

## Exploring the Adequate Strategies Adopted By Women to Sustain the Growth and Development of Entrepreneurship in the Nkonkobe Municipality, Eastern Cape

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**KEYWORDS** Adequate Strategies. Women. Sustainability. Growth and Development. Entrepreneurs. Eastern Cape

**ABSTRACT** Women entrepreneurs can contribute significantly to economic development in South Africa, but their contribution has not been adequately studied and developed. This study examined the adequate strategies adopted by women to sustain the growth and development of entrepreneurs in the Nkonkobe Municipality, Eastern Cape. The study adopted survey research design. A structured questionnaire was used to elicit information from the respondents and simple random sampling method was used to select the samples for this study. The findings showed that the strategies to sustain the growth and development of entrepreneurs have a positive effect on small businesses. Also it was revealed that the cheaper source of finance has positive influence on the growth and development of business enterprise. Recommendations were given to entrepreneurs who are women such as taking their time to understand the nature of challenges women faced in business and to possibly provide solutions before starting their own business.

### INTRODUCTION

The significant role that entrepreneurship plays in stimulating economic activity, creating jobs, alleviating poverty and uplifting the standards of living, has been acknowledged globally as well as in South Africa (Van Vuuren and Groenewald 2007: 269). South Africa is a developing country with high unemployment rate and the level of higher and formal education is not encouraging. In view of this, South Africa therefore has a vital need for entrepreneurs that can perform as a means of fighting these scourges so as to improve the nation's economy (Maas and Herrington 2006: 59). What has been considered to be one of the solutions for economic development is entrepreneurship especially from women's perspective. Women entrepreneurs has significant contribution to solve unemployment and promote economic activities (Verheul et al. 2004: 3).

McClelland et al. (2005: 87) described a woman-owned business as any in which one or more women possess a share of 51 percent of the business. In the case of a public business, at least 51 percent of stock should be possessed by one or more women. However, previous economic development has remained steady in most developed countries where women have progres-

sively advanced in entrepreneurial ability as against developing countries where such activities are inactive (Jalbert 2000: 10).

The most challenging part is the gender-based problems that bedeviled developing of businesses in South Africa and Africa continent as a whole. This challenge has brought down the economics of scale because women have a lot of responsibilities at their shoulders, most especially domestic. This has incapacitated them to dabble into small scale businesses. At the same time they need to generate income to support their families at homes (Richardson et al. 2004: 1).

According to Bruni et al. (2004: 258) men have continuously dominated the community and that the gender approach to entrepreneurship make women unnoticed. The assertion and perception that a woman's capability is insufficient, is biased and unfounded. Moore and Buttner (1997: 19) asserted that until the 1980s, little was known and recognized about the potentials inherent in women entrepreneurs. Prior to this period, most studies or research were centered on men. Therefore, it is during the 1980s that scientific research activities started on women entrepreneurs and women-run establishments began to improve. Mattis (2004: 155) agreed that it was only recently that something was known

about the characteristics of female entrepreneurs, their motivations, backgrounds, families, occupational experience, their successes and failures.

According to Timmons and Spinelli (2004: 256), statistics in the USA shows that women-owned businesses stand as the fastest rising sector of new business start-up. Black women-owned businesses form a larger share of black owned businesses than white women-owned businesses (Mattis 2004: 155). Research about entrepreneurship amongst women is revealed in numerous PhD theses on women entrepreneurs between 1993 and 2003. This topic is also discussed at professional meetings such as the 2003 annual meeting of the Academy of Management in the USA and additional women's conferences and societies (Mattis 2004: 155).

Verheul et al. (2004: 4) succinctly described the rates at which women participated in businesses. For example women entrepreneur are very encouraging and high in Brazil, India, and Argentina while low and discouraging in Japan, Russia, and Belgium to mention but a few, and greater responsibilities or personal income in day-to-day activities amongst women, decreases entrepreneurial activity (Tomink and Rebernik 2003: 799).

On an average, more than 60 percent of males actively involved in small scale business activities than their female counterpart. This discrepancy really affects women participation in certain skills that can help them promote managerial jobs. Highly skilled women have more advantages than those who are not skillful in promoting entrepreneurship activities. (Minniti and Arenius 2003: 5).

