

**THE DEVELOPMENT OF AN INCUBATOR SYSTEM TO
PROMOTE ENTREPRENEURSHIP FOR TECHNIKON
FASHION DESIGN GRADUATES**

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**THE DEVELOPMENT OF AN INCUBATOR SYSTEM TO
PROMOTE ENTREPRENEURSHIP FOR TECHNIKON
FASHION DESIGN GRADUATES**

by

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A mini dissertation in partial fulfillment of the requirements for the
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Technology

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DECLARATION

This mini dissertation is the original work of the researcher and has not been submitted in any form to another university. Where use was made of others, it has been duly acknowledged in the text and included in the bibliography.

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ABSTRACT

The South African economy is unable to support the employment needs of the growing number of graduates. In an attempt to address these needs, the proposed study focuses on the development of an incubator system to nurture young entrepreneurs (graduates), until they are able to survive independently – usually in two to three years.

The fate of micro enterprises have varied considerably since both failures and successes have characterized their development. Changes in the state of the economy, lack of management and other skills, legal requirements that are difficult to meet, lack of capital, inflation, rising costs, and various other factors have had a dramatic effect on these micro enterprises.

A survey was conducted to explore the market potential for an incubator system. The aim of the survey was to identify the resources, needs and skills required by these entrepreneurs. The research participants were technikon fashion design graduates who have already attempted to set up small micro enterprises (SME) within their rural communities.

The views of the 20 postgraduate students were obtained in respect of the requirements for these entrepreneurs to start up, run and expand their micro enterprises. The results of the study show that the problems experienced by these entrepreneurs can be partially solved through mentoring, counselling and guidance, thereby enabling the entrepreneur to run the micro enterprise effectively.

The establishment of an incubator system at the technikon should provide a supporting programme within an academic setting, assisting in the growth and development of micro enterprises, which could have a positive impact on the community through job creation. It ought to provide the environment and resources necessary to accelerate business growth and diversify the economic base.

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CHAPTER ONE

INTRODUCTION

1.1. Preamble

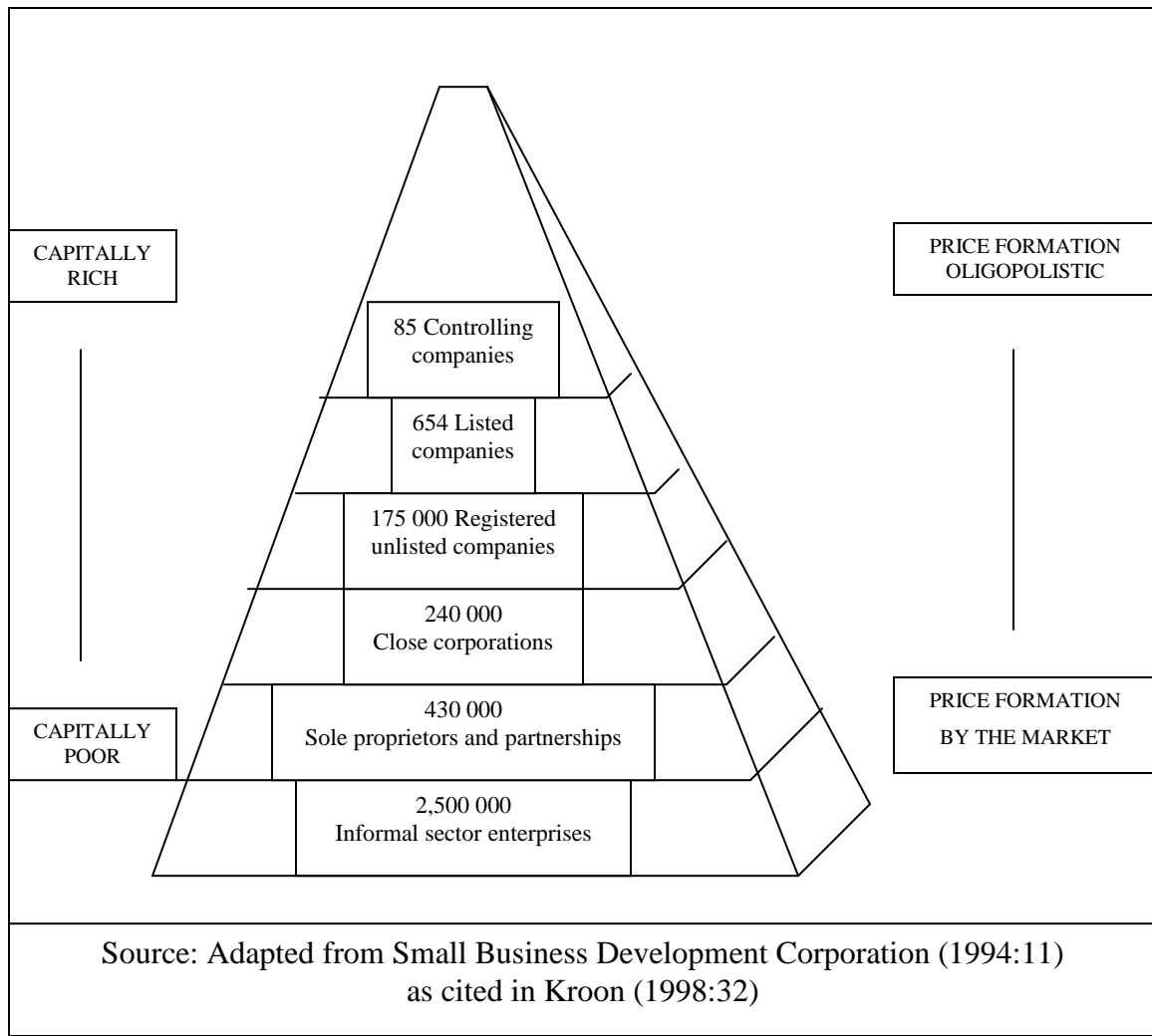
In the last decade, the concept and practice of entrepreneurship has received increased emphasis. A shift in thinking has placed entrepreneurship at the centre of attempts to understand the forces that drive economic growth. While the relationship between entrepreneurship and economic growth is multi-faceted and complex, it is beyond dispute that entrepreneurial capability is a necessary ingredient in a country's capacity to sustain economic growth.

In South Africa, a substantial proportion of entrepreneurs pursue a form of self-employment because of a lack of work opportunities. These entrepreneurs operate small businesses or micro enterprises rather than entrepreneurial ventures. These micro enterprises are independently owned, operated and financed, have fewer than 100 employees, do not engage in any new or innovative practices, and have relatively little impact on the clothing industry. These micro enterprises are established merely for survival purposes, and the entrepreneurs are dependent on satisfying the demands of their customers as opposed to employers.

Due to unfavourable economic conditions and large-scale unemployment, many fashion design graduates, from the former M L Sultan Technikon, are forced to enter the informal sector of the economic pyramid (Figure 1.1). This sector consists of micro enterprises that mainly comprise of self-labour, family-type businesses with almost no capital. Since these graduates cannot obtain work from the formal sector of the economy, they are forced to establish micro enterprises that can provide them with a source of income. Although the reasons for starting these micro enterprises may vary, the ultimate goals are the same, i.e. to establish themselves as successful business people, and ultimately uplift

the community within which they live. The adversity faced by these graduates and their micro enterprises however, is no less than that of entrepreneurial ventures in the formal sector of the economy. Both sectors face certain risks of failure in terms of working capital and stock management. However, the micro enterprises in the informal sector start with insufficient capital and continue to have a shortage of operating capital. These graduates also lack marketing and other business related skills because their training included more technical skills. Those graduates who are from the rural areas also find it difficult to acquire expert professional assistance.

Figure 1.1: The economic pyramid



Therefore, for the purposes of this research, the micro enterprises that have been established by technikon fashion design graduates will be the focus of this study, as it is postulated that the informal sector in South Africa is the basic structure from which future entrepreneurs can develop and grow, particularly in developing communities.

1.2. Motivation for the study

Unemployment and underemployment is a growing global problem. Virtually every country in the world is struggling to cope with the problems associated with unemployment, and is turning, either by plan or by sheer force of need, to the informal and self-employment sector to help address this problem (Grierson, 2000:25).

In South Africa, the unemployment rate has reached such serious proportions that drastic measures need to be taken to avoid a total breakdown of the economy and society, and it has been widely accepted that small business development can and should play a key role in creating economic growth and greater employment (O'Neill, et al. 1999:11). The mass media in South Africa is unanimous about the futility of job seeking in an unfavourable job market. The fact that unemployment is increasing, and people with experience are required for most jobs, causes problems for many school leavers and even newly graduated students (Van Der Linde, 2000:1).

According to Stats SA 2000, as cited in Bureau of Market Research (Tustin, 2001:15), a full 66% of the economically active unemployed population of South Africa is made up of youth between the ages of 20 and 34 years. Considering the level of unemployment, the shortage of housing, uneven distribution of wealth and income, low level of education and the high population growth in South Africa, it appears that only a miracle can solve these formidable problems. Entrepreneurs can be a major part of this miracle.

The staff at the Durban Institute of Technology are aware of the low labour absorption capacity of the South African labour market, and the large pool of unemployed and underemployed among the economically active population. Therefore, encouraging

graduates to become creators of new jobs rather than consumers of existing jobs has become a priority.

Although the majority of graduates are among those people who do become entrepreneurs, they are doing so because they cannot find employment in the formal sector of the economy. These graduates are not becoming entrepreneurs because of a highly developed need to achieve as business people, but to survive financially.

The government of national unity, all political parties and the private sector acknowledge the importance of entrepreneurship and small business development in South Africa. The new government, has on several occasions given the assurance that it will continue to pursue the principles of the free enterprise system and that it will continue to encourage entrepreneurship. The forming of the Small Business Development Corporation (SBDC) offers testimony to the commitment of government (O'Neill, 1999:10). This corporation has since changed their name to Business Partners.

The Global Entrepreneurship Monitor (GEM) of South Africa 2001 is a report compiled by the Graduate School of Business (GSB) of the University of Cape Town (UCT). The focus of the report was on new business venture creation by one person or a team of people and their definition of new business creation incorporated one-person, self-employment businesses, informal sector businesses and spin-offs from existing companies. The report allows us to explore who and where our entrepreneurs are, their capabilities and their motivations, and to compare ourselves with other nations (Driver, et al. 2001:7).

The report also identifies the following as problems that hinder entrepreneurial capacity in South Africa:

- The legacy of apartheid education is apparent in the damage that has been done to the self esteem, motivation and creativity of young entrepreneurs

- Young entrepreneurs lack initiative and self confidence, and tend to look to others for solutions to their problems
- Conventional financing mechanisms do not allow for cost effective provision of finance to large numbers of entrepreneurs seeking small quantities of finance
- Poverty and lack of assets mean that many young entrepreneurs do not have the collateral needed to access formal loan finance.

This study, therefore, has been undertaken to examine the way in which the technikon, through the use of an incubator system, could assist these entrepreneurs in the growth, development and expansion of their micro enterprises, and in doing so, provide them with the opportunity to move from the informal sector of the economy into the formal sector of the economy.

1.3. Contributions of the study

An informal business sector is a feature of development and plays a vital bridging role. It bridges the gap between unemployment and employment for work seekers, it bridges the gap between rural and urban job opportunities and, both the formal and informal sectors rely on each other for growth (Hirschowitz, et al.1989:6).

The micro enterprises established by technikon fashion design graduates are characterized by the ease of entry and the use of less sophisticated technology. The high labour intensity in the manufacture of garments, rather than sophisticated machinery, performs the various tasks required for the micro enterprise turnover, thereby creating opportunities for the unemployed graduate. Much of the labour required for the manufacture of garments can be done manually, thereby providing opportunities for unskilled rural people that cannot enter the mainstream market. This opportunity can thus provide the unemployed rural people with basic work skills to escape rural poverty and create jobs for themselves in the urban areas.

Although not all small businesses in the informal sector flounder, many remain static, while others expand and flourish, although not to the formal sector status. The important consideration therefore, is that small businesses do have the potential for growth and are able to create jobs and wealth through expansion, and provide some basic work skills and experience to people coming from the disadvantaged communities (Hirchowitz, et al. 1989:2).

Skills upliftment, therefore, could find the informal and formal sectors relying heavily on each other. While the formal sector will rely on the informal sector to supply needed goods and services for its employees, the informal sector will rely on the growth of the formal sector for its income and clientele. Thus promotion of the informal sector will be of vital importance for future prosperity as well as for future social and economic stability.

1.4. Definitions

The following definitions relevant to the study are clarified:

1.4.1. Entrepreneur

The word “entrepreneur” is derived from the French word “entreprendre”, meaning, “to take a risk”. An entrepreneur, therefore, is someone who conceives, creates and takes the ultimate risk of a business venture. In order to run their own business the entrepreneurs would require creativity, independence, common sense and persistence, together with belief in themselves, determination, a driving ambition and plenty of enthusiasm and energy (Daily News, 1997).

1.4.2. Entrepreneurship

According to Desai (1998:xii), entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base and knowledge in entrepreneurship is a means to an

end. The author goes on to add that what constitutes knowledge in practice is largely defined by the ends, which are achieved through the practice.

1.4.3. Informal economy

The definition of the informal economy has been subject to considerable scrutiny in South Africa. In terms of official debate, it is conventional to define the informal economy as enterprises not registered for tax purposes (Rogerson, 2000:2).

In South Africa, this informal economy is referred to as the “unrecorded economy” or informal sector, while in the United States of America, it is referred to as the “underground economy”, in Germany the “shadow economy”, in Italy the “submerged economy”, and in Russia the “second economy” (Kroon, 2000:38).

1.4.4. Incubators

Longernecker, et al. (1994:228) have noted that incubators are organizations that rent space to new businesses or to people wishing to start businesses. They serve fledgling businesses by making space available, offering administrative services, and providing management advice. According to Hernandez-Gantes, et al. (1996:41), it is a dynamic strategy whereby it facilitates entrepreneurship in the community, helps to create jobs, and stimulates economic growth and revitalization of depressed communities and neighbourhoods.

1.4.5. Undergraduate student

A member of a university who has not yet taken a degree (Cassell, 1995:897).

1.4.6. Postgraduate student

A graduate who pursues a further course of study (Cassell, 1995:626).

1.5. Aims and objectives of the study

The aim of the study is to develop an incubator system aimed at promoting entrepreneurship among technikon fashion design graduates.

The objectives of the study are to:

- Provide a theoretical perspective of entrepreneurship, business incubators and incubator systems within the context of entrepreneurship
- Establish the nature and types of problems experienced by the technikon fashion design graduates and explore the way in which they acquire resources to run their micro enterprises
- Ascertain the graduates' views regarding the role of mentoring in micro enterprise development
- Review the findings and provide recommendations for a small business development strategy.

Past studies have concluded that business incubators lead to an improvement in the chances of survival for new business ventures and are thus an effective business development tool (Sherman, 1999:120). The purpose of this study, therefore, is to address these objectives within the context of establishing an incubator to improve the survival rates of start-up businesses established by technikon fashion design graduates.

1.6. Limitations of the study

The study was limited to technikon fashion design graduates at the Durban Institute of Technology – ML Sultan campus, since many of these graduates are from disadvantaged backgrounds. Only the graduate students who have attempted to establish micro

enterprises were included in the study in order to determine the kinds of problems experienced at inception and during the running of the micro enterprise.

1.7. Methodology

The data was gathered through semi-structured interviews with 18 postgraduate students and two undergraduate students. All interviews were conducted at the Department of Fashion Design at Brickfield Road, at the convenience of the respondents. In order to qualify for the survey, the respondents had to meet the following requirements:

- They must have established a micro enterprise in the last 12-18 months
- They must own part of, or be the sole owner of the micro enterprise
- The micro enterprise must not have paid wages to employees.

