in various spheres of business and industry such as manufacturing, health, medicine, and tourism. A more significant finding was that a high number of sport business entrepreneurs (75%)

welcomed the concept of a professional sport business association. It is expected that such an association would unify and strengthen the sport industry, inspire business confidence, create an enabling business environment, and align the sport industry towards national programmes such as the New Growth Path and the Millennium Development Goals. This finding was encouraging considering that small business entrepreneurs agreed that a professional sport business association would be good idea in terms of rendering industry support. The benefits of a broad or sector-based business association would enable entrepreneurs to organise themselves into a collective body with collective bargaining powers. As an umbrella body, such an advocacy organisation could provide a forum for negotiating and networking. Other benefits that a business association could render include the provision of media exposure, improving one's business profile, coaching and mentoring programmes, and business support services.

### **Company Profile**

The findings in this section revealed that SMME's in the broad sport industry were legal and formal entities that were mainly registered as close corporations (70.2%). These companies were spread in various size categories. On a positive note, there was a trend that companies in the sport industry were embracing economic transformation. This was evident by the finding that 23.38% of the entire sampled population of SMME's were owned by previously disadvantaged people.

### **Motivation to Start a Business in Sport: Descriptives**

The antecedent reasons to starting an enterprise in sport business were analysed both descriptively and inferentially. Descriptively, it was found that small business entrepreneurs in sport business are by and large, opportunity-based entrepreneurs who were attracted to business prospects in the sport industry. An extremely low percentage of the respondents are necessity-based business entrepreneurs. Rather surprisingly, variables constituting the classic entrepreneur did not score highly in terms of mean scores. The recognition of a viable business opportunity, having a passion for sport, having prior experience in the sport industry, and the desire to earn more money were strong and reliable motivators for entrepreneurs to enter the field of sport business management.

Contrary to misperceptions, the profit motive is not the sole prerogative of several small business entrepreneurs. There are a multitude of incentives motivating an entrepreneur to start a business

venture. The researcher is able to surmise that perhaps, these results on business incentives are unique to the sport business industry and not possible to generalise to the other sectors of business and industry given that there is a possibility of significant differences between the sectors.

The results imply that the inherent dynamics of the sport industry provide fertile ground for spawning new business. Transforming an idea into a product and creatively converting a workable opportunity into a business was a strong stimulus. The results further indicate that individuals tended to start a sport business in a field in which they has previous experience. Prior involvement in sport and a fanaticism for sport either as a participant, spectator, administrator, or technical official were inducements to forming a business. This finding implies that having an embedded passion for sport could create a propensity to grind out a potential career in a specific sport.

### **Motivation to Start a Business in Sport: Factor Analysis and Reliability**

This study reported extensively on the results of the exploratory factor analysis and reliability data relative to new venture creation in sport. Factor Analysis was performed on the motivation scale of 19 items in order to determine whether or not a stable and reliable set of entrepreneurial motivation factors existed. Principal component analysis (PCA) with varimax factor rotation was applied to the 19 items. When reliability was calculated for each factor, the Cronbach Alpha values extracted from the data were found to be acceptable but not high. This finding was benchmarked against the Cronbach Alpha value 0.70 which is considered an acceptable indicator of internal reliability of a scale. The final solution produced five motivational dimensions that appear to be the dominant factors influencing one to embark on an entrepreneurial career. Self-development, forced entrepreneurship, a predisposition to sport business, previous business experience, and job security and flexibility were found to be the five motivational factors predisposing entrepreneurs to enter sport business. Due to the exploratory nature of the study, there were two low Cronbach Alpha coefficient values (previous business experience and job security and flexibility), thus implying that it is not a perfect study.

### **Sport Products in the Industry**

SMME's in the sport industry are offering a myriad of products and services underlying the heterogeneous, fragmented, and segmented nature of the South African sport business marketplace.