In South Africa, women constituted 52 percent of the adult population. Out of which energetic working population is 41 percent. From this percentage only 14.7 percent are occupying managerial position. Hence, there is need for women to possess adequate managerial skills of running small scale businesses (Maas and Herrington 2006: 38).

The success of any business in developing economy must depend on government involvement and interest in entrepreneurship activities. Botha (2006: 149) stated that every woman embody a mere of possible entrepreneurs growth stages, through different business activities.

### **Purpose of the Study**

In light of the above, it is essential to identify strategies that can sustain the growth and

development of entrepreneurship. Thus, this study examined the adequate strategies adopted by women to sustain the growth and development of entrepreneurs in the Nkonkobe Municipality, Eastern Cape

### **Research Hypotheses**

- Ho<sub>1</sub>*: Adequate strategies to sustain the growth and development of entrepreneurship do not exist
- Ho<sub>2</sub>*: Women entrepreneurs do not need support to ensure success
- Ho<sub>3</sub>*: Financial challenges do not contribute to failure of women entrepreneurs

### **Theories of Entrepreneurship**

There are different theories of entrepreneurship. These theories emanated from different philosophies. Some of these theories will be discussed.

#### **Sociological Theory**

The sociological theory as an entrepreneurial theory was buttressed by McClelland's need theory. Hagen (1962) was concerned more with the socio-historical process which creates the psychological 'needs' after the entrepreneurial disposition and less with the exact causal connections between such needs and the recruitment of entrepreneurial performance. The need distribution among the members of the society is of paramount important to these theorists. It was intensely criticized that the conception and the most important aspects behind the emergence and performance of entrepreneurs are psychological. Sociological theory is based on the argument that the psychological approach is too simple and deceptive, particularly when it is applied to the explanation of business performance (Hagen 1962).

Johnson (1990: 13), in his view on sociological perspective to entrepreneurship proposed that "a full description of the environmental setting is required before effort for accomplishment can be a motivating factor for entrepreneurs". This social context differs from one environmental setting to another.

#### **Psychological Theory**

This theory laid emphasis on the issues of characters, incentives and motives as the main

factors that inspire an individual towards personal accomplishment. According to McClelland, "need for achievement" injects power and vigor into a human system that makes them to start and remain in business till the need is achieved. McClelland in his studies disputed that an entrepreneurial business is motivated by the individual need for accomplishment, which is a drive that stirs up an entrepreneur to create ideas and empower that individual to pursue the idea until it develops into a reality. He concluded that based on the facts from art, literature and responses to questionnaire received from citizens, meant to show the connection between achievement and economic growth.

### **Anthropological Theory**

Social and cultural processes are the interest of the anthropological theorists. These theorists were of the opinion that entrepreneur activities must be based on economic structure of the country. Economic structure provided several opportunities to for the entrepreneurs to activate their potential in to promote small scale business (Bull and Willard 1993). Part of economic structure is the value system and norms of the society. These norms have influence on individual behavior and attitude to make decision. Individual value system is essential for the development of entrepreneurship in any nation. Apart from norms and attitude, there is also socio-cultural factors that have influence on individuals. This also has to do with climate of the environment. The type of respect women place on socio-cultural value can motivate them to promote entrepreneurship and enhance their performance.

### **Challenges Faced by Women Entrepreneurs**

According to Richardson et al. (2004: 82), negative attitude of the society towards women in business as well as their inability to have material and sufficient managerial skills affect entrepreneur activities. Kuratko and Welsch (1994: 332) succinctly described the challenge that women faced as unhealthy discrimination. Women are vulnerable to this. Orhan (1999: 2) alluded to this by saying that women are not respected in business line like their men counterpart. It is believed that women have no capacity to engage in any business because of their nature.

According to Van Vuuren and Groenewald (2007: 273), the following factors commonly hinder women participation in business are inability to raise money to start the business, applicable educational schemes, unfavorable policies of the government, discrimination, insufficient managerial skills, as well as costs of entry and lack of government support.