1.8. Outline of chapters

The study is structured as follows:

- Chapter two provides a theoretical perspective of incubator systems within the context of entrepreneurship. It will include a review of the literature from various reference texts, journal articles, internet articles and reports pertaining to the research topic
- Chapter three outlines the methodology, discusses the necessary steps undertaken, and the procedures followed, to analyse, administer and coordinate the data
- Chapter four reports on the findings of the empirical study and will include an analysis, interpretation and graphical representation of the data

- Chapter five includes a discussion from the findings of the data analysis and examines the implications for the establishment of an incubator system. Recommendations will also be made for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The previous chapter discussed the background, aims and objectives of the study. An overview of the South African economy also provided a base for motivating the objectives and scope of the study. This chapter will provide a theoretical perspective of entrepreneurship, business incubators, and incubator systems within the context of entrepreneurship.

2.2. Entrepreneurship

Entrepreneurship is a popular topic. Practically everywhere one turns these days, one will read or hear about entrepreneurship. Pick up a current newspaper or general magazine, or log on to one of the World Wide Web's news sites, chances are one will find at least one story about an entrepreneur or an entrepreneurial business. The following section addresses the questions of who an entrepreneur is, and what entrepreneurship is all about.

2.2.1. Who is an entrepreneur?

Entrepreneur is a French word meaning one who begins an enterprise and assumes the risk of failure or reaps the rewards of success. One of the common themes found in the definitions of entrepreneurship recognizes the important role that the entrepreneur plays. There is no doubt that without a person who is willing to do what an entrepreneur does, there would be no entrepreneurship! Therefore, the entrepreneur is a critical element in entrepreneurship in action (Coulter, 2000:4).

An entrepreneur is one of the most important inputs in the economic development of a country or of regions within the country (Desai, 1998:vi). According to Matthews (1994:2), entrepreneurs have been around longer than free enterprise or capitalism itself, they create economic activity, and throughout history, these entrepreneurs have been responsible for the following:

- Creating new products or services
- Changing existing products or services through innovation
- Creating new markets for existing products or services, or expanding the existing markets
- Recombining or creating new uses for existing products or services.

These entrepreneurs have become the focal point in economic activities and are viewed as initiators of action, and stimulants of socioeconomic change and development (Desai, 1998:xi).

According to Driver, et al. (2001:53), the primary goal for South Africa would be to invest in the entrepreneurial capacity of individuals, i.e. the abilities and mindsets of people who are, want to be, or could become entrepreneurs. The popular view of South Africans as a nation of would-be entrepreneurs needing only technical and financial support to set up successful businesses is flawed (Parker, 2001:13). The challenge for the researcher, therefore, is to increase the pool of potential entrepreneurs, and to increase the capacity of those entrepreneurs who launch ventures that survive and grow.

2.2.2. What is entrepreneurship?

Entrepreneurship, in its broadest sense, is about the capabilities of people to combine scarce resources in new ways, to respond to opportunities, or provide solutions to problems (Driver, et al.2001:6).

According to Matthews (1994:21), there are different types of entrepreneurship, namely:

- Innovative entrepreneurship, which brings new inventions, new services, new ways of doing business, and new ways of thinking about business to the market place. It advances civilization and economic wealth by providing new products and services
- Value-added entrepreneurship, which keeps the economic potboiling. It enlarges the trading circle by giving every product and service maximum exposure to the marketplace by involving more people from the raw material stage to the finished product or service
- Developmental entrepreneurship - is what economists are thinking of when they use the term entrepreneurship. This entrepreneur develops oil fields and builds houses, skyscrapers, factories, manufacturing equipment, and other capital goods. He or she is the general partner of the capitalist. Their developments are often referred to as infrastructure, and they make up the greatest part of the “inherited wealth” of the nation that one-generation passes on to another.

According to Longenecker, et al. (1994:433), these networks of entrepreneurs involve a variety of ties, namely:

- Instrumental ties – means that the parties find the relationship mutually rewarding, eg: exchanging useful ideas about certain business problems

- Affective ties – relates to emotional sentiments, eg: the sharing of a joint vision about the role of a small business in doing battle with giant competitors or with the government
- Moral ties – involves some type of obligation, eg: a mutual commitment to the principle of private enterprise – or the importance of integrity in business transactions.

The South African community, therefore, needs innovative and value-added entrepreneurship that involves an instrumental tie. This form of entrepreneurship, in its broadest sense, is about the capabilities of people to combine scarce resources in new ways and to respond to opportunities or provide solutions to problems. This type of entrepreneurship is essential to enlarge the trading circle between the formal and informal sectors and thereby develops mutually rewarding relationships that will inevitably produce socially responsible entrepreneurs who can act as role models for various communities.

For the purpose of this study it is envisaged that, through mentoring and coaching, the micro enterprises established by the respondents can bring about new ways of doing business within their communities, thereby advancing civilization and keeping the economic pot boiling.

2.2.3. Entrepreneurship development

There are many motives for entrepreneurship. For the purpose of this study, the focus will be on the role of adverse economic conditions that force people into entrepreneurship. It is suggested that these adverse conditions leave people little alternative other than self-employment. Ahwireng-Obeng (1993:1) notes that entrepreneurship development is recognized as a functional means of tackling South Africa's socioeconomic challenges of slow growth, rapidly increasing unemployment, and racially inequitable distribution of income. Similarly, Van Aardt (1997:3) notes "entrepreneurship is at the heart of

economic advantage which, for the purpose of research, means that a large pool of entrepreneurs is required to benefit a society by increasing the size of the economic pie”.

Driver, et al. (2001:4) has emphasized, that entrepreneurship is about people who realize new opportunities and at the core of entrepreneurship lays the creation of new business ventures by individuals or teams. The report has stated that the proportion of South African adults who believe they have the skills required to start a new business is below the international average, as is the proportion that believe there are good business opportunities in the area they live in. It is estimated that 83% of entrepreneurial activity in rural areas is driven by necessity and that self-finance from savings is the most common source of finance among start-up entrepreneurs, regardless of race, location, gender or level of education. It is believed that in order to increase both the extent and the quality of entrepreneurship in South Africa, the pool of potential entrepreneurs would need to expand. This, however, is perceived as a long-term project and the way to achieve it is through education. The authors maintain that tertiary education can provide valuable entrepreneurial capacity, particularly for successful entrepreneurs, and these entrepreneurs are an important force for growth and job creation in the economy.

While this concept of entrepreneurship continues to expand, an increasing body of knowledge about many aspects of entrepreneurial behaviour within the country has developed. Despite the growth in our understanding of some aspects of entrepreneurship, knowledge about mechanisms that are in place to encourage entrepreneurship still remains rudimentary (Bruton, 1998:1).

While there are as many definitions of entrepreneurship as there are entrepreneurs, for the purpose of this study, the functional view of entrepreneurship is being adopted, i.e. a type of activity or practice with a view to generate jobs.

2.2.4. Entrepreneurship and education

While the traditional role of institutions has been to prepare students for continuing education and productive participation in the workforce, the current trend in both the workplace and in global markets suggests the need to reassess the role of tertiary education to focus on a more active participation in community economic development.

A shift in thinking has placed entrepreneurship at the center of attempts to understand the forces that drive economic growth. Institutions need to expand their traditional conception of education and training and include the development of entrepreneurship and economic development as a comprehensive community endeavour. This need is consistent with current education legislation which focuses on new competencies demanded in high-performance workplaces for both the entrepreneur and their employees, integration of vocational and academic education, linkages between secondary and post-secondary education, and integration of school-based and work-based learning opportunities (Hernandez-Gantes, et al.1996:45).

Katz & Green (1996:1) also believe that entrepreneurship represents an increased awareness in both policy making and education. It is a focus of business and academic discussions because fewer jobs are available in big corporations and more new graduates appear to be starting their own businesses as a way of survival. Graduates opting for entrepreneurial activities, however, meet with mixed success.

Many studies have been conducted to predict entrepreneurial success, and these studies suggest that education and work experience, along with strong motivational factors, help create the successful entrepreneur.

Every year, many students graduate from tertiary institutions full of hope and anticipation. However, many of these students will not be able to find employment in the formal sector of the economy.

In his article, Van Der Linde (2000:3) highlights the unemployment situation of many school leavers, and advises on what educational institutions could do to prevent people from being “unemployed”. The author points out that one of the purposes of education was to enable people to develop their natural talents and capabilities to the maximum. Also, that they should be knowledgeable about entrepreneurship, as entrepreneurship directed education could serve as a cost effective way to ensure job opportunities for all sectors of the society.

Khumalo (2002:7), the business development manager of the South African Graduates Development Association (SAGDA), states, “graduates are the engineers of society. A country can only succeed if it has enough graduates who could use their certificates to study business and not wait for formal sector jobs.” Therefore, the view at SAGDA is for South Africa to pursue the development of a culture of entrepreneurship actively and aggressively, and as a nation, to mobilize our schools and tertiary educational institutions to assist in this task.

Driver, et al. (2001:52) states that while everybody is not equal in the world of entrepreneurship, people with tertiary education are more likely to pursue entrepreneurial opportunities. These start-ups are more likely to survive because these micro enterprises are started while the students are still undergraduates. And while tertiary education has the effect of increasing the perception of business opportunities, the levels are still low in comparison to international standards.

Parker (2001:13) cites a study conducted by the University of Cape Town Graduate School of Business. What emerged from this study is that the concept of entrepreneurship is not broadly understood and celebrated or supported as a career choice in South Africa, that there is a social stigma attached to business failure, and that negative individual mindsets are widespread. The report claims that we, as South Africans, lack initiative, creativity and confidence and tend to look to others for solutions to our problems. The authors went on to emphasize that, in order to increase the extent and quality of

entrepreneurship, the challenge is to expand the pool of potential entrepreneurs and the key policy lever for achieving it is through education.

Similarly Hernandez-Gantes, et al. (1996:46) believe that educational programs directed at increasing entrepreneurial success seemed to fit the needs of a changing economy. The authors emphasize that educational institutions needed to provide opportunities for individuals to explore alternative career paths by tapping into their current business and technical skills and facilitating their transition from school-to-work-to-business-ownership.

Van Der Linde (2000:7) cites an old Chinese proverb, which is very relevant: “It is far better to light a small candle than to sit passively and curse the darkness.” Educational institutions can, therefore, light many candles, which will eventually make a vast difference in the 21st century.

Driver, et al. (2001:3) believes that tertiary education increases the likelihood of entrepreneurial activity and estimates:

- 15% of entrepreneurial activity in the metropolitan area are among those with tertiary education
- 83% of entrepreneurial activity in rural areas is driven by necessity, compared with 50% in the metropolitan areas
- 66% of entrepreneurial activity amongst blacks (Africans) is necessity driven, compared with 23% amongst whites.

In the State of the Nation address, President Thabo Mbeki spoke of the need for all South Africans to pull together in the spirit of *ubuntu* (Hamlyn, 2002:2). This culture of *ubuntu* (fostering a spirit of common humanity), according to Graham (2002:5), works well for black entrepreneurs, especially those from rural communities where the trend is towards a

strong community focus. The data collected for the study provides evidence that postgraduate students take their tertiary knowledge, experience and wealth back to the rural communities to operate in the service sector of the economy, since knowledge-based businesses are less capital-intensive.

2.3. Small Business – the way to go

“Entrepreneurs and entrepreneurship are playing important roles in today’s global business environment. The pursuit of entrepreneurship plays an important role in innovation, in the number of new start-ups, and in job creation” (Coulter, 2000:24). According to Coulter, entrepreneurship has been an important part of society for many years, but there are still many misconceptions about entrepreneurial ventures and small businesses. An entrepreneurial venture, as defined by the above author, is an organization that pursues opportunities, is characterized by innovative practices, and has profitability and growth as its main goals. A small business, as defined by the author, is one that is independently owned, operated and financed – has fewer than 100 employees, doesn’t engage in any new or innovative practices, and has relatively little impact on its industry.

In South Africa, small businesses provide only 20% of the country’s employment while in the US, small businesses provide 80% of the nation’s employment. This is seen as an issue that needs to be urgently addressed. Sewsunker & Comins (2002:1) state that while small business is widely seen as the catalyst for wealth and job creation, its development and growth in South Africa is hampered by obstacles. It is claimed that there is no widespread culture of entrepreneurship in South Africa, that entrepreneurship is not seen as a career, and that most people were afraid of the uncertainty that it brought.

Similarly, Khumalo (2002:7) reports that together with this lack of culture of entrepreneurship, there are also very few business role models in the townships. It is because of this, that only 10% of the 3500 people they have on their database are interested in starting their own businesses. To overcome this problem, the South African Graduates Development Association (SAGDA) has developed a business development

department where they encourage potential entrepreneurs to create opportunities for themselves.

The Workplace Reporter (2002:5) reports that “small and medium-sized enterprises (SME) created far more jobs than large enterprises, and that steps are being taken, not only in South Africa, but also throughout the world, to promote its development”. The author has reported that:

- The SME sector is now regarded as the sector through which the economic and social welfare of developed and developing nations can be advanced
- The focus of the economy was changing from big business to encouraging the creation of viable small businesses
- The positive effects of a successful small business included a dynamic economy, financial independence and a sense of achievement for the small business owner
- The small business entrepreneurs were in the challenging position of being directly responsible for the success of their particular business concern.

Hamlyn (2002:2) states, “seek and ye shall find”. The author has noted that there is plenty of room for opportunism in South Africa, because South Africa is a land of opportunity, that there has been a toughening of the entrepreneurial spirit that could be seen as characteristic of a new breed of South Africans. Hamlyn also maintains that it would be this hardy spirit that will be instrumental in taking South Africans into the future.

Sherman & Chappell (1998:9) believe that in an age of decreasing public support of government programs, there is increasing pressure on economic development programs to clearly justify their benefits. The data collected provides a strong indication that a business incubator can be an effective economic development tool that can have a

positive impact on technikon fashion design graduates, by creating jobs and assisting new business survival and growth. The researcher believes that with effective stimulation and the right kind of assistance, these micro enterprises can fulfill a socio-economic role and could play a meaningful role in combating unemployment.

2.4. New Policy Frameworks in South Africa

Large corporations and a large public sector have historically dominated South Africa's economy. For many years, there has been a conspicuous absence of small businesses in the dominant sectors of the economy, or because little attention was paid to small enterprise promotion in public policy. With political and economic liberalization, the 1990's saw massive restructuring of the corporate sector, which is still underway. Coming after at least two decades of economic stagnation and per capita decline in real economy, this has posed major challenges. The formal sector has shed jobs and the informal sector has burgeoned (Driver, et al.2001:6).

According to international standards of unemployment and poverty, based on per capita income, South Africa's levels are disproportionately high for a country. Growth, job creation and poverty alleviation are pressing priorities, both economically and politically. In policy debates, the role of new business creation in meeting these challenges has been emphasized, especially since 1994 (Driver, et al.2001:6).

Hirschowitz, et al. (1989:10) believes that small businesses, both in the formal and informal sectors, have made an important contribution to the development of the South African economy. Rogerson (2000:1) argues that after forty years of apartheid, South Africa's informal economy is finally in the process of coming out of its dark shadows. And that promoting and supporting the development of the small, micro and medium enterprise (SMME) sector, including the informal economy, was of major policy significance.