Irrespective of whether SMME's were operating within niche markets, they were found to be offering multiple primary and secondary products with diverse revenue streams. The provision of such sport products are governed by the basic economics of supply and demand. The findings also lean towards the trend that SMME's in sport are applying the principles of economics and have diversified interests. The highly competitive and dynamic nature of the South African sport business market reinforces the need for business diversification and differentiation in order to gain market share. The findings further point to the need for prudent sport entrepreneurs to incorporate the principles of sales forecasting and competitive advantage in their business planning.

The findings in this section re-force the need for small business entrepreneurs to pursue market research and to devise a marketing strategy inclusive of the fundamentals of a market analysis, market profile, and the marketing mix. Such business imperatives are necessary in order to guide decision-making and to assess short and long-term demand for a product or service.

### **Sport Consumers**

A significant quintessential feature of the sport business sector is its relevance to the mass market. The core markets were found to be the general public, the sport community at large, and government schools. However, private schools, sport federations, and corporate businesses were the also part of the client base for SMME's in the sport business industry. Business enterprises in the sport industry were offering products to a wide range of primary and secondary consumers as evidenced in the multiple responses received for this section. The results suggest that profiling and understanding consumer patterns and subsequently targeting a niche market gives focus to a business and predisposes it to attaining success.

### **Motivation to Remain in Sport Business**

Mean ranking revealed that the intrinsic desire to fulfil ones potential and achieve satisfaction was the main reason retaining entrepreneurs in sport. This finding justifies McClelland's and Maslow's motivation theories of Achievement Motivation and the Hierarchy of Needs respectively. The existence of much future potential in the sport industry, the growth of one's business, and having an established market reputation were the highest ranked extrinsic reasons that prompted small

business entrepreneurs to remain in sport business. The findings do suggest that the sport business industry in South Africa is robust and thriving.

### 5.2.1. Hypotheses

On the basis of the findings of the study, the formulated hypotheses are re-visited:

- **Hypothesis One:** It was hypothesized that there are diverse business opportunities within a highly segmented sport industry in South Africa. This hypothesis is accepted.
- **Hypothesis Two:** It was hypothesized that the identification of business opportunities is a strong antecedent variable to small business. This hypothesis is duly confirmed.
- **Hypothesis Three:** It was hypothesized that there is good potential for future small business establishment and growth within the sports industry. This hypothesis is partially confirmed.

This study has dealt with entrepreneurs in sport in an effort to understand their business background and biographical profiles. Insights into the business practices and entrepreneurial activities of small business entrepreneurs in sport business were also gained. This dissertation has further provided meaningful discussion on what factors shape the thought-processes, attitudes, and approaches of entrepreneurs to take-on the challenge of embarking on an occupation of self-employment. The study has also created a profile of the characteristics of small business entrepreneurs in the sport industry. From an interpretative standpoint, it can be deduced that sport entrepreneurs are heterogeneous with varying characteristics and entrepreneurial motives.

The following three findings imply that opportunities are indeed embedded in the sport industry:

1. Opportunity identification was found to be a strong antecedent reason to start a business in sport.
2. The industry was found to be highly segmented with a multitude of products on offer.
3. The perceived positive future potential of the sport industry was rated highly as a factor retaining SMME's in business.

It is anticipated that this study will provide scientific information on generating interest and activating participation in sport entrepreneurship. Building an entrepreneurial culture in sport is not a quick process but needs to be inculcated in the formative years of one's career. Academics, decision-makers in government, business leaders in the private sector, and nascent entrepreneurs themselves need to be sensitized as to what are the practicalities and realities in the actual sport industry. Facing challenges, assuming calculated risks, and going forth and creating one's own business with vision and determination is a daunting and difficult endeavor. Entrepreneurs require support to improve their productivity, competitiveness, and sustainability. The SMME industry needs to take an active interest to ensure that those who are entrepreneurially-inclined start, stay, and succeed in entrepreneurship.