The level of women education, insufficient information, and inability to access credit or short term loan and discrimination are some of the challenges noted by Lebakeng (2008: 88). Not only are that women under many pressures especially domestic responsibilities and child care. This was been alluded to by Kock (2008: 103) who identifies the challenges faced by women at home and their work as part of factor militating against the success of any business. He said some women have no confidence to run business while some lack vital information that than assist them to start the business.

The Department of Trade and Industry (DTI) report of 2013 listed the following challenges of women entrepreneurs as follows:

- ♦ Level of women education in business skills;
- ♦ The environmental climate;
- ♦ The belief of the society and opinion;
- ♦ Insufficient managerial skills as a result of no training; and
- ♦ Domestic conflicts of child rearing and conjugal responsibilities (Maas and Herrington 2006: 40). Other challenges are explained below.

### **Inadequate Access to Financial Resources**

Wickham, (2001: 71) mentioned that access to financial resources is one of the major obstacles that prevent women from starting their own businesses in greater numbers. Mattis (2004: 155) saw that recently women received less than 2 percent of available budget for the business and industry. They failed in particularly to understand the dynamism of the society with the invention of new technology. While men often rely on investors, bank loans, or individual loans in addition to individual funds as sources of start-up capital, women generally depend on individual assets, such as credit cards and savings. Hendricks (2001:18) observed that many women could not write business proposal, hence, they did not qualify to get loan from the bank.

Because business proposal must show feasibility and viability of such business with low risk before it can be attractive for loan.

In the same vein, Verheul et al. (2004: 14) discovered that women have problems in obtaining loan not because of poor proposal but mentality that women are not capable of pushing the business to a profit margin. He was of opinion that every business involves risk. Such risks are too much for women to handle. He also said that the business outline of women is frequently less favorable for investors. However, Bruni et al. (2004: 260), were of the opinion that the problem women encountered during the process of collecting loan makes them to go for a lower venture that is not capital intensive.

Orhan (1999: 6) pointed out that women show a greater profile in term of risk in running a business than their men counterpart, because women display a lower rate of assurance and had little understanding and managerial skills to run a business, women have difficulty in handing out medium-term accounts plan for their business.

## RESEARCH METHODOLOGY

### Research Design

A descriptive survey research design was adopted for this study to explore the adequate strategies adopted by women to sustain the growth and development of entrepreneurs in the Nkonkobe Municipality.

### Population/Sample

The study covers women entrepreneurs in manufacturing, retailing, construction, engineering and wholesale businesses. Most women entrepreneurs are concentrated in these divisions and contribute significantly to the economy of the province. The simple random sampling techniques was used to select 45 (forty-five) women

### Validity and Reliability of Research Instrument

The research instrument was validated by the experts in the field of business studies and its reliability is measured using Cronbach Alpha with co-efficient value of  $r=0.74$ .

### Data Administration and Analyses

Self-administered strategy was used to administer the questionnaire and data collected was analysed using percentages and chi-square.

## RESULTS AND DISCUSSION

### Response Rate

The researcher distributed a total of forty-five questionnaires to female entrepreneurs and not all forty-five questionnaires were received from participants. The response rate of the study is shown in Table 1.

**Table 1: Response rate**

<i>No. of questionnaires distributed</i>	<i>No. of questionnaires returned</i>	<i>Response rate</i>
45	39	86.67%

### Question 1: Position in Business

The question on position in the business is essential to determine the percentage of women owned business compared to the women who are managers of the entrepreneurial venture. The percentage of position occupied by respondents in the entrepreneurial venture is essential in this study as illustrated in Table 2. Table illustrates that of the total respondents, 84.6 percent owned the business with 15.4 percent managing the business. This is consistent with the studies done by Fatoki and Asah (2011) which argues that a large percentage of SMEs in South Africa are being managed by their owners because of lack of finance to employee skilled managers.

**Table 2: Position in business**

<i>Position</i>	<i>Percentage</i>
Manager	15.4
Owner	84.6

### Question 2: Level of Education

The level of education obtained by respondents is important to determine the qualification women entrepreneurs hold in their various business as revealed in Table 3. It has been observed that shows that the respondents have formal education with 46.2 percent having a certificate.