2.4.1. Small, micro and medium enterprise (SMME)

All over the world, individuals, institutions and even countries have different conceptions of the term SMME. The value of these small, medium, and micro enterprises (SMME) in promoting entrepreneurship, providing job opportunities, and creating new jobs and economic welfare in the country has been realised increasingly over the past number of decades. The process of SMME development has gained momentum since the mid-nineties. Through the initiative of the Department of Trade and Industry (DTI), a new SMME policy and strategy has been formulated and the existing development structure restructured to lend a new dynamism and impact to SMME development. To understand the process of entrepreneurship better, it is essential to realise what an SMME is, why this sector is so important and what unique problems are threatening the continued existence and success of SMME's (Kroon, 2000:27).

According to Kroon (2000:28-9), the small business sector is divided into three elements, namely: small, medium and micro enterprises. During 1995, a large number of development institutions contributed to the formulation of a new SMME policy and strategy and this led to the publication of a White Paper on Small Business, which distinguished the following elements of SMME's:

- Survival enterprises – are run by people who are not able to find employment elsewhere. The income generated is usually lower than the minimum standard of living. The minimum of capital is invested, level of skills is low, and the possibilities of growing to a fully-fledged, economically viable enterprise are extremely limited. These enterprises are characterised by poverty and a struggle for survival.
- Micro-enterprises – are very small, with usually just the owner, one or two family members, or one or two other persons being employed. These enterprises are usually informal since they do not have licenses, pay taxes, keep records or do business on formal premises. They also have a limited capital base and little or no

business skills. Some micro enterprises, however, do grow into fully-fledged small enterprises and their levels of income vary considerably.

- Small enterprises – make up the greatest part of established enterprises. They are usually run by the owners themselves, have formal business premises and meet all the registration requirements. Employment varies between five and fifty people.
- Medium sized enterprises – are those, which cannot easily be distinguished as small or large. Sometimes they could even have shareholders, and ownership is often more complicated. According to the White Paper, employment could be as high as 200, while assets could be as much as R5 million.

The 1995 White Paper on Small Business further set forth the national objectives for the post-apartheid SMME economy in South Africa, and the goals targeted the spectrum of SMME activities, including the informal enterprise. The primary objective was “to create an enabling environment” for national, regional and local policy frameworks. Rogerson (2000:7) identifies several other specific policy objectives:

- To facilitate the greater equalization of income, wealth and economic opportunities and a strengthening of the labour-absorptive process in the micro-enterprise and survivalist segments
- To create long term jobs, which demands policy interventions designed to upgrade human resources and to strengthen the use of appropriate modern technologies
- To stimulate economic growth through removing the obstacles and constraints that prevent SMMEs from contributing to overall growth

- To strengthen the cohesion between SMMEs to overcome their isolation by promoting the networking of SMMEs to build collective efficiency, to address development obstacles and to take up opportunities
- To level the playing field between large enterprises and SMMEs and between rural and urban businesses
- To target the goal of enhancing the capacity of small business to comply with the challenges of an internationally competitive economy.

2.4.2. The informal sector

Informal business activities are found in all countries. These activities are usually triggered by unfavourable economic conditions, low growth rate and large-scale unemployment. A large number of laws, regulations and ordinances also discourage entrepreneurs from entering the formal sector and force them into the informal sector.

In South Africa, the informal sector comprise a large blend of micro enterprises and breadwinner activities and it provides a source of income to many that cannot obtain work in the formal sector. This informal sector comprises a wide-ranging variety of enterprises that community developers and sociologists see as a manifestation of community values, i.e. the provision of essential goods and services for lower income groups, especially in rural areas (Kroon, 2000:40).

Among the technikon fashion design graduates, many have entered the informal sector of the economy purely out of necessity. This necessary or forced entrepreneurship is a response to poverty, and while it is important as a means of survival, it is unlikely to relieve poverty on the scale required in South Africa or to act as a driving force in the economy.

The informal activities of a country are not recorded in the national accounts and are not part of the Gross National Product (GNP), but exist beside it. These unrecorded activities

are defined differently in different countries, but in South Africa they are referred to as the “unrecorded economy” or the informal sector, and this informal sector forms an inherent part of small, micro and medium enterprises. Because of its diverse nature and the fact that these enterprises are unrecorded and unregistered, it is not possible or practical to define them on the basis of quantitative or statistical guidelines (Kroon, 2000:38). However, Kroon (2000:28) does point out that the most popular method to identify a small enterprise is to use economic and statistical guidelines and that a small enterprise should comply with at least four of the following economic guidelines:

- A small enterprise is independently and privately owned and managed
- Does not realise a turnover of more than R5 million per year
- Does not have more than 100 employees
- Does not have more than R1 million worth of assets
- Does not have more than five units or branches.

According to Rogerson (2000:2) these ‘enterprises’ are divided into two categories. The first category is the “survivalist informal enterprise,” which represents activities undertaken by people unable to secure regular wage employment or access to an economic sector of their choice. These enterprises require little capital investment and virtually no skills training and offer little opportunity for expansion into viable businesses. Poverty and the desperate need to survive are the prime defining features of these enterprises.

The second category is the “micro enterprise”. These enterprises are very small businesses, often involving only the owner, some family members and at most one to four employees. These unregistered enterprises usually lack all the trappings of formality in

terms of business licenses, formal premises, operating permits and accounting procedures. Most have a limited capital base and require only rudimentary business skills.

For the purpose of this study, the focus will be on the second category, which is the micro enterprise. In view of the high rate of structural unemployment in the country at the present time, attention has increasingly focused on small businesses as potential sources of future jobs. By providing micro enterprises with positive support through the incubator system, the micro enterprises of the survey population will, without doubt, contribute to the creation of jobs, which will impact on the economy.

2.4.3. The challenges facing SMMEs

Small, micro and medium enterprises have become a buzzword in the post 1994 democratic dispensation in South Africa. Although they are an integral part of government's policy and strategy for wealth distribution and job creation through self-employment, this sector has faced persistent problems in the past eight years. According to Kadwa (2000:17), lack of finance has been noted as the major problem hindering the successful start-up and competitive sustenance and growth of SMMEs. It is noted that this is partially attributed to the reluctance of formal financial institutions to grant loans to SMMEs because there is a perception that lending to SMMEs is risky as the pay back ability is questionable. Since the interest rate on loans to SMMEs are normally at a higher rate than to larger enterprises, these loans become cost prohibitive and SMMEs become less competitive. However, contrary to this popular belief, access to finance is not the biggest barrier to the SMME's work.

Godisa – Development Through Technology, is a South African Programme that provides technology support to South African enterprise. It is led by the Department of Arts, Culture, Science and Technology and is supported by the Department of Trade and Industry and the European Union. This programme identifies the SMME sector as highly diverse with structural problems, growth potential and access to support. Studies done by Godisa on innovation levels amongst SMMEs in South Africa pointed to poorly

developed networks. Other findings included outdated technologies employed by many SMMEs, poor technological support, low entry rates into the manufacturing sector, high failure rates of “start-ups” and poor access to facilities for testing and promotion of SMME innovators’ ideas (Handout from Cape Town Conference). Similarly, Madlala (2002:2) also highlights problems such as management skills, attitude and corruption.

O’Neill, et al. (1999:7) believes that the creation and expansion of small enterprises is one of the primary sources of new employment opportunities and, that the establishment of new and successful enterprises is the key to economic growth. However, in order to establish a stronger and more vibrant entrepreneurial culture in South Africa, further deregulation will have to be undertaken.

2.5. Business incubation

The National Business Incubator Association (NBIA) was founded in 1985. The association started off with 40 incubators and by 1995 more than 600 incubators were established. The organization is committed to providing its more than 700 members worldwide with the resources to develop and manage successful business incubators. The organization, based in Athens, Ohio, offers information, referrals, networking, news alerts, research and information resources, and sponsors annual conferences and training institutes. The association seeks to build awareness of business incubators as a valuable business tool, and to inform and educate leaders as well as potential supporters and investors of the benefits of incubation. According to a 1991 study conducted by the NBIA, more than 80% of the small businesses launched inside business “incubators”, i.e. business assistance programs for fledgling entrepreneurial firms, successfully graduate within an average of two to three years to stand on their own (Thomas, 1996:3).

The NBIA defines a business incubator as an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services. Their main goal is to produce successful firms that are financially viable and freestanding when they leave the program. These incubator

“graduates” then create jobs, revitalize neighbourhoods, commercialize critical new technologies and strengthen local and national economies (<http://www.nbia.org/best>).

Hernandez-Gantes, et al. (1996:14) regard the business incubation concept as a strategy to foster community economic development. This concept, the authors believe, should focus on facilities that provide favorable conditions to nurture the development and growth of new small firms. According to the authors, business incubation, through community development agencies, universities, two-year colleges, and a combination of sponsors, can seek to promote entrepreneurial talent and jobs, revitalize local economies, and assist in the development of technology.

Hernandez-Gantes, et al. (1996:13) reiterate that “business incubation offers one of the most comprehensive strategies to foster entrepreneurship in the community, help create jobs by supporting new business ventures, stimulate growth by promoting a diversification of business opportunities, act as an agent to revitalize rural areas or depressed neighbourhoods, and facilitate the transition to business ownership for students and workers seeking a new career path.”

Over the years much research has been carried out on business incubators. Although there have been some negative comments about incubators and the way they are operated, the positive aspects of such a programme prove that it is a successful way of uplifting any economic downturn in a country or regions within a country. Markley and McNamara (1995:2) identify the following advantages of a business incubator:

- These incubators would provide a shared facility for micro enterprises that would benefit from the assistance, services, networking opportunities, and flexible below-market rental space
- These incubators would provide tangible benefits such as lower operating costs and access to services

- These incubators would provide intangible benefits such as moral support, advice from other tenants, and access to information
- These micro enterprises would eventually provide economic and fiscal benefits to the local community through the creation of jobs.

2.5.1. Incubators

An incubator is a business agency or process that provides the environment and resources to accelerate business growth (Mbadi, 2000:3). It is an innovative development tool used to foster growth and diversify the economic base. It is a facility in which young entrepreneurs co-exist in a nurturing environment until they are able to survive independently (Culp, 1990:1). They usually include a combination of low-rent space, shared support services and mentoring or technical help. Thomas (1996:3), identifies the following aims of an incubator system:

- To empower entrepreneurs
- To foster the entrepreneurial spirit, and
- To encourage technology transfer, economic diversification and job creation.

According to Longenecker, et al. (1994:229), the purpose of incubators is to see new businesses ‘hatch’, grow and leave the incubator setting. Most incubators, although not all, have some type of governmental or university sponsorship and are motivated by a desire to stimulate economic development. Although the building space provided by incubators is significant, their greatest contribution lies in the business expertise and management assistance they provide.

Rice & Matthews (1995:xx), view incubators as “start-up” ventures whose purpose is the development of other start-up companies. It is seen as a business assistance program that

provides entrepreneurs with appropriate advice and counsel and serves as a “switching center” to other people and resources, as needed. These incubator programs are housed in incubator centers in which companies can co-locate, rent space and share business services and equipment. According to the authors, these incubators should comprise of the following components:

- A person (or staff) who provides advice or mentoring and access to a resource network
- Shared services, which means a company located in the incubator does not have to outlay funds for a secretary, phone, fax machine and photocopying machine
- Flexible space, rented on a monthly basis, that can be expanded or contracted as needed.

2.5.2. Types of incubators

According to the article, Types of Incubation Systems, there are many types of incubator systems and each type has its own distinguishing features. The differences of each system are identified according to the infrastructure, which are as follows:

- The techno pole, science park, business park and industrial park that provide a high-quality infrastructure environment
- The business and innovation centre, technology centre and managed workshop that adopt a managed, “hands-on” approach to helping tenants develop their businesses, and unlike the above, are not necessarily geared toward facilitating technology transfer between academic institutions and businesses

- The innovation and enterprise center stimulates the development of new enterprises by offering advice and assistance to entrepreneurs, but unlike the above, they do not offer premises.

For the purpose of this research therefore, the study is proposing to establish an incubator system similar to the business and innovation center, and thus serve as an instrument of regional development.

2.5.3. The ‘fashionincubator’

A ‘fashionincubator’ is a business incubator that provides specialist fashion business training for fashion entrepreneurs within a highly creative and supportive environment. It is a private initiative, located at the Auckland University of Technology’s TechPark. It was instigated in response to issues currently faced by the New Zealand fashion industry, and is supported by key players in the Fashion Industry, Tertiary Institutes and the City Council (<http://www.fashionincubator.co.nz>). It aims to contribute to the growth and promotion of the fashion industry in New Zealand by assisting new fashion designers to develop creative and business skills. The fashionincubator has developed industry-specific services in response to the market and the services provide the much-needed vital and comprehensive support for fashion designers in their early start-up stages. The fashionincubator’s key objectives are as follows:

- To find new fashion innovators
- To nurture and grow the next generation of fashion entrepreneurs
- To strengthen and grow existing fashion businesses
- To output successful fashion entrepreneurs.

The Toronto Fashion Incubator is also a place that offers comprehensive support to fashion designers in the early start-up stages. It helps dreams become a reality while developing a more vibrant economy. The incubator has built and continues to build an entrepreneurial culture that is envied throughout international business centres (<http://www.fashionincubator.on.ca>).

2.5.4. Impact of business incubators

In the United States, several studies have been completed to evaluate the impact of business incubators. These studies have found higher success rates for incubated firms than they did for most new businesses. These incubated firms often stayed in the community after graduation and this fact suggest that the benefits of the incubator system tend to remain within the community. Although job creation per incubator firm was relatively small, fewer than 10 employees, this did increase over time. Thus the study viewed incubators as a long-term economic development strategy (Markley & McNamara, 1995:2).

2.5.5. Examples of incubators

The following are examples of internationally based business incubators that have been created to encourage and support new business development over the years:

- The first incubator was launched in 1959 in Batavia, New York, when a large textile mill closed down and left 2000 people without work. The head of the New York State Economic Development Association, who happened to be a resident of Batavia, started up the incubator in an attempt to offset the economic downturn. One of the first companies to sign on was a chicken processor; hence, the term “incubator,” which also describes the nurturing relationship to these companies (Thomas, 1996:1).

- Milltown is a small metropolitan area in the United States. During the 1980s they faced major competitive challenges that caused many plants to close down and resulted in significant job losses. These changing economic conditions facilitated the creation of the incubator in 1986. The facilities goals were to create economic diversity in Milltown, assist and train entrepreneurs, and earn enough income to keep the incubator self-sufficient. Over the seven years of operation, total annual employment for all incubator firms averaged 179. Employment increased from a low of 17 in the first year of operation to a high of 319 in 1993. The 319 jobs in firms associated with the incubator stimulated a total of 471 jobs in the county's economy in 1993 (Markley & McNamara, 1995:2).
- David Gonzales is the executive director of the Denver Enterprise Centre that has been an incubator for small businesses for eight years. The goal of the centre has been to get jobs and entrepreneurial possibilities to people who have been deprived of opportunity. The largest and most successful project has been the "kitchen incubator", established for entrepreneurs to rent and produce products for commercial distribution. While there is no mandatory graduation policy, some businesses do "graduate" within two and a half years to operate independently. According to Gonzales, "it is almost counterproductive to force them to leave. I look at the incubator as sort of an extended family. You don't kick children out of the house at a prescribed time, but rather, according to their own rate of development". Gonzales espouses that entrepreneurship is the key to the future and that entrepreneurship and mentoring is the way to get the next generation going (Thomas, 1996:2).