### 5.3. Recommendations

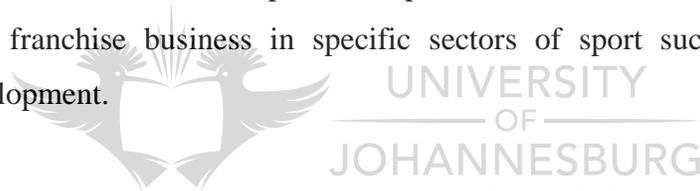
Based on the research findings, the following recommendations are presented:

1. The sport business industry needs to profile successful sport business entrepreneurs (for example, profiles in the media, and speaking at forums, conferences, and lectures).
2. Successful and prominent sport business entrepreneurs need to be recruited as mentors to assist youth entrepreneurs and nascent entrepreneurs. Moreover, established and high profile sport entrepreneurs need to be strategically utilized as role models by tertiary institutions and SMME support agencies to inspire and encourage more graduates to embark on entrepreneurial careers.
3. Having a passion for sport, having prior experience in the sport industry, the existence of viable business opportunities, and optimistic forecasting of long-term potential for business growth are pre-disposing indicators that need to be highlighted in order to stimulate sport entrepreneurship among tertiary sport management students and graduates.
4. Whilst CATHSSETA has an existing New Venture Creation program, the skills body needs to ensure that talented and skilled entrepreneurially-oriented sport management graduates are targeted for placement on new venture creation initiatives and other business incubation

programs. Such candidates also need to be provided with the commensurate training, financial assistance, business support, and mentoring until the business take-off phase.

5. Existing, emerging, and talented sport business entrepreneurs need to be identified, nurtured, and developed through the various business incubation initiatives of government. In harnessing the talents of high level entrepreneurs, we can assist in raising the TEA of the country and counteract business failure.
6. Identify and support aspirant student entrepreneurs with a positive disposition towards self-employment and small business entrepreneurship as a career.
7. The public and private sector could jointly facilitate platforms for young entrepreneurs by exposing entrepreneurially-inclined youth to economic opportunities in the sport industry through conferences, workshops, exhibitions, and *indabas*.
8. The school environment and tertiary sector need to promote self-employment by inculcating self-confidence, self-determination, and a need for achievement.
9. SMME's in the sport business industry need to strive to become BEE-compliant and achieve decent BEE ratings in order to place their companies in good standing in the broader economy. Non-compliant SMME's should start considering the integration of BEE objectives into their business.
10. The sport business industry requires greater exposure. High profile organisations such as the Sport Industry Group need to work in tandem with local agencies to host business networking forums such sport business expos where local SMME's can be afforded opportunities to showcase their products. The successful Soccerex and the Leisure Industry Week (United Kingdom) are excellent examples.
11. South Africa requires a fully-fledged sport management association. The Sport Industry Group could play a lead role in facilitating the above in close consultation with local stakeholders.

12. The highly segmented and diversified sport business market and its cross cutting nature with other areas of business bodes well for future entrepreneurs. The implication is that the industry is not one-dimensional and a prospective entrepreneur can be flexible in carving out a niche.
13. Notwithstanding current initiatives of government in sport business, Sport and Recreation South Africa should take a more active interest in sport business and build stronger links with the private sector in order to promote enterprise growth and development.
14. The current South African sporting landscape contains business opportunities. SMME's and entrepreneurs need to be alert, innovative, and proactive to capitalize on such opportunities.
15. Prospective small business sport entrepreneurs should investigate the feasibility of starting a franchise business in specific sectors of sport such as sport coaching and sport development.
16. Current SMME's should harness the best practices within the sport business industry to build more profitable and sustainable businesses.
17. SMME's in sport need to be cognizant of business trends and changes in the macro-and market environments.
18. It is recommended that future research in the field of entrepreneurship in sport business should explore the dynamics of business growth and success pertaining to SMME's in the industry. In an endeavor to promote the sustainability of SMME's in sport, it is critical to understand the success indicators of SMME's in sport and which variables influence business growth.



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APPENDIX 1

**DEPARTMENT OF SPORT AND MOVEMENT STUDIES**  
**TEL: (011) 559 2748**  
**FAX: (011) 559 2671**

**18 August 2008**

Mr. Kusch Mothilall

**Master's Proposal**

Thank you for presenting your research proposal to the Department. After careful consideration it was resolved that your proposal was successful. Please consult with your supervisor Prof Singh regarding the way forward.