**Table 3: Level of education**

<i>Level of education</i>	<i>Percentage</i>
Bachelors	7.7
Diploma	10.3
Certificate	46.2
High school	25.6
Primary school	10.3

**Question 3: Age Group Distribution**

Table 4 shows the age group of the respondents. The results indicate that female entrepreneurs in the study area were predominantly below the age of 45, with 30 percent of the respondents being below the age of 25 and 28.2 percent being between the age of 26-35. Nonaka and Takeuchi (1995) explained that age is generally considered to be an important factor in relation to tacit knowledge which is usually acquired over time through training and work experience.

**Table 4: Age group**

<i>Age group</i>	<i>Percentage</i>
Below 25	30.8
26-35	28.2
35-45	28.1
46-55	10.3
56-65	2.6

**Hypothesis Testing**

**$H_{01}$ :** Adequate strategies to sustain the growth and development of entrepreneurship do not exist

**Table 5: Adequate strategies to sustain the growth and development of entrepreneurship do exist**

	<i>Consulting technical experts</i>	<i>Predicting industry trends</i>
Chi-square	17.513 <sup>b</sup>	10.103 <sup>b</sup>
Df	3	4
Asymp. Sig.	.001	.039

From the Chi-square value and p-value of consulting technical experts, of 17.513 and 0.001, which shows that the hypothesis is not accepted (Table 5). This shows that the proportion of respondents who agree that consulting technical experts and acquiring knowledge improves on the performance of SMEs. Thus adequate

strategies to sustain the growth and development of entrepreneurship do exist. The hypothesis 1 is rejected. This was in line with Agholor et al. (2015) who said that there is need for entrepreneurs to consult some technical experts and update their knowledge about the strategies that can promote their businesses. They need to be strategised in order to be successful.

**$H_{02}$ :** Women entrepreneurs do not need financial support to ensure success

**Table 6: Women entrepreneurs do not need financial support to ensure success**

	<i>Consulting technical experts</i>	<i>Predicting industry trends</i>
Chi-square	0.026	0.873
Df	4	3
Asymp. Sig.	.036	.001

In hypothesis 2, respondents answered whether they make use of borrowed funds or not. From the goodness of fit test, the Chi-square value is 0.026 with a p-value of 0.873, hence the null hypothesis should not be rejected (Table 6). This implies that women entrepreneurs do not need or use external financial support to ensure success. Hypothesis 2 is accepted. Financial support is a must for business growth. Various means of financial support as alluded to by Agholor et al. (2015) must be adhered to. Support can be from family members, society and government. Small micro financial organisation can also loan out money to these entrepreneurs.

**$H_{03}$ :** Financial challenges do not contribute to failure of women entrepreneurs

**Table 7: Financial changes do contribute to failure of women entrepreneurs**

	<i>Consulting technical experts</i>	<i>Predicting industry trends</i>
Chi-Square	3.15	0.537
Df	2	3
Asymp. Sig.	.002	.036

Using the Chi-square test of independence between whether they borrow funds and years spent in the business. The Chi square value is 3.15 with a p-value of 0.537 which means that the null hypothesis that financial challenges do not contribute to failure of women entrepreneurs cannot be rejected (Table 7). From this findings, it was revealed that the challenges in

term of capital contribute to the failure of women entrepreneurs. Hence, hypothesis 3 is hereby rejected, this was in line with Agholor et al. (2015) that financial challenges have a lot of influence on the failure of many businesses not only the small scale but also the medium and large scale businesses across the globe.

### CONCLUSION

The study explores the adequacy of strategies adopted by women to enhance business growth in the Nkonkobe Municipality. The anticipation is that this study should provide an adequate solution to the women entrepreneurs who are failing in business and how the financial institution could support these women.

### RECOMMENDATIONS

Financial institutions that are willing to offer financial assistance to women in business should conduct awareness campaigns in order to educate the women on what the requirements are for a loan application or what should receive attention before their businesses can be financially supported. This could help women who do not have knowledge of such issues to have the opportunity for growth of their businesses.

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