Based on its success in the United States, business incubation is clearly an idea whose time has come. However, although the literature abounds with 'success stories' of individual incubator programs across Europe and the United States, these stories tend to have major shortcomings. According to Autio & Klofsten (1998:1), what constitutes success is seldom defined, and it is difficult to determine to what degree this success

depends on local factors and to what degree it can be attributed to the management practices of the support arrangement.

Sherman & Chappell (1998:1) conducted research to determine the best methodologies that could be used by individual incubators to assess the impacts of the programs on local communities. According to the authors, the business incubator was an effective development tool, but the measurement process was complicated by three issues that hindered the evaluation process of the impact of incubator programs on entrepreneurial development and on local and regional economic development. These three issues related to the following:

- Due to the diversity of client needs, business incubation programs set a variety of goals and had a complex range of outcomes
- The different types of incubators had certain common services and activities, however each had distinct services that catered to its own clientele
- Business incubators concentrated on process rather than on outcomes or impacts.

2.5.6. Campus-based incubator systems

An embedded incubator is one that is part of an educational institution and the purpose of such an incubator is to enhance the start-up, survival, growth, and success rate of new ventures (Rice & Matthews, 1995:xx).

Incubators first appeared on college campuses in the United States in 1980, but were limited to large research universities only. Today, community colleges and even liberal arts colleges are also developing incubators, but with very defined goals. These new incubators that are created focus on creating new job opportunities as well as to offer business start-up opportunities for graduates (Van Der Werf, 2001:2).

Business incubation has grown markedly in North America, from 12 programs in 1980 to about 600 (Earls, 2001:3). Of these 600 or so nonprofit business incubators, about 150 are either run by or closely tied to universities and colleges (Van Der Werf, 2001:2).

Business incubators have also become a common feature of many campuses in New England. These colleges have discovered a role as economic nurturers and the incubators usually include some combination of low-rent space, shared support services and sometimes mentoring or technical help – all aimed at turning start-ups into sustainable businesses. Fred Andrews, the Executive Director of the Springfield Enterprise Center, once stated, “in addition to helping communities, incubators can also be self-supporting, perhaps even profitable, within an academic setting. That an incubator can help support people who are used to the academic culture, to get acclimated to what is going on commercially” (Earls, 2001:3).

Some colleges are homes to ‘business incubators’, which exist solely to aid the fledgling entrepreneur by providing such services as low-rent offices and plant space, and cooperative support services such as copying, faxing, printing, advertising, accounting and legal services.

Hernandez-Gantes et al. (1996:41) have maintained that business incubation is one of the most dynamic strategies. It facilitates entrepreneurship in the community, helps to create jobs, and stimulates economic growth and revitalization of depressed communities and neighbourhoods.

Similarly, Agoston & Gerl (1997:1) state that business incubators provide comprehensive support to companies in their start-up stages, help entrepreneurs achieve their dreams, and help communities develop more vibrant economies.

Dinah Adkins, president and chief executive officer of the NBIA, predicts that in the next 20 years, every university will have an incubator. While Adkins believes it is becoming the model to support local small businesses, other individuals believe otherwise. Some

educationists believe that university-run incubators ‘suck’, that colleges still have a lot to learn, and that university do not create the kind of fertile ground necessary to create successful companies (Van Der Werf, 2001:2-3).

2.6. A South African perspective

Presently, South Africa has a high population growth and unemployment rate, and requires a system of production by the masses rather than a system of mass production. In Kwazulu-Natal most SMMEs are in the construction industry, followed by the service sector that includes, among others, fashion design and sewing. Unfortunately, very few SMMEs are operating in the manufacturing sector, the sector that adds more value to an economy’s growth.

Incubator systems, as a tool for nurturing postgraduate students, are little used in South African educational institutions, even though research shows that it has proved useful in other countries. Present research, however, shows that the concept of incubation has been introduced in certain areas of South Africa, especially in the Western Cape, where there has been much focus on the development of small, micro and medium enterprises (SMMEs).

2.6.1. Clotex

Clotex is a sector-focused Local Business Service Centre. It was established through the co-operation of Wesgro and Texclo, and in May 1997 was registered as a section 21 company under the name Western Cape Clothing and Textile Service Centre. It was established to support small businesses in the Western Cape area, with the particular focus being to increase employment in the Clothing and Textile Industries, as well as to provide counselling to the SMME sector and previously disadvantaged entrepreneurs. Clotex, together with the Independent Development Trust, have since developed a business plan for the establishment of the Clotex Enterprise Centre (CEC), the aims of which are as follows:

- To establish a clothing business incubator to incubate existing clothing firms and build their technological capacity and business acumen
- To grow the firms from a cut, make and trim (CMT) basis to that of a full manufacturing firm
- To directly mentor the business for three years and partially mentor the business for an additional two-year period
- To provide incubation space for in-house mentoring of five to ten young and emerging fashion designers to potentially commercialize students' designs
- To develop managerial skills, technological skills and resources, and to develop and improve their design and marketing capabilities
- To provide a retail outlet for the sale of original designs
- To establish the Clotex brand name synonymous with high quality locally manufactured merchandise
- To establish rural satellite offices with a capacity to download patterns and designs to promote the development and growth of clothing manufacturers in rural towns and locations.

While the aim was to increase employment in the Clothing and Textile industries in the Western Cape through the development of small, micro and medium enterprises, CEC now also facilitates linkages between the big (formal) business and the small (informal) business sector, and among the key stakeholders are tertiary institutions (<http://www.clotex.co.za>).

2.6.2. The Godisa programme

Godisa is a Setswana word meaning “nurturing or helping to grow”. It was established to enhance the capacity of small enterprises in accordance with the demands facing a modernizing and global economy. The overall objectives of the programme are economic growth and long-term employment creation through the enhancement of technological innovation, improvement of productivity, sustainability and international competitiveness of SMMEs. The program has centres in various provinces in South Africa, namely: Western Cape, Port Elizabeth, Mpumalanga, Johannesburg, Durban, Randburg, Pretoria and Modderfontein. The beneficiaries of the program comprise a wide spectrum in differing markets and with different technology platforms (<http://www.godisa.net>).

At the International Conference on Higher Education and Economic Regeneration held in Cape Town in October/ November 2002, Jon Burns, the program leader and principle advisor of the Godisa Program stated, that Higher Education Institutions (HEI) were the initiators of support centers, and by providing mentoring and coaching services, provided a key factor for success.

Hamlyn (2002:2) reiterates these sentiments by saying that, “one of the best things about ‘coaching’ is that it is a good way to bring all sorts of potential to the surface, and the knock-on effects are limitless and virtually always positive.”

2.6.3. Tshumisano

Tshumisano – Partnership in Technology, is a Venda word meaning “co-operation or partnership”, and in that spirit, the Technology Stations Program provides support for South African Enterprise for Technology Transfer and Innovation. This Technology Stations Program was developed by the Department of Science and Technology (DST) to strengthen and accelerate the interactions between technikons and SMMEs. One of the stations developed was the Technology Station in Clothing and Textiles at the Peninsula Technikon. The aim of the station was to provide support to the SMMEs in the Clothing

and Textile Industry and to improve innovation and competitiveness in entrepreneurs (<http://www.tshumisano.co.za>).

While the Godisa and the Tshumisano Programs focused their efforts on the development of SMMEs, Clotex focused their efforts on the development of fashion graduates as well as SMMEs in the Clothing and Textile Industries in the Western Cape.

According to Thomas (1996:3) the development of small businesses is our nation's ace in the hole. This is what is seen as our economic survival for the future - business incubators that foster the entrepreneurial spirit; encourage technology transfer, economic diversification, job creation and neighbourhood revitalisation. Thomas states that if we, as South Africans, are to compete in a global marketplace, the development of new and innovative businesses are critical.

The major consistency, therefore, is the promotion of new, small businesses as the major vehicle for increased economic growth and self-sufficiency. These micro enterprises should be seen as the seedbed for small and medium-sized enterprises, which can move from the service sector to the manufacturing sector and thereby add more value to the economy's growth.

2.7. Entrepreneurship and incubator programs

Hernandez-Gantes, et al. (1996:13) view business incubation as a comprehensive strategy to foster entrepreneurship in the community, help create jobs by supporting new business ventures, stimulate growth by promoting a diversification of business opportunities, act as an agent to revitalize rural areas or depressed neighbourhoods, and facilitate the transition to business ownership for students and workers seeking a new career path.

Rice & Matthews (1995:138) view incubators as catalysts for creating entrepreneurial support systems in communities and feel that the concentration of start-up companies in

an incubator makes it easier to recognize the following three “M’s” that all start-up companies need in order to survive:

- Management – people who can start, grow and develop a company
- Marketing – expertise regarding who will buy what products, in what form and for what price
- Money – sources of capital and knowledge of where to go and how much money to seek for start-up, development, expansion and growth.

The authors believe that in order to develop management and marketing skills, undergraduates need to be introduced to options of establishing micro enterprises through the following programs:

- Education and experiential learning, internships and fellowships – these will enable students to work alongside people and learn, first-hand, the agony and ecstasy of growing companies
- Short-term courses – where consultants will serve as master teachers on business planning and strategy
- Mentorship programs between successful and novice entrepreneurs.

One of the criteria of the Diploma in Fashion requires graduates to be exposed to such programs as experiential learning and marketing. While this exposure is sufficient to encourage the postgraduate student to successfully start-up and run a small micro enterprise, they are faced with the following problems:

- A shortage of capital - which is needed in order to grow the micro enterprise

- Equipment – which is needed to run the micro enterprise efficiently
- Facilities – a physical location that is suitably situated to reduce operating costs and get closer to its customers.

According to Desai (1998:vi), it is now well recognized that entrepreneurs can be developed through appropriately designed entrepreneurship development programs and that these programs should broadly envisage a three-tiered approach:

- Developing achievement motivation and sharpening of entrepreneurial traits and behaviour
- Project planning and development and guidance on industrial opportunities, incentives and facilities, and rules and regulations
- Developing managerial and operational capabilities.

It is, therefore, hoped that, through this study, a business incubator will be established - one that will benefit not only the postgraduate students, but also the institution. It is hoped that this business incubator will provide potential entrepreneurs with tools that encourage technology transfer, enhance the local economy and create new jobs.

Bruno (1998:2) states that a business incubator would maximize the programme resources of a university and will provide a fertile medium for the technical and creative activities of students and faculty, and will thus establish an environment in which innovation and entrepreneurial activity are cultivated. According to the author, a business incubator's main goal should be to produce successful businesses that are financially viable and stable when they leave the incubator setting, which is usually in two to three years. The author reiterates that businesses incubated are often at the forefront in developing new and innovative technologies, creating products and services that can enrich citizen's lives and their communities.

A national study conducted by Culp (1990:1) has revealed a favorable survival rate for incubator tenants. This indicated that the incubator concept, if applied correctly, could be a potentially effective means of offsetting the high failure rates of small businesses.

Based on the researcher's observation, technikon fashion design graduates in KwaZulu Natal have, for years, been deprived of opportunity due to the economic downturn in the clothing industry. The lack of job opportunities has forced many postgraduate students to establish micro enterprises in order to sustain themselves. However, they are continually faced with obstacles. Through this study, it is hoped that the technikon can play a major role in assisting the graduates to overcome these obstacles, by establishing a facility similar to the New Zealand fashionincubator.

2.8. Conclusion

The primary motivation in establishing a business incubator is a desire to encourage entrepreneurship and thereby contribute to economic development. This business incubator will provide a supportive atmosphere for the micro enterprise during the early months of its existence when it is most fragile and vulnerable to external dangers and internal errors.

The establishment of a business incubator could be an important opportunity for the institution, whereby it can provide opportunities to postgraduate students to explore alternative career paths by tapping into the current business and technical skills and facilitating the transition options from school-to-work-to-business ownership. The technikon, too, would gain new visibility with larger corporations, benefit from new ideas and initiatives of the postgraduate students, and develop a self-supporting programme within an academic setting.

Business incubators are used extensively around the United States and Europe, and this chapter shows how the study relates to what other researchers have done. It suggests ways in which incubators might be used as a strategy to promote entrepreneurship, create

jobs, stimulate economic growth, and revitalize rural areas, by providing mentoring, counselling and guidance to the micro enterprises established by the technikon fashion design graduates. Chapter 3 outlines the methodology undertaken for data collection and discusses the procedures followed to analyse, administer and coordinate the data.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The previous chapters explained the importance of, need and motivation for the study. This chapter focuses specifically on the methodology and the instrument used to acquire the data.

3.2. Aims and objectives of the survey

The objective of the survey was to determine the demand for specialist fashion business mentoring among postgraduate students that operated micro enterprises.

Mentoring for micro enterprise development, however, should not be seen in isolation, but needs to be placed in the context of existing micro enterprise structures and the way in which they function. Without this background any discussion of mentoring may be irrelevant.

3.3. Method of research

According to White (2000:28-29), qualitative research is a staple form of research in the social sciences. It is a descriptive, non-numerical way to collect and interpret information. The research takes place in actual and everyday settings, and it investigates the way people react, work, live and manage their daily lives.

According to the author, the researcher is often part of the research been carried out, whereby the researcher observes a great deal and any results are mostly descriptive in nature. With qualitative investigations different qualitative techniques such as interviews, and research strategies, such as action research, can be included. While an interview can

provide a rich source of material, action research uses more description, both in the collection and interpretation of data.

This study is linked to a plan of action to bring about a change, which, in turn, brings about an improvement. The choice of the interview technique for this study has its advantages in that it can be used in a variety of contexts and situations, and in conjunction with other research strategies, namely action research. While there are many definitions of action research, “the study of a social situation with a view to improving the quality of action within it”, will be employed (White, 2000:43).

The concept of action research has its origins in the work of social psychologist Kurt Lewin (1946) who developed and applied it over a number of years in a series of community experiments in post-world-war America. It was tried in contexts as diverse as, among others, equalization of opportunity for employment. A distinctive feature of action research is that those affected by planned changes have the primary responsibility for deciding on courses of action which seem likely to lead to improvements, and for evaluating the results of strategies tried out in practice (White, 2000:5).

Action research, therefore, aims to contribute both to the practical concerns of people in an immediate problematic situation and to further the goals of social science simultaneously. There is a dual commitment in action research to study a system and concurrently to collaborate with members of the system in changing it in what is together regarded as a desirable direction. Accomplishing this twin goal requires the active collaboration of researcher and client, and thus it stresses the importance of co-learning as a primary aspect of the research process (<http://www.web.net>).

Due to the lack of job opportunities in the KwaZulu-Natal region, many graduates find themselves unemployed. The course of action adopted by these graduates to overcome unemployment is to establish a micro enterprise. The graduates, however, are continually faced with problems in the development and growth of these micro enterprises.

The establishment of a business incubator within the department of fashion at the institution could be seen as a strategy to address the problems encountered by these micro enterprises through coaching and mentoring. It could also pave the way towards addressing the serious unemployment shortages among the graduates.

It was for this reason that the overall methodology used was of a qualitative nature, because it involved an ‘interactive process’. It investigated the way graduates worked, lived and managed their daily lives and included their views on mentoring and coaching. The research strategy adopted was that of action research, and the data was collected by means of semi-structured personal interviews using an interview schedule (See Annexure 1).

This interactive nature of data collection and analysis allowed the researcher to recognize important themes, patterns and relationships between the data collected from the respondents, and much of the analysis occurred during as well as after the collection of the data. Evidence of this is outlined in chapter four.

3.4. Scope and research methodology

The nature of the empirical study is discussed below in terms of the following:

- Survey population
- Sampling frame
- Sampling method
- Sample size
- Data collection method
- Data collection technique

3.4.1. Survey population

The target population for the study is defined below in terms of the sample units, sample elements, and the geographic location of the sample.