Kind regards  
Yours sincerely

A handwritten signature in cursive script that reads 'Lategan'. The signature is written in black ink on a light-colored background.

**DR. L LATEGAN**  
**TEL: 011 559 2748**  
**E-mail: [leonl@uj.ac.za](mailto:leonl@uj.ac.za)**

APPENDIX 2

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2 Haymarket  
45 Cato Street  
Glenwood  
Durban  
4001

2 October 2009

Dear Small Business Owner

**SPORT MANAGEMENT RESEARCH**

You have been selected to participate in a research study that I'm conducting for the degree of Master of Philosophy in Sport Management with the University of Johannesburg. The study topic is entitled:

***An Analysis of Opportunities and Trends in the Sport Business Industry with a Focus on SMME's and Entrepreneurship.***

The aim of the study is to conduct a situational analysis of small enterprises in the sport industry. Furthermore, the study profiles the characteristics and practices of business owners engaged in self-employment within the sport business industry.

The research will contribute toward expanding the body of knowledge on small business development and entrepreneurship in sport.

Should you wish to participate in the study, please complete and return the attached questionnaire in the self-addressed postage-paid envelope preferably by 19 October 2009. The questionnaire should take about 10 minutes to complete.

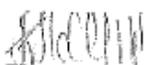
Please answer each question as honestly and objectively as you can. The information provided will be treated in confidence; your response will be anonymous because you are not required to furnish your name or your company's name.

A summary of the research findings will be furnished should you request this.

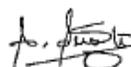
Should have any queries or comments regarding this survey, please contact the researcher on 031-201 7069 or at [kush.mothilall@yahoo.com](mailto:kush.mothilall@yahoo.com).

Thank-you in advance for your assistance. Your co-operation is highly valued.

Yours faithfully



**KUSH MOTHILALL**  
Student No. : 200838010 (Univ. of Jbh)  
Tel. : 031-201 7069  
Mobile : 084 521 3357  
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**PROF PAUL SINGH**  
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Auckland Park Bunting Campus | Auckland Park Kingsway Campus  
Doornfontein Campus | Soweto Campus



**APPENDIX 3**

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[Print - Close Window](#)

Subject: Sport Management Research  
 From: Kush Mothilal (kush.mothilal@yahoo.com)  
 To: sport@caylix.co.za;  
 Date: Tue, 20 Oct 2009 23:00:18

The Managing Director  
 Caylix Sport Management (Events, Sport Development & Coaching Sector)

Dear Small Business Entrepreneur

I'm a Masters sport management student with the Univ. of Johannesburg doing a Research Study on small enterprises and entrepreneurship in the broad sport business industry.

I have selected you as part of my national survey to participate in the study.

Should you wish to participate in the study, then please complete the enclosed [Questionnaire](#) (MS Word) and email it back to me by 2 November 2009.

Confidentiality and anonymity is assured. You are NOT required to provide your name or your company's name.

Please see the [Cover Letter](#) from the University for all details.

Thank you for your valued co-operation.

Kush Mothilal  
 MPhil Sport Management Student  
 c/o University of Johannesburg  
 Department of Sport and Movement Sciences  
 Student No: 200838010

Personal Postal / Physical Address  
 2 Haymarket  
 45 Cato Road  
 Glenwood  
 Durban  
 4001

Tel : 031-201 7089 (h)  
 Cell : 084 521 3357  
 Email : [kush.mothilal@yahoo.com](mailto:kush.mothilal@yahoo.com)



UNIVERSITY  
 OF  
 JOHANNESBURG

APPENDIX 4

**SECTION 1  
PERSONAL INFORMATION**

1. Gender

2. Age

Please indicate with an X

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

Under 20	<input type="checkbox"/>
22-24	<input type="checkbox"/>
25-29	<input type="checkbox"/>
30-34	<input type="checkbox"/>
35-39	<input type="checkbox"/>
40-44	<input type="checkbox"/>
45-49	<input type="checkbox"/>
50+	<input type="checkbox"/>