3.4.1.1. *Sample units*

For the purpose of this study, the research focused on the micro enterprise established by the technikon fashion design graduates. These micro enterprises are very small businesses, often involving only the owner, some family members and between one to four employees. These unregistered micro enterprises usually lack all the official procedures of a business, especially in terms of business licenses, business premises, operating permits and accounting procedures. Most have a limited capital base and require only rudimentary business skills.

3.4.1.2. *Sample elements*

The survey was conducted among the postgraduate students from the years 1998, 1999, 2000 and 2001. Only those students that operated micro enterprises were eligible for inclusion in the study.

3.4.1.3. *Geographic location*

The survey was confined to postgraduate students operating in the KwaZulu-Natal area because they were easy to contact and were available for the interviews. Only those micro enterprises that did not pay licenses, taxes, keep records or do business on formal premises were identified for inclusion in the survey because these enterprises were identified as capitally poor and operated in the informal sector of the economic pyramid. Therefore, the sample units were chosen by means of a judgmental selection procedure.

3.4.2. Sampling frame

A list of postgraduate students was obtained from the technikon. The total numbers of students from the year 1998 to 2001 was 110, and are indicated as follows:

Table 3.1: Total number of graduates

Year	Female	Male	Number of students
1998	21	2	23
1999	22	8	30
2000	28	3	31
2001	20	6	26
Total	91	19	110

3.4.3. Sampling method

Many of the micro enterprises established by the postgraduate students were situated along the KwaZulu-Natal north coast, south coast, the midlands region and the central business district (CBD) area.

All respondents were contacted on their cellular phones. These contact numbers were accessed from the students' record cards. Only the very small (informal) establishments that could be contacted were selected for inclusion in the study. This selection procedure contributed to the high response rate of the postgraduate students, within a relatively short interviewing period available for the study. The relocation of many postgraduate students, the lack of postal services and the lack of land telephone lines, made it difficult to consider alternative sampling methods.

The majority of respondents turned out to be black females that operated their micro enterprises from their homes in the rural area or from shared premises in the CBD area, and concentrated their efforts on the service sector in the fashion design field. None of these respondents were employed in industry prior to the start-up of their micro enterprises.

3.4.4. Sample size

The sample chosen was made up of 20 respondents. The selection of these respondents was based on the size and location of their micro enterprise, the infrastructure of the micro enterprise and their availability for the interviews. The sample comprised the following:

- Two undergraduate students – one Indian male and one Indian female
- Eighteen postgraduate students – two African males, fifteen African females and one Indian female.

3.4.5. Data collection method for the empirical study

Both primary and secondary research methods were used to collect data relevant to the study. A substantial amount of information was also accessed from the Internet..

3.4.5.1. *Primary sources*

According to Welman & Kruger (2001:35), “ a primary source is the written or oral account of a direct witness of, or a participant in, an event, or an audiotape, videotape or photographic recording of it”. Therefore, the primary data included all the responses received from the interviews.

3.4.5.2. *Secondary sources*

“A secondary source provides second-hand information about events. Such a source has not witnessed the events himself or herself, but has obtained the information either from someone else who did experience the event or who has himself or herself obtained the information from a person who had indeed experienced it first-hand” (Welman & Kruger, 2001:36). Secondary data was, therefore, obtained from library books, newspapers, and journal articles from the Internet.

The secondary material provided general background and theory and included sources such as bibliographies, abstracts, newspapers, reference books and textbooks, conference proceedings, reports, theses, periodicals and academic journals.

3.4.6. Data collection technique

Personal interviews were conducted with the respondents on the Brickfield Road campus of the Durban Institute of Technology. Personal, face-to-face interviews were conducted to collect primary data. These interviews were semi-structured and sometimes took the form of a discussion. Although the exercise yielded a great deal of information, interpreting the data was time consuming.

The main reasons for selecting personal interviews related to the following:

- This data collection method was flexible, allowing for the interviewer to meet the respondent face-to-face and probe for deeper meaning
- With this conversation type of interview it was possible to re-word and re-order certain questions depending on the biographical data of the respondent
- The quality of the data was enhanced because certain observations verified the respondents responses
- All the respondents were contacted telephonically, and appointments were set up at their convenience
- All respondents were given a monetary payment in appreciation for their time and effort after the interview
- Permission was obtained from the respondents to tape record the interviews with a dictaphone in order to ensure accuracy of information

- All responses were transcribed for the analysis of results.

Although this method of data collection was very time consuming, it was considered the most appropriate for this type of research and generated a rich source of information.

The data was collected by means of a semi-structured research instrument (questionnaire). The questionnaire contained open-ended questions and was grouped into sections.

The key questions included:

- What kind of problems respondents encountered as they developed their businesses?
- What kind of assistance helped make their business a success?
- How could government support their businesses?
- How could financial and commercial institutions support their businesses?
- How could the incubator system assist in the growth and success of their business?

Other sections of the research instrument were dedicated to biographical data, reasons leading to business start-up, and questions aimed at establishing whether or not the respondent received any form of support. The support was categorised as either financial or non-financial. Non-financial support included marketing assistance, development of business plans, management education and training and technical support. Where no support was received, the respondent was probed for reasons for the lack of support.

3.5. Interview schedule

The following factors were covered in the interview schedule:

- Biographical details of the student such as gender, level of education, the type of business, the products sold or the services offered and the length of time the business has been in existence
- How and why the informal business was started, and problems that were experienced when starting it
- What initial skills the student had before starting the business and how they had acquired these skills
- What training they had received, if any, before embarking on the venture
- What skills, in their opinion, would have been helpful to get started
- The number of people actually working in the business and whether or not employment opportunities had been created since the inception of the business
- What type of skills (financial, technical, marketing, interpersonal, budgeting, planning and forecasting) was needed for running the business and how these skills were acquired
- The role of formal and informal training, as compared to the role of experience, in establishing and running a business
- The importance of guidance and mentorship, from the incubator system, in operating a business

- The way in which they saw the future of the business and their future business plans.

A draft questionnaire was compiled and piloted with two respondents. Minor adjustments were then made to the research instrument.

Prior to the interview, respondents were briefed on the list of topics to be discussed. The interview began with a brief personal background, then led on to behavioural details and finally concluded with their opinions on the incubator system.

3.6. Conclusion

The focus of the study was to determine the problems encountered by the respondents in setting up their micro enterprises. The methodologies used to select the final sample elements for the study and to collect the data were discussed in this chapter. It is important to note that the research model used for collecting the data produced qualitative rather than quantitative research results, implying that readers should avoid over-generalizing the findings of the research results.

Concomitantly, the ability of the technikon to implement a mentorship programme by way of the incubator system was also determined. A summary of the survey results will be discussed in chapter four.

CHAPTER FOUR

RESULTS

4.1. Introduction

This chapter provides an overview of the survey results. The structure of the chapter follows a sequence similar to that of the research instrument.

The primary objective of the research instrument, developed for the survey, was to determine the current status of the micro enterprises set up by the Durban Institute of Technology, specifically former M L Sultan Technikon fashion design graduates, and to determine the problems encountered before inception and during the running of the micro enterprises. While in-depth information was obtained, it is not known to what extent the findings are generalizable because the findings show possible trends rather than definite patterns.

The results, as contained in this study, provide an overview of the research findings in terms of current needs of micro enterprises established by technikon fashion design graduates. This study reports on the views of the respondents about their problems and their need for support. An interesting perspective is also offered on what the government and financial institutions could do to improve their support for these micro enterprises. These results will be used to assist in the development of an incubator system within the Department of Fashion at the Durban Institute of Technology. This unit will aim to nurture and support micro enterprises with a focus on economic development and job creation, through these micro enterprises.

4.2. Biographical data

In this section the biographical details of the respondents will be discussed. Such a description is necessary because it indicates the type of background against which the micro enterprise was set up and run. These variables need to be taken into account when suggesting guidelines for formulating a mentoring programme for micro enterprise development, for technikon fashion design graduates.

4.2.1. Population group of technikon fashion design graduates

Table 4.1 reflects the number of full-time students from the years 1998 to 2001. The total number of students was 110. Most of the students were African females (63) and African males (16), many of who were from the rural areas of KwaZulu-Natal. These figures provide an explanation for the disproportionate race and gender of respondents. It also provides scope for the need for mentoring and coaching for previously disadvantaged students.

Table 4.1: Total number of graduates according to race

Year	Indian Male	Indian Female	African Male	African Female	Total
1998	0	10	2	11	23
1999	2	4	6	18	30
2000	0	10	3	18	31
2001	1	4	5	16	26
Total	3	28	16	63	110

As far as the Indian population group is concerned, many of these postgraduate students are already in employment within the fashion industry. A percentage of these Indian students, who had support structures for their business ventures, are already operating in the formal sector of the economy. These Indian postgraduate students, therefore, were not eligible for inclusion in this study.

Based on the above, it was to be expected that the majority of respondents would be from the African population group, in particular those who ran micro enterprises in the rural areas and who operated their micro enterprises in the informal sector of the economy.

4.2.2. Population and gender of respondents

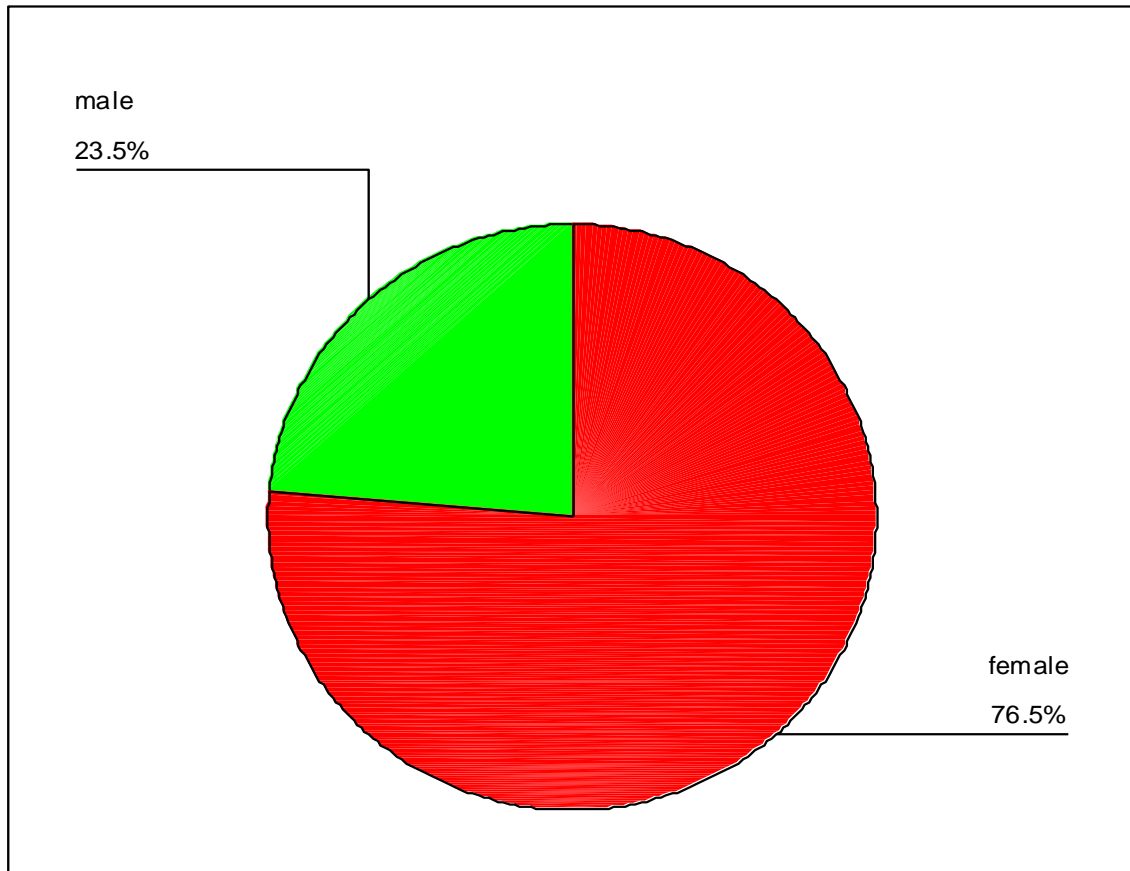
The racial and gender composition of students represented in the sample, from the years 1998 to 2002, is reflected in Table 4.2. The total number of students represented in the sample is 20. 18 respondents are postgraduate students from the years 1998 to 2001. The two undergraduate students, from the year 2002, were selected for the study because their micro enterprises were already in operation.

Table 4.2: Total number of respondents according to race

Year	Indian Male	Indian Female	African Male	African Female	Total
1998	0	0	1	3	4
1999	0	0	2	1	3
2000	0	0	0	6	6
2001	0	0	1	4	5
2002	1	1	0	0	2
Total	1	1	4	14	20

Although both male and female students are represented in the sample, there are far more females (76.5%) than males (23.5%). This percentage is reflected in Figure 4.1.

Figure 4.1: Percentage of respondents according to gender



4.2.3. Age of respondents

60% of respondents were over the age of 25 years. There were 18 respondents who had completed their diplomas in the years 1998 to 2001. The two undergraduate respondents were under the age of 25 years and are due to complete their diploma in the year 2002.

4.2.4. Education level of respondents

All the respondents have theoretical and technical training gained during their years of study. 18 postgraduate respondents were in possession of a Diploma in Fashion, while the two undergraduate respondents are expected to receive their diploma certificates in the year 2003. Although this theoretical and technical background provided the respondents with basic work skills upon which they could build when setting up their micro enterprise, it proved to be inadequate because of problems like finance, machinery and materials.

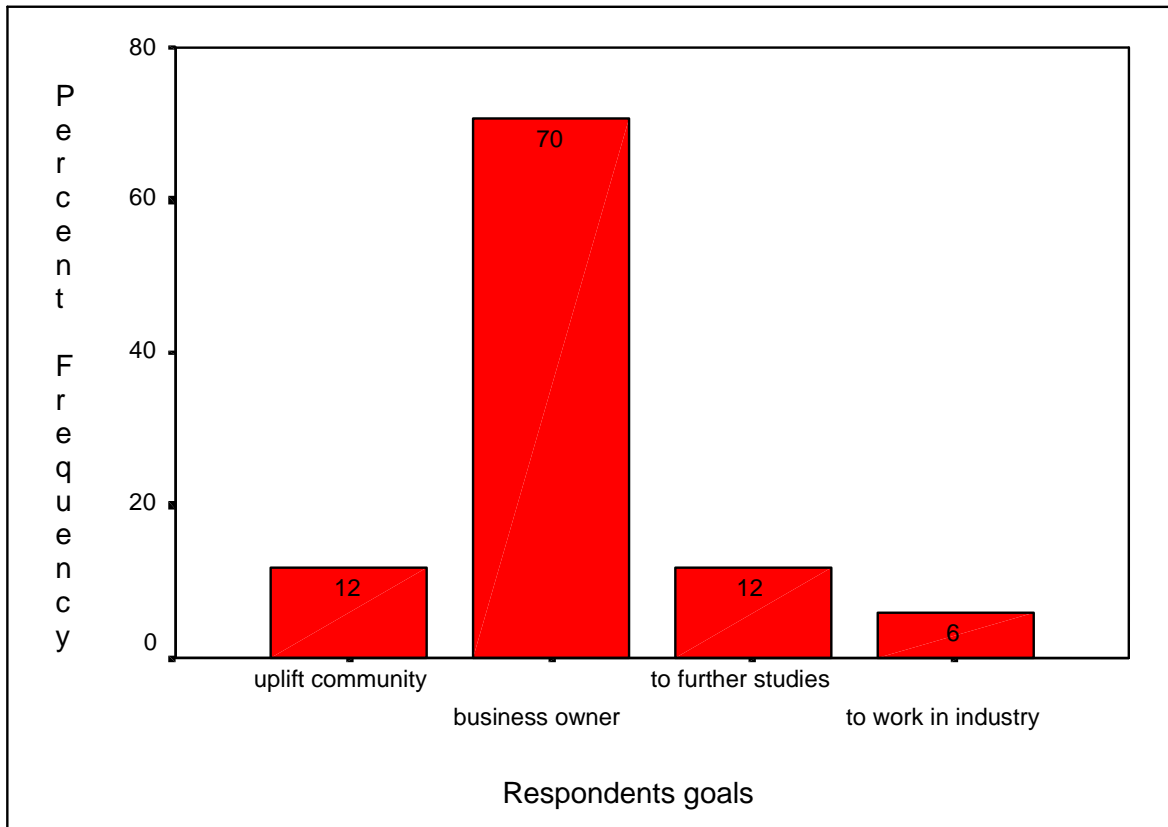
4.2.5. Respondents' goals

None of the respondents had any prior work experience. The only exposure they had in the clothing industry was through their experiential learning, which was for two weeks during their second year of study. All respondents were undergraduates prior to their starting their micro enterprises. Two respondents attempted to seek employment in the clothing industry, but were unsuccessful, while none of the other respondents had a desire to work in the clothing industry.

One undergraduate and one postgraduate respondent began sewing at the age of eight. For the undergraduate respondent sewing was a family heritage – and a profession she was bound to follow. For the postgraduate respondent, poverty and hardship forced her to start sewing – but it was also a profession she wanted to continue with. All of the other respondents started sewing during their years of study.

Figure 4.2 reflects the goals of the respondents. It is evident, that the majority of the respondents (70%) have a strong desire to own their own businesses, to meet their goals, and make a better life for themselves. The other respondents preferred to further their studies (12%), or uplift the community within which they lived (12%). Only 6% wanted to work in the clothing industry, but purely to gain experience.

Figure 4.2: Respondents' goals



4.3. Description of the existing business

In this section, a description of the micro enterprises run by the respondents will be outlined, in respect of the nature of the business and the products and/or services offered, the economic sector, the infrastructure available to the business, the role of the family, ownership of the business and the business site. This description gives an indication of the way in which these micro enterprises were set up and run, as well as the type of mentoring that is needed for micro enterprise development. The type of business that each respondent operated influenced the type of goods being made or the type of service being offered.

4.3.1. Nature of the business

Among the respondents, there was much diversity in the nature of their micro enterprises. Many of the respondents operated in the service sector of the economy, by providing made to measure clothing for individual customers. Only two respondents operated in the manufacturing sector of the economy by producing garments to retail customers. Some of their activities also included skills training within their communities. The nature of business among these respondents is outlined below:

- Eight female respondents operated in the service sector of the economy by making made-to-measure clothes for individuals in the rural areas
- Four female respondents operated in the service sector of the economy by making made to measure clothes for individuals in the CBD area
- One female respondent manufactured a range of ladies blouses and men's shirts for specific outlets (manufacturing sector)
- Two female respondents had formal business premises. The one respondent manufactured tracksuits for schools in the Eastern Cape area. The other respondent provided a skills training course in sewing, pattern making and textiles for the rural community in Port Shepstone, as well as operating her own design studio (manufacturing sector)
- Three male respondents operated in the services sector of the economy and produced made to measure clothes for individuals in the CBD area
- One male respondent produced made-to-measure clothes for individual customers and manufactured a range of garments for specific customers in the rural areas (service and manufacturing sector)

- One male respondent, on completing his diploma, entered various fashion shows where he showcased ranges of garments and was the highlight of the fashion scene both locally and internationally. As successful as this respondent was, he was still unable to secure a loan from any bank to finance his micro enterprise. One of the reasons given was the lack of collateral. This respondent was, therefore, looking for sponsors to help set up his micro enterprise.

It is clear from the above that all the respondents provided a service to the community in which they lived, by making made to measure clothes for individual customers. These garments included fashion wear, school wear and traditional garments. Unfortunately, due to the problems experienced in the operation of the micro enterprise, these respondents were unable to expand their micro enterprises.

4.3.2. Economic sector

One of the selection criteria for participation in the study was the sector in which the micro enterprise operated. Postgraduate students operating in the ‘informal’ sector of the economic pyramid were chosen to participate in the study, because their business was characterized as a small micro enterprise. The undergraduate respondents were among a few who had started micro enterprises during their years of study.

4.3.3. Infrastructure available to the business

Infrastructure, for the purpose of this study, refers to electricity, telephones (land lines and cell phones), running water, ablution facilities and storage space. It also includes machinery and equipment required to run the micro enterprise. All respondents operated out of facilities that had electricity, water and ablution facilities. Only one respondent did not have electricity, therefore, she had to rent a small room with electricity, water and ablution facilities from where she operated her micro enterprise. 75% of the respondents did not have access to land telephone lines, and, therefore, operated their micro enterprises using cellular phones.

While most of the respondents had the basic infrastructure, their micro enterprises lacked suitable and updated machinery, equipment and tools. Lack of sufficient storage space also created a problem for the respondents. Many of them worked on the floor in the main room of their homes, and this they saw as an infringement on their families. This situation was also not conducive to a working environment. Lack of finance and suitable premises were also some of the reasons why these micro enterprises failed to grow and expand. Most of the respondents felt that if they had suitable premises and some start-up cash, their enterprises would thrive and this would add a bit of proficiency to the venture.

4.3.4. Role of the family in the micro enterprise

Three respondents indicated that they had family support structures to depend on, and this contributed to the success of their micro enterprise. These respondents received assistance in the form of finance and this helped to facilitate the smooth running of their micro enterprises. While some of the respondents used their savings to finance the start-up of their micro enterprise, others received help from family members in the form of machinery (domestic machines), many of which were obtained while the respondents were still undergraduates. These respondents continued to depend on their family for support.

4.3.5. Ownership of the micro enterprise

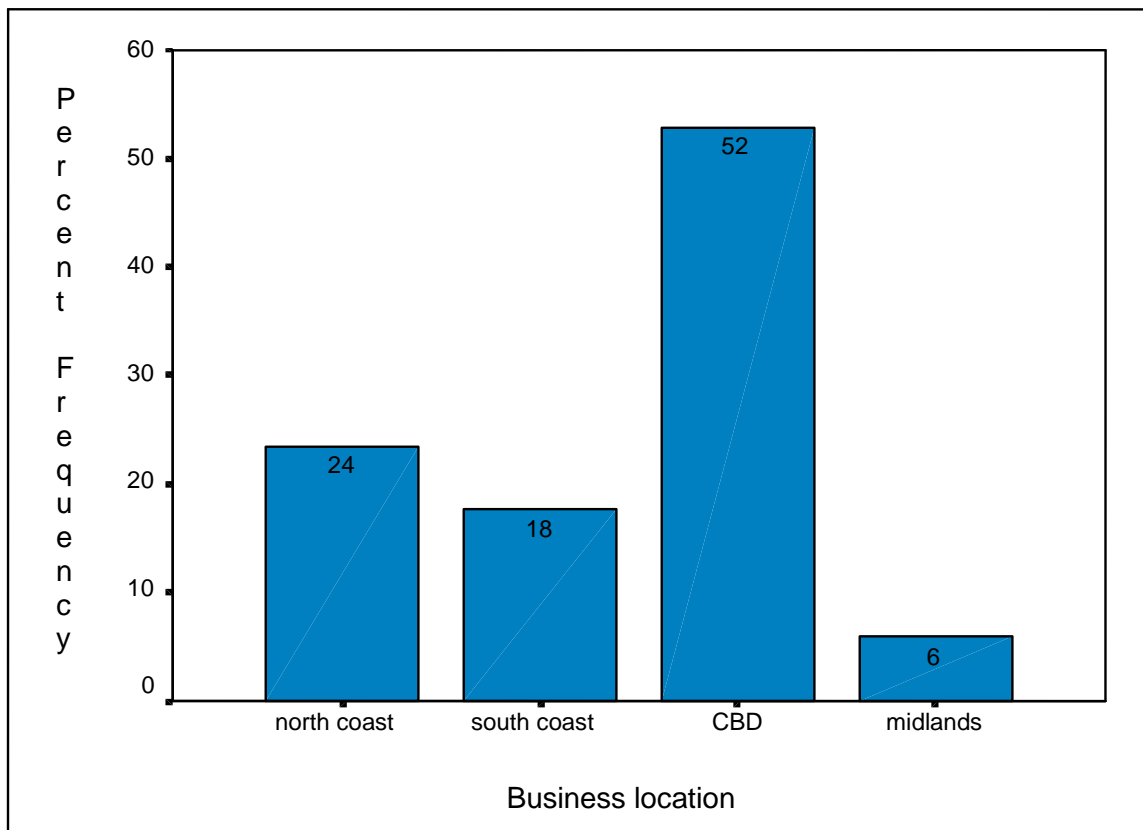
18 respondents were sole owners of their micro enterprises and two respondents had business partners.

4.3.6. Business site of the micro enterprise

70% of the respondents in the sample fell into the 'informal' sector of the pyramid. While 52% of the respondents operated their micro enterprises from premises in the CBD area, lack of finance remained their biggest obstacle in the development and expansion of their business. The remaining respondents operated their business from their homes along the

KwaZulu-Natal north coast, south coast and the midland region. The lack of finance also prevented these respondents from renting suitable premises somewhere else. Figure 4.3 reflects the location of the micro enterprises in the sample.

Figure 4.3: Business location

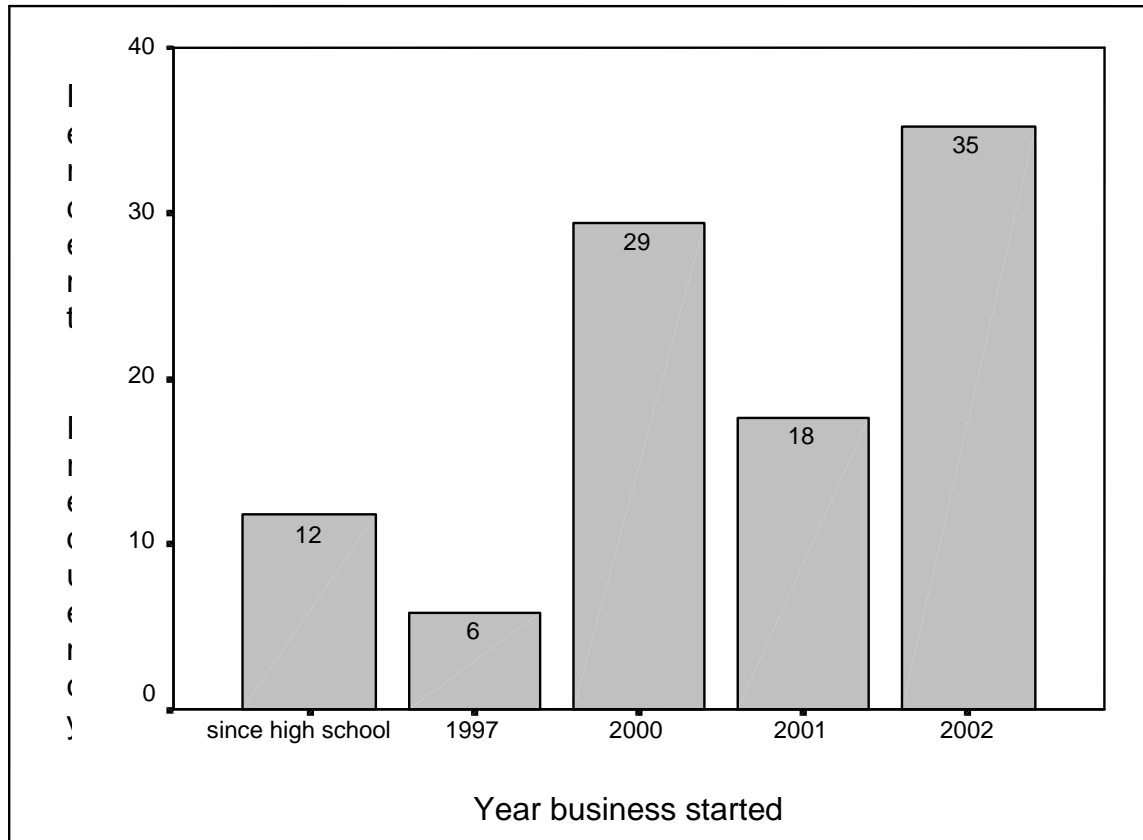


4.4. Origin of the micro enterprise

Issues that will be dealt with in this section include reasons presented by the respondents for entering into the informal sector of the economy. Most of the micro enterprises represented in the sample came into existence relatively recently. Figure 4.4 indicates the percentage of respondents and the year in which the micro enterprises were established. Through the survey, it emerged that economic circumstances contributed the start-up of these micro enterprises. Unemployment, financial problems, and a desire to improve their

specific life circumstances were the main factors highlighted by the respondents with regard to what motivated them to start their own micro enterprises.

Figure 4.4: Year of inception of micro enterprise



Factors such as qualification and training influenced the type of micro enterprise the respondent chose. Due to the lack of work experience, capital and collateral, none of the respondents were able to obtain a loan from a bank or a development agency, and, therefore, started off very small. 76.5% of the respondents indicated that they had to borrow money from family or friends, while 11.8% used their personal savings to set up their micro enterprises.

Four respondents used some form of advertising to market their micro enterprises. This was done through business cards, posters, advertisements in the newspaper, or broadcasts

over the air. The rest of the respondents depended on word of mouth of their customers to promote their micro enterprises. Two respondents conducted market research to establish the viability of their products and/or services, before starting up. Only one micro enterprise was registered. The others did not even obtain a business license to operate their micro enterprise.