3. What is your highest qualification? Choose one option only.

Highest Qualification	X
Post-graduate Masters or PHD degree, for e.g. MBA or MBL.	<input type="checkbox"/>
Post-graduate Honours degree / equivalent diploma	<input type="checkbox"/>
B-degree / Diploma	<input type="checkbox"/>
Certificate programme	<input type="checkbox"/>
Secondary school (Grades 8-12)	<input type="checkbox"/>
Primary school (Grades 1-7)	<input type="checkbox"/>
No formal education	<input type="checkbox"/>

4. Have you completed any business management or entrepreneurship training ?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

5. If 'Yes' for Q4 above, what was the pre-dominant format of training?  
Choose one option only.

Format of Training	X
	<input type="checkbox"/>
Degree / Diploma	<input type="checkbox"/>
Certificate / Short Course	<input type="checkbox"/>
Workshop	<input type="checkbox"/>
Seminar	<input type="checkbox"/>
	<input type="checkbox"/>

## SECTION 2

**COMPANY PROPERTIES**

1. Based on registration, is your company defined as: Choose one option only.

Size of Company	X
Micro Enterprise	
Very Small Enterprise	
Small Enterprise	
Medium Enterprise	

2. How did you get into small business management? Choose one option only.

Entry into Business	X
Started a new business.	
Bought a franchise.	
Inherited a family business.	
Bought an existing business.	
Other (please specify):	

3. What is the legal form of your company? Choose one option only.

Legal Structure of Enterprise	X
Sole Proprietorship	
Close Corporation	
Private Company	
Partnership / joint venture	
Not registered	
Other (specify)	

4. How many full-time staff are employed by your company?  
Choose one option only.

Number of Full-time Staff	X
Only 1 (myself)	
2-5	
6-10	
11-20	
21-50	
51 or more	

5. How many part-time staff are employed by your company?

Choose one option only.

Number of Part-time Staff	X
None	
Only 1 (myself)	
2-5	
6-10	
11-20	
21-50	
51 or more	

6. How old is your business? Choose one option only.

Age of Business	X
Less than 1 year	
1-2 years	
3-5 years	
6-10 years	
11 years or more	

7. Geographic location of your business office/headquarters.  
option only.

Choose one

Location of Company	X
In the urban city centre	
In a suburb	
In a semi-urban area	
In a rural area	
Other (specify)	

8. Where is your business primarily based? Choose one option only.

Business operates from	X
Home	
Business centre or office park	
Main street or shopping mall	
Public sport facility	
School	
Private sport facility	
Resort	
Conference centre	
Other (please specify):	

9. Is your company registered with any business association?

For e.g. a Chamber of Business and Commerce.

Yes	
No	

10. If Yes, please provide the name/s of these organisation/s.

--

11. Do you think that having a professional sport business association would be a good idea in terms of rendering industry support?

Yes	
No	
Unsure	

12. In terms of the Skills Development Act, is your business registered with a relevant Sector Skills Authority, for eg THETA, MERSETA or MAPP SETA.

Yes	
No	

13. If Yes, has your company and staff received any training from the relevant SETA.

Yes	
No	

14. Does your company have a website?

Yes	
No	
No, but one under consideration / construction	



### SECTION 3 MOTIVATON FOR STARTING YOUR BUSINESS

1. Below is a set of reasons which could motivate an individual to start their own business in sport. Please indicate the degree to which each reason influenced your decision to start up a business in sport.

Please place an X next to the number of the appropriate response for each reason.

If a reason is not applicable, then please place X next to number 1.

Reasons for starting a business in sport	Scale			
	N/A	Slight influence	Moderate influence	Strong influence
I was seeking a new challenge	1	2	3	4
I had a need for self-expression and creativity	1	2	3	4
I identified a viable business idea or opportunity	1	2	3	4
I resigned from a previous job	1	2	3	4
I had prior general business experience	1	2	3	4
I was influenced by family & friends to start a business	1	2	3	4
I wanted to improve my self-image and social status	1	2	3	4
To be my own boss i.e. independence and freedom	1	2	3	4
To work flexible hours and maintain work-family balance	1	2	3	4
I had prior experience in the sports industry	1	2	3	4
I was retrenched from my previous job	1	2	3	4
I have a passion for sport	1	2	3	4
I inherited a family business	1	2	3	4
I was an unemployed graduate	1	2	3	4
I had a need for job satisfaction	1	2	3	4
I wanted to gain more job security	1	2	3	4
I had a desire to earn more money	1	2	3	4
To be able to achieve self fulfilment	1	2	3	4
Few job opportunities, so it was a necessity	1	2	3	4

2. Is this your first business within the sport industry ?

Yes	
No	

3. Did your previous job help you gain the experience and skills necessary to succeed in your current business in the sport industry?

Yes	
No	

4. How many years of total business experience do you have?

Please choose one option only.

<b>Years of previous business experience</b>	<b>X</b>
Less than 2 years	
2-5 years	
6-10 years	
11 or more years	

5. Is there any ownership of previously disadvantaged / black stakeholders in your company ?

Yes	
No	

6. If, YES, what percentage ? Please choose one option only.

<b>Percentage of black ownership of company</b>	
Under 5 %	
6-10%	
11-20%	
21-30%	
31-40%	
41-50%	
51-99%	
Entirely previously disadvantaged or black-owned.	

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7. What motivates you to stay in the sport business industry?  
Please answer 7.1 and 7.2.
- 7.1. Below is a list of reasons for remaining in sport business. Read through the list and in the 'Relevant' column identify (with an X) the reason(s) you think motivates you to stay in sport business.
- 7.2. Then please rank that reason / those reasons that you have identified, from most relevant to least relevant, i.e. where 1 is most relevant, 2 is next most relevant, and so forth.

Reasons that motivate you to stay in sport business	Relevant	Rank
There is much future business potential in the sport industry		
Gives me personal fulfilment, joy, and satisfaction		
I maintain good profit margins		
I draw a competitive salary		
Provides my family and I with personal security		
Gives me recognition and status		
Provides me with a challenge		
I'm contributing to the community (e.g. job creation)		
I can maintain flexibility and work-family balance		
My business has grown		
The growing professionalism in sport		
A healthy sports consumer market		
The ongoing hosting of mega events like the FIFA 2010 WC		
My business has an established market reputation		
My business has become competitive		
Other (please specify):		

## SECTION 4

**BASIC BUSINESS PRACTICES & PERFORMANCE**

1. What is your company's business product?  
Please choose ONE Primary Product and if necessary, ONE Secondary Product.

Product	Primary	Secondary
Sport goods manufacturing		
Sports retail: clothing, apparel & equipment		
Sports management, i.e. marketing and promotions.		
Sports management, i.e. player & coach management.		
Stadia & facilities management.		
Sport medicine & biokinetics.		
Health & fitness.		
Commercial recreation / leisure centre		
Project management.		
Consulting, research and policy.		
Major events management.		
Elite athlete development / high performance		
Extreme sport / adventure recreation / eduventure		
Sport development (leading or coaching, school sport, and community sport)		
Sport tours and travel.		
Sport education and training.		
Other (please specify):		

2. Who are your main customers ?  
Please choose your ONE Primary customer and if necessary, ONE Secondary customer.

Customers	Primary	Secondary
General public		
Government schools (pre-primary, primary & secondary)		
Private schools (pre-primary, primary & secondary)		
Professional sportspersons & coaches		
Professional sport clubs, teams, and franchises		
Sport Federations (regional, provincial and national)		
Sport Federations (international)		
Commercial wings of federations, for e.g. SA Rugby Pty Ltd		
Local municipalities		
Provincial government		
National government		
Corporate businesses		
NGO's & CBO's		
Amateur sport clubs		
Sport community at large		
Other (please specify):		

3. Does your company tender for government contracts?

Yes	
No	

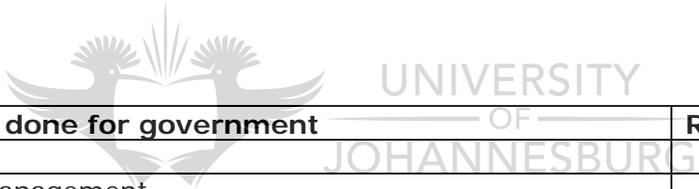
4. Have you previously secured a government tender or contract in your line of business ?