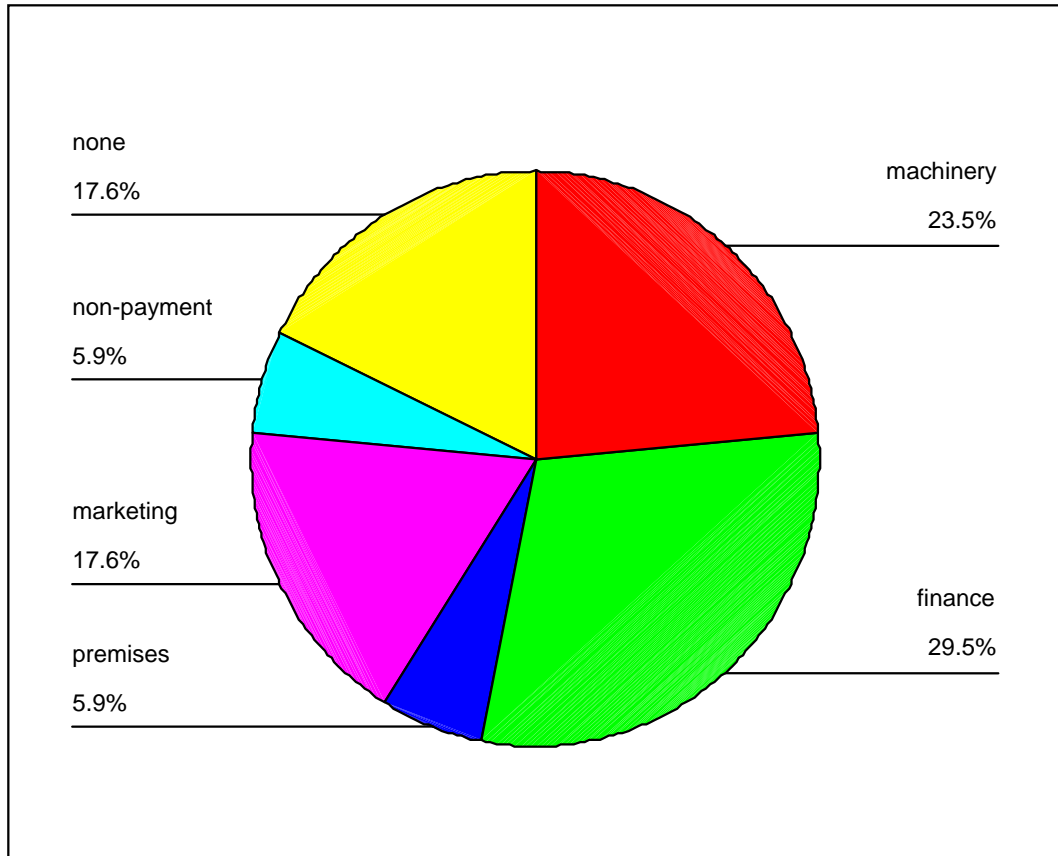
4.5. Problems experienced by the respondents

In this section, problems experienced by respondents will be discussed. It includes a discussion on the difficulties faced by the respondents who wished to start up, run and expand their micro enterprises. This section reports on the views of the respondents, the problems experienced, and their need for support. In terms of the primary objectives of the survey it was important to determine the problems experienced by the respondents, before and after the start-up of the micro enterprise, in order to establish what the incubator system could do to assist in the development of their micro enterprises. These problems experienced by the respondents are reflected in Figure 4.5 and Figure 4.6. An overview of other problems encountered by the respondents is also provided.

4.5.1. Problems experienced before the start-up of the micro enterprise

Responses regarding problems that were experienced before the start-up of the micro enterprise are set out in Figure 4.5. This figure indicates that the most frequently encountered problems were acquiring of capital (29.5%) and machinery (23.5%). Other problems, like marketing of the micro enterprise, renting of suitable premises and non-payment by customers, were relatively less important at the start-up stage. However, this lack of finance was found to ultimately lead to other problems in the running of the micro enterprise. These problems included the purchasing of raw materials and equipment, which inevitably impacted on the quality of their workmanship.

Figure 4.5: Problems experienced before start-up

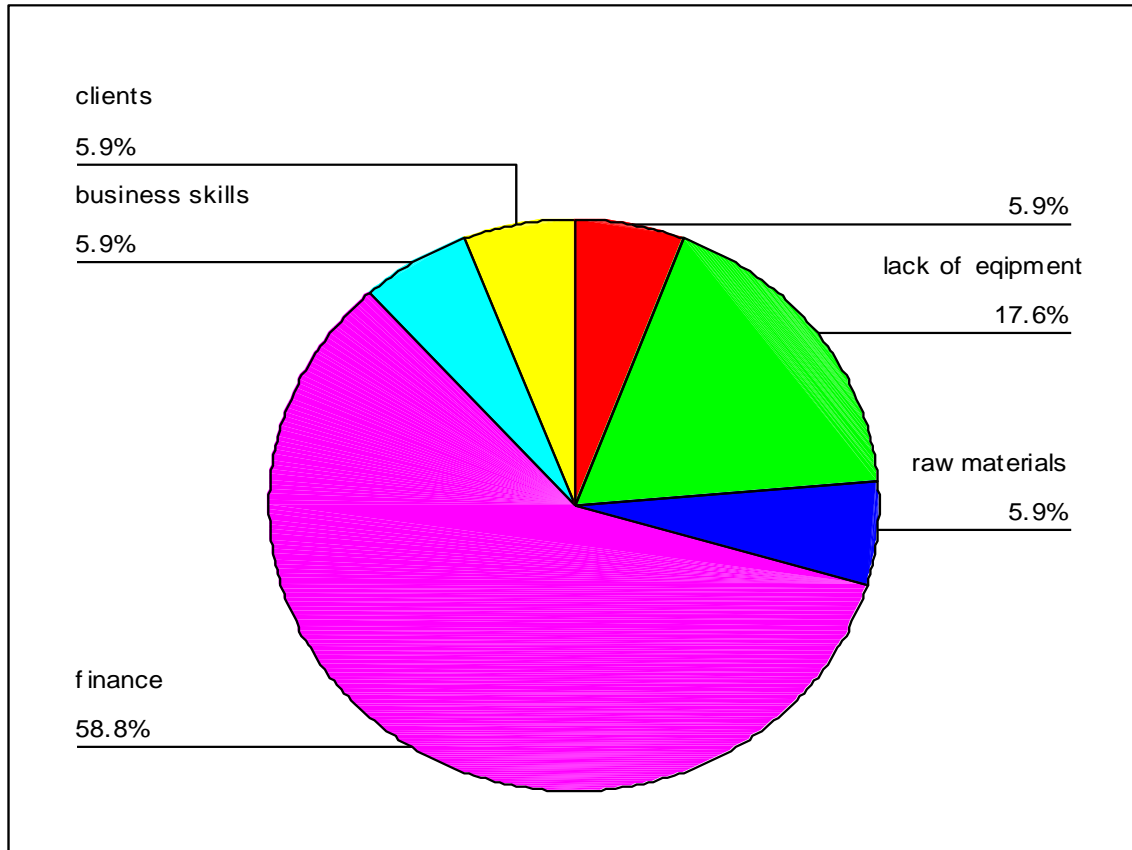


4.5.2. Problems experienced after the start-up of the micro enterprise

Responses regarding problems that were experienced after the start-up of the micro enterprise are set out in Figure 4.6. This figure indicates that the most frequently encountered problem was the acquiring of capital (58.8%), whilst the lack of suitable machinery and equipment (17.6%) was the other major problem. Other problems, like acquiring of raw materials, building up a client base, and lack of sufficient business skills were relatively less important. However, this lack of finance after the start-up of the micro enterprise hindered the running and expansion of the micro enterprise. It is important to note that the way the problems are inter-related poses challenges for the business incubator. For example, the lack of finance prevented respondents from acquiring suitable machinery and equipment. This resulted in delays in the production of

orders as well as the quality of output and, consequently, problems in retaining customers.

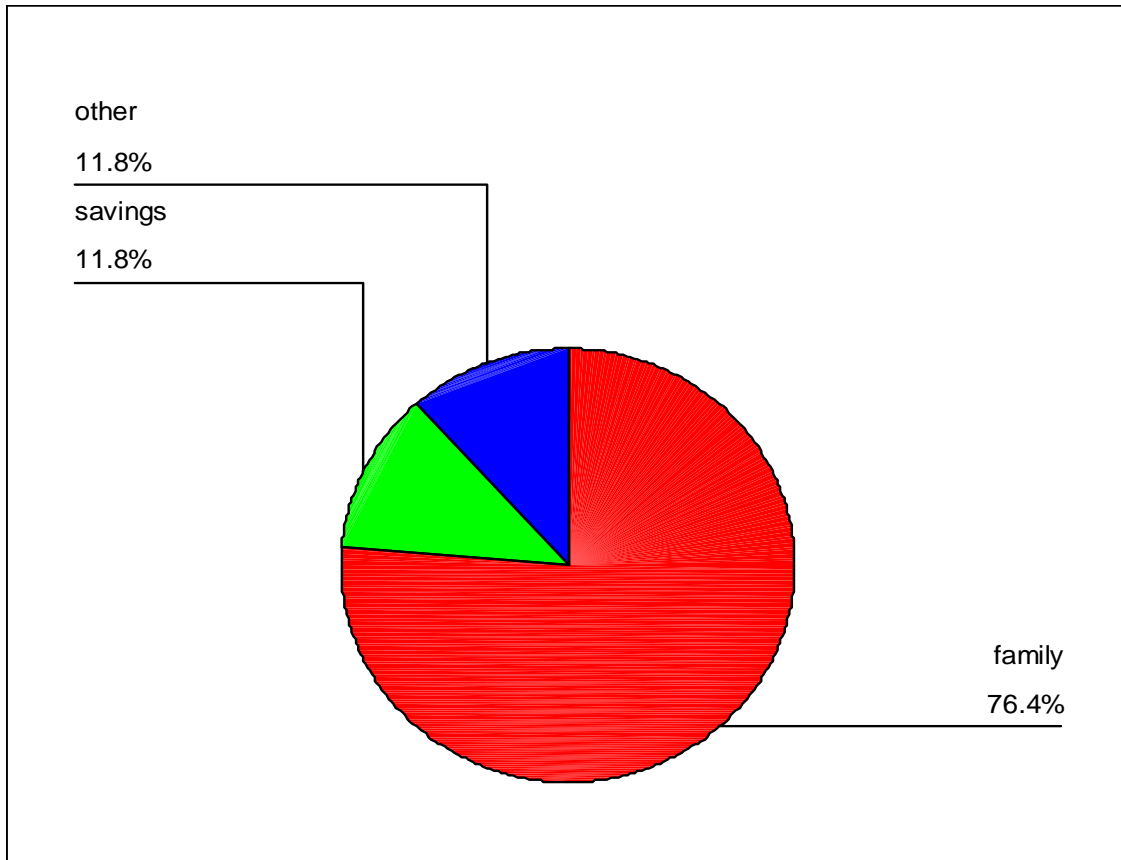
Figure 4.6: Problems experienced after start-up



4.5.3. Problems experienced in acquiring capital

The majority of the micro enterprises included in the study were started in a piecemeal fashion, with little overall planning. Almost all the problems experienced by the respondents originated from a lack of funds. While the majority of the respondents received assistance from their families in the form of finance and/or equipment (76.4%), others used personal savings (11.8%) or turned to friends for assistance (11.8%). Figure 4.7 reflects the percentage and source of finance.

Figure 4.7: Sources of finance



4.5.4. Problems experienced in obtaining suitable equipment

Problems experienced in obtaining suitable equipment, machinery and tools all centered on the high costs of these items. These difficulties included the purchasing of up-to-date machinery and equipment, and resulted in respondents using outdated or insufficient tools, equipment and machinery. This consequently affected the quality of workmanship. The lack of suitable machinery and equipment also posed problems, such as, the delay in completing orders, and this had a negative effect on the standard of workmanship by the respondents.

4.5.5. Problems experienced in obtaining premises

The problems experienced in obtaining premises were directly related to the expense involved in paying the rent and other overheads. This affected 10 of the 20 respondents. In order to overcome this problem and to conserve cash, these 10 respondents used their homes or places of residence to operate their businesses. This, however, was perceived as being unsuitable as the lack of space made it difficult for respondents to house suitable machinery and equipment, and the lack of storage space made it difficult for them to store sufficient raw materials. Operating from the home environment also created other types of problems like disturbances from the family, compulsion to assist with household chores, and monetary aid towards the running of the household. With these problems encountered, respondents were unable to expand their micro enterprise and the lack of capital impacted negatively on the success of these micro enterprises.

4.5.6. Problems concerned in obtaining raw materials

The problems associated with obtaining raw materials centered on three problems. Firstly, there was the lack of availability of raw materials in the rural areas. Respondents could only purchase raw materials from the urban areas, which involved transport costs to town and back. Secondly, the inability to secure an account with a supplier required the respondent to pay cash for raw materials. And thirdly, they were unable to buy raw materials in bulk, mainly because of the shortage of funds, but also because of the lack of storage space at the place of operation of the micro enterprise. All of these problems had cost implications, which could have been overcome had they received some kind of financial assistance.

4.5.7. Problems experienced with marketing

Advertising of the micro enterprise required money, time and effort, of which respondents had little or none. Many of the respondents relied on the word-of-mouth of current customers, for new associates. Lack of finance prevented the respondents from

marketing themselves in the urban areas, and they, therefore, had to depend on rural based customers only. While they had the technical skills to run the micro enterprise, they did not have sufficient marketing skills to promote the micro enterprise. The fact that they operated from the rural areas also prevented them from acquiring expert or professional assistance for their micro enterprise to expand and grow.

4.6. Respondents' views on the quality of products

With regard to manufacturing products of a consistently high standard, the use of outdated or inadequate tools, machinery and equipment prevented 70% of the respondents from achieving a consistently high standard of work. The poor quality of raw materials and the use of inadequate machinery and equipment all connected to the lack of finance and the inability to purchase good quality raw materials and machinery. Competition and transport, however, were not considered as major problems for the respondents and their micro enterprises.

4.7. Respondents' views on their strengths

Figure 4.8 shows the respondents' personal strengths. While 46% of the respondents indicated that they were hard working, were self-confident (18%) and had an ambitious drive (24%), other strengths such as independence and optimism were also mentioned. All respondents interviewed indicated that they would not consider changing their line of business and their goal to obtain a sense of independence is what drove them to take moderate risks. Optimism also drove them to strive for success.

4.8. Respondents' views on their weaknesses

Figure 4.9 reflects the respondents' weaknesses. Approximately 70% of the respondents indicated that they had few weaknesses. 12 % of the respondents indicated that they were slow in sewing. One respondent produced wedding gowns that involved intricate beadwork that was very time consuming. Another respondent, who was very quality

conscious, indicated that the lack of suitable machinery and equipment was the cause for her slowness. They all agreed that the lack of finance made it impossible to employ assistants and this ultimately impacted on their standard of workmanship. However, despite these weaknesses the desire to succeed drove these respondents to strive for success.

Figure 4.8: Respondents' strengths

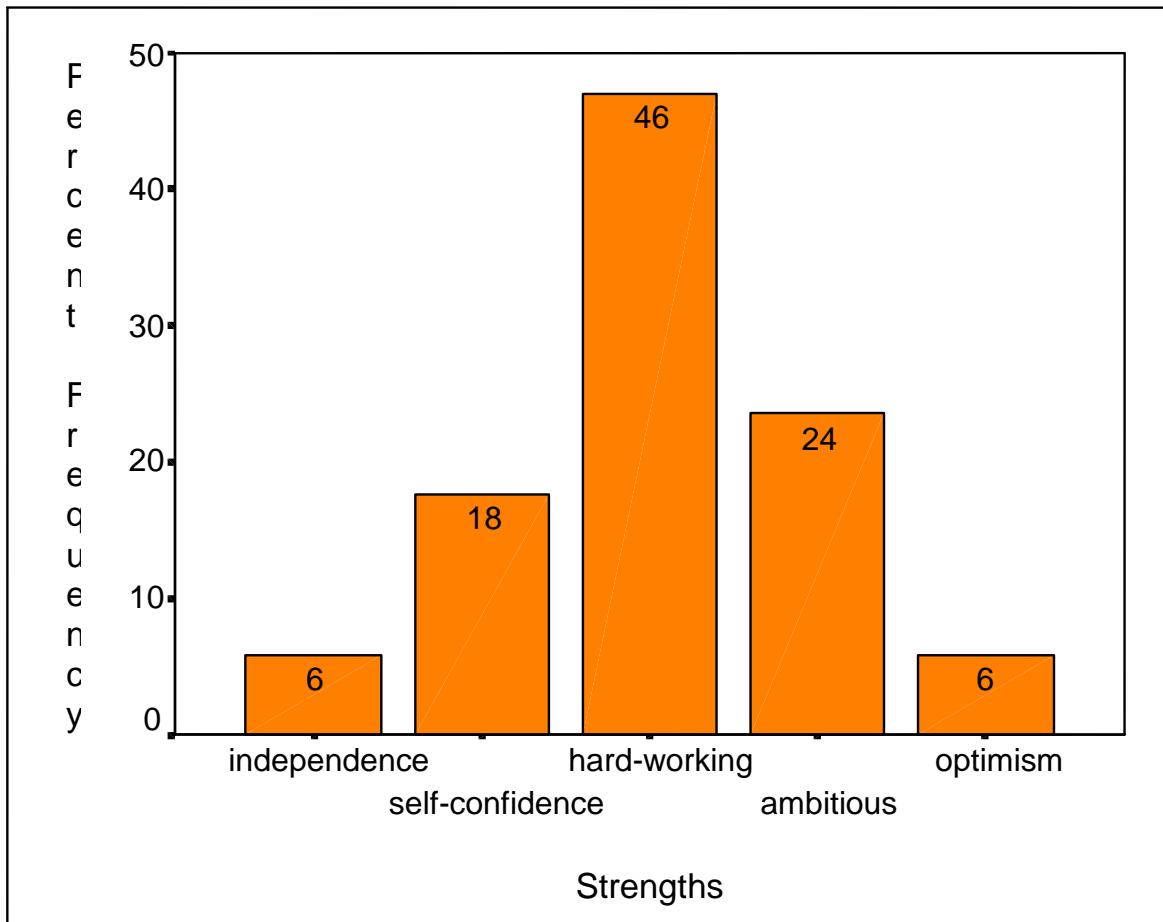
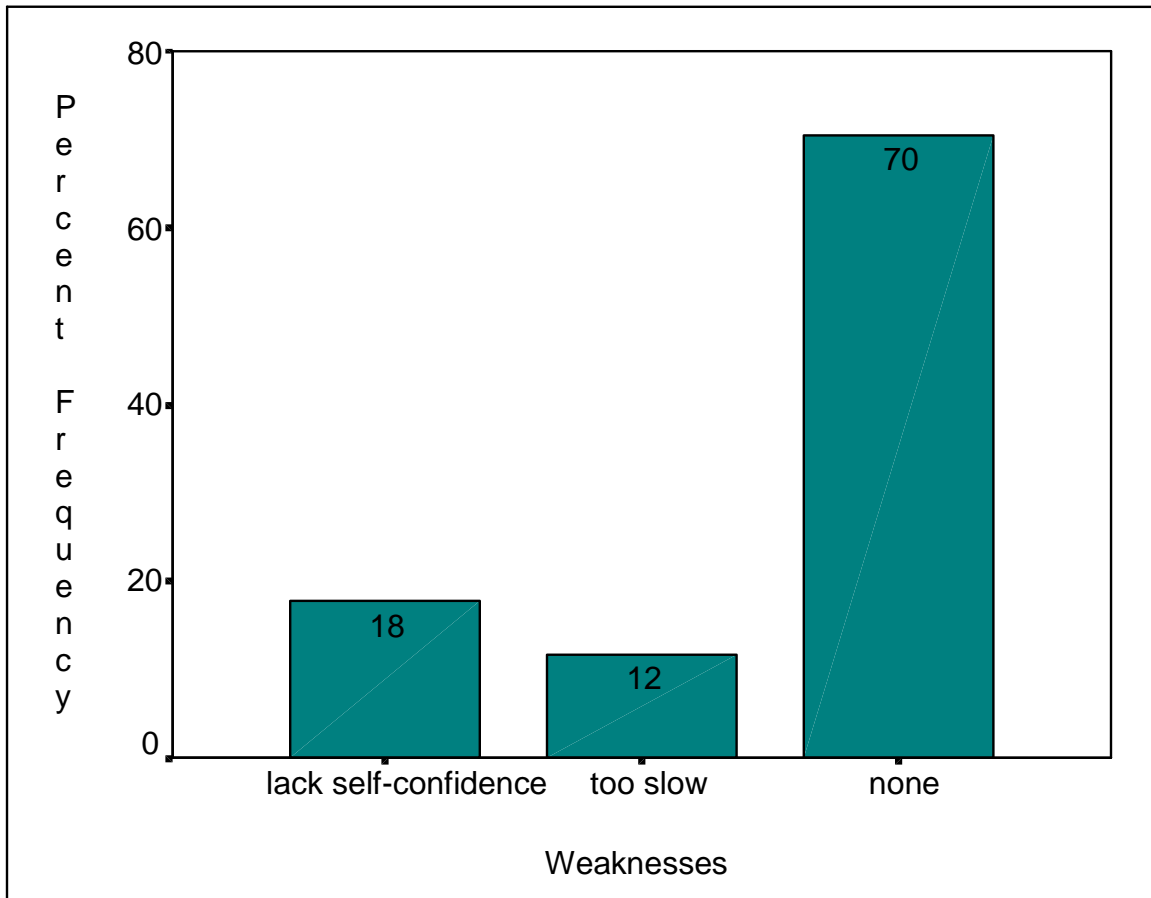


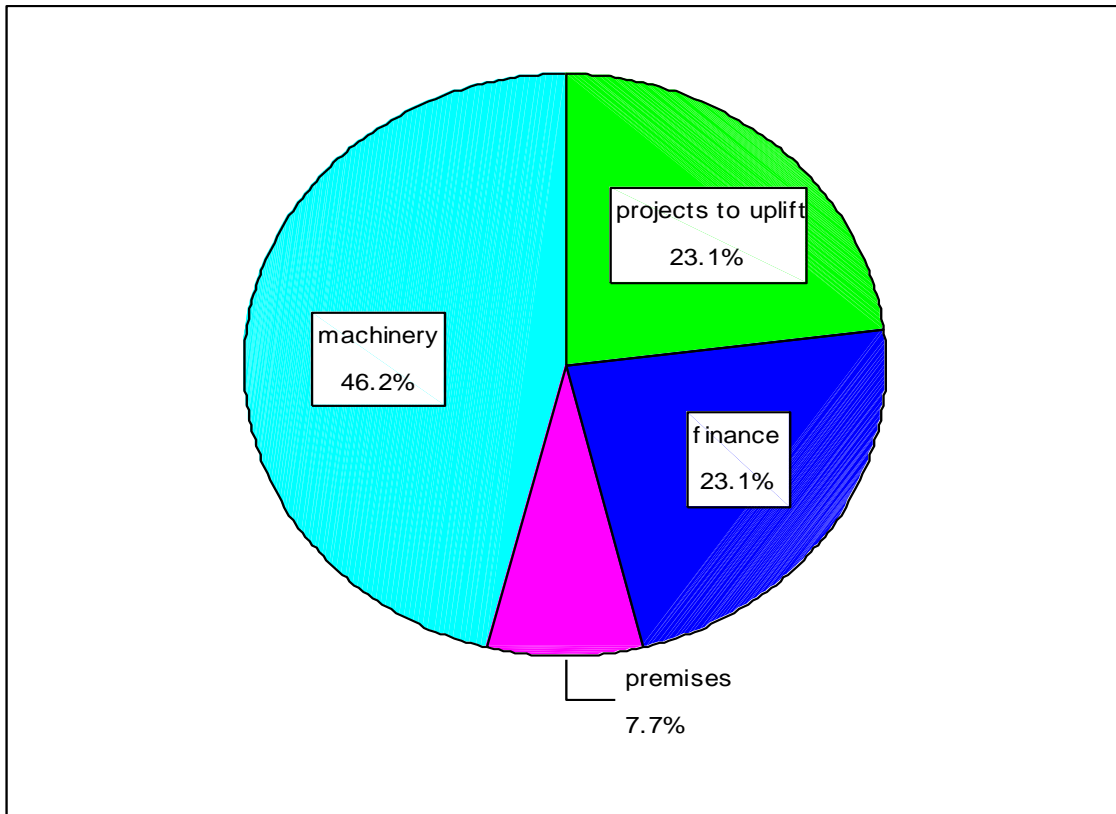
Figure 4.9: Respondents' weaknesses



4.9. Respondents' views on government support

An interesting perspective from the respondents is offered in Figure 4.10 on what government and/or financial institutions could do to improve their support for micro enterprise development. For example, some respondents believed that the government should do more to help young entrepreneurs by providing them with premises (7.7%), equipment and machinery (46.2%), and start-up cash (23.1%). This, they believed, should be accompanied by a certain amount of mentoring, before the loan was re-paid. 23.1 % of the respondents indicated that they were willing to be involved in community-based projects whereby they could assist unemployed youth in obtaining skills and then to employ them, provided the essential materials were made available.

Figure 4.10: Views on government support



4.10. Respondents' views on skills needed for running their enterprises

Technical skills, for the purpose of this study, apply to pattern construction, garment construction and the utilization of industrial machinery and equipment. All respondents felt that there was no need for technical skills training, since the theoretical knowledge base underlying the technical skills gained through their formal training at the institution was sufficient for them to establish themselves as entrepreneurs of micro enterprises. They did feel, however, that assistance was needed when expanding the micro enterprise. The most important asset, these respondents felt, was updated and specialized machinery and equipment that would enable them to achieve a consistently high standard of workmanship. They regarded the machinery and equipment as being of utmost importance for the success of their micro enterprises and to enable them to move from the

informal sector to the formal sector of the economy. Other skills identified by the respondents to run the micro enterprise successfully, included general business management, record keeping, financial management and interpersonal skills.

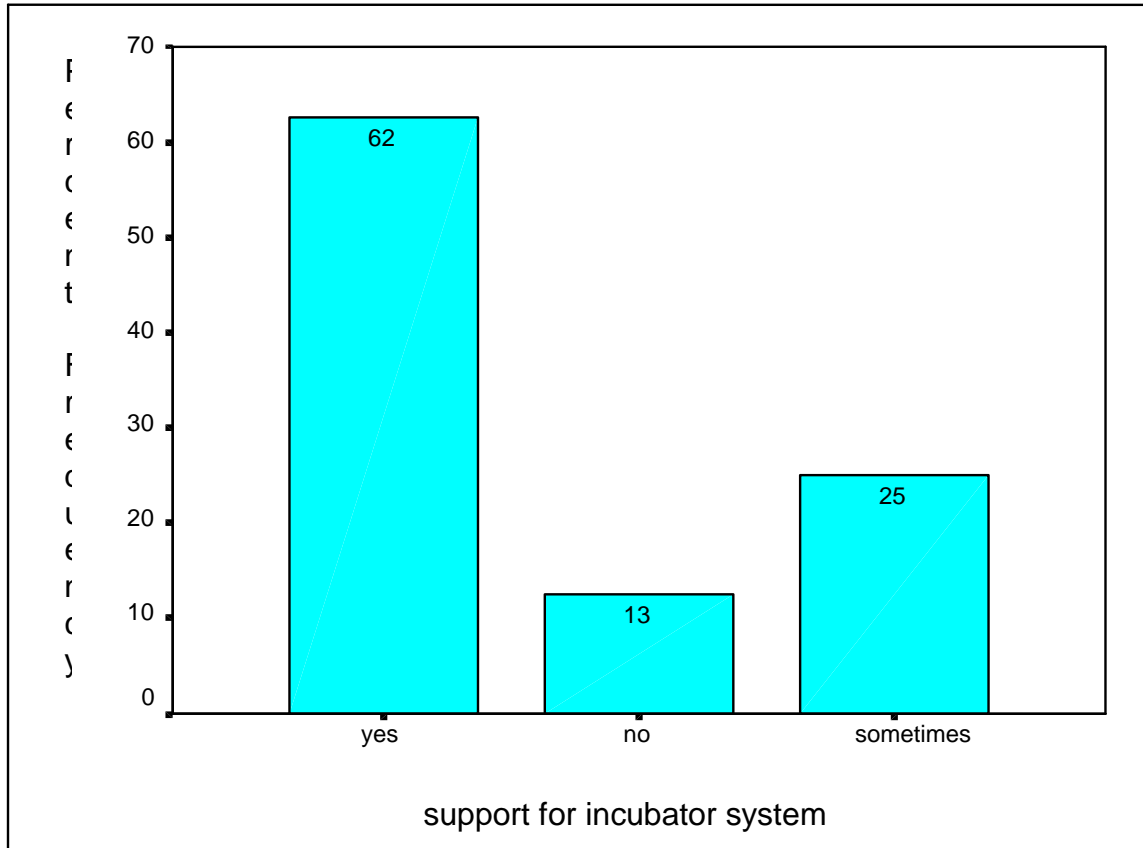
4.11. Respondents' views on the incubator system

Of the total sample, 35% of respondents started their micro enterprises in the year 2002. These respondents started their micro enterprises in the hope of improving their life situations. From the discussion on the way in which these micro enterprises were started, it is clear that this took place in a piecemeal fashion. It also became evident that most of the problems experienced by the respondents were directly related to the lack of capital that inevitably hindered the progress of the micro enterprise and prevented the respondents from conducting business in a professional manner.

It is clear from Figure 4.11 that there is considerable support for the business incubator. The results of the survey reveal that 62% of the respondents strongly support the establishment of the incubator system for technikon fashion design graduates in the Kwazulu-Natal and Midlands region. It clearly reflects that machinery and equipment are essential for the success of the micro enterprise. Mentoring, counselling and guidance can also make a significant contribution, not only towards creating employment but also towards job satisfaction, since the benefits of self-employment can be enhanced. Therefore, such development needs to be encouraged. Unemployment can be reduced whereby new jobs are created.

It is important to note that the remaining 38% of the respondents did not oppose the idea of an incubator system. 13% of the respondents had a good support structure that enabled them to progress in their micro enterprise, although not to formal sector status, while 25% agreed to support the incubator system and to utilize it from time to time. The only support indicated, was the availability of specialized machinery and occasionally, some business advice.

Figure 4.11: Percentage in support of the incubator system



4.12. Conclusion

This study focused on the development of micro enterprises set up by the technikon fashion design graduates. Twenty interviews were conducted among 18 postgraduate students and two undergraduate students, to determine the circumstances under which they started, ran and planned to expand their micro enterprises. Their views as outlined in the interview were also examined. Males and females, as well as the African and Indian population groups, were represented in the sample.

Most respondents experienced job satisfaction and enjoyed running their own micro enterprise. Their ambitious nature drove them to strive for success and this gave them a

sense of independence. The majority of the respondents operated in the service sector of the economy by making made-to-measure clothes for people in the rural areas. Two of the respondents manufactured specific garments. While the one respondent supplied certain retail outlets with ladies fashion garments, the other supplied a school in the Eastern Cape with tracksuits. One respondent also provided a skills training course for youth in the rural area.

Most problems experienced by the respondents were related to a lack of finance that inevitably led to other problems in the running of their micro enterprise. Some of these problems included the high costs of suitable equipment, machinery and tools; the high costs of rentals for formal premises and overheads; the inability to buy raw materials in bulk; and the lack of funds for marketing purposes. Due to these problems, respondents were unable to expand their micro enterprise and the lack of capital impacted negatively on the success of these micro enterprises.

The research results emanating from the study have significant practical implementation value. The need for the business incubator should be recognized, not only to improve the efficient running of the micro enterprise, but also to increase the possibility of expansion and growth. The mentorship, counselling and guidance that will be provided by the incubator system can focus on helping the respondents to plan their micro enterprise realistically. These recommendations will be discussed in Chapter 5.

CHAPTER FIVE

REVIEW, RECOMMENDATIONS AND CONCLUSION

This chapter will provide a review of the literature and provide recommendations for the establishment of an incubator system for technikon fashion design graduates.

5.1. Introduction

Training for small business development is indeed a challenging field. The research that was undertaken for this study can be placed within interrelated frameworks. On the one hand the business owner and the way in which he or she sets up and runs a business, the inputs into the business and the outputs from it, as well as the problems experienced