Yes	
No	

5. If YES, then please specify the nature of work in 5.1. and 5.2.

- 5.1. Below is a list of projects that companies normally undertake for government. Read through the projects and in the 'Relevant' column identify (with an X) the project(s) that your company has undertaken for government.

- 5.2. Then please rank that project / those projects that you have identified from most relevant to least relevant, i.e. where 1 is most relevant, 2 is next most relevant, and so forth.



<b>Projects done for government</b>	<b>Relevant</b>	<b>Rank</b>
Events management		
Training & capacity-building		
Provision, maintenance, and upgrading of sports facilities		
Research and needs assessments		
Sport strategy development & business planning		
Sport science / elite athlete development		
Consulting		
Project management		
Supplying equipment		
Other (please specify)		

6. In your opinion, how would you gauge the overall success you have achieved in your business since you started running the business?

Please choose one response.

Level of Success	X
Consistently high	
Consistently low	
Consistently average	
Fluctuating (i.e. up and down)	
Gradually increasing	
Gradually decreasing	

7. Some common business success indicators are listed below. Indicate the degree to which each is relevant to your business.

Please place an X next to the number of the appropriate response for each business success indicator.

If an indicator is not applicable, then please place an X next to number 1.

Business Success Indicator	Scale			
	N/A	To a Small Degree	To a Moderate Degree	To a Large Degree
Attracted new customers and retained existing customers	1	2	3	4
Moved into bigger premises	1	2	3	4
Did much innovation & differentiation	1	2	3	4
Introduced new technology, systems & processes	1	2	3	4
Achieved job-satisfaction	1	2	3	4
Increased sales and turnover	1	2	3	4
Achieved a competitive advantage in the market	1	2	3	4
Increased market share	1	2	3	4
Created employment for others / employed more staff	1	2	3	4
Built my company's image and reputation	1	2	3	4
Achieved the break-even point	1	2	3	4
Provided excellent customer services and customer satisfaction	1	2	3	4
Achieved personal satisfaction, pride, and achievement	1	2	3	4
Lead a flexible lifestyle	1	2	3	4
Achieved status and respect in the community	1	2	3	4
Maintained solid capitalization and cash-flow	1	2	3	4
Reduced overheads and operating expenses	1	2	3	4
Maintained my independence	1	2	3	4
Achieved real profit	1	2	3	4
Developed new product	1	2	3	4
Maintained the quality of existing products	1	2	3	4
Increased total assets	1	2	3	4

8. Below are a set of factors that could influence growth of a business. If your company has grown, to what extent have the following factors influenced the growth of your business?

Please place an X next to number of the appropriate response for each factor.  
If a factor is not applicable, then please place an X next to number 1.

Factors influencing business growth	Scale			
	N/A	Slight Influence	Moderate Influence	Strong Influence
Competent and skilled personnel	1	2	3	4
Loyal and new customers	1	2	3	4
Organisational culture of the business	1	2	3	4
Stable socio-economic context	1	2	3	4
Access to government support	1	2	3	4
Access to finance	1	2	3	4
Sales and revenue	1	2	3	4
Product innovation & differentiation	1	2	3	4
A good reputation	1	2	3	4
A competitive market advantage	1	2	3	4
Business development and market expansion	1	2	3	4
Flexible regulatory environment for SMME's	1	2	3	4
An effective marketing plan	1	2	3	4
Effective management skills	1	2	3	4
Good business acumen	1	2	3	4
Productive networking	1	2	3	4

9. Taking into account economic and market forces, how would you rate the short-term and long-term potential for business growth in your particular market of the sport industry?

Indicate by placing X in a response for both questions.

Short-term potential for growth				
1. Unsure	2. None	3. Little	4. Some	5. Much

Long-term potential for growth				
1. Unsure	2. None	3. Little	4. Some	5. Much

END – THANK-YOU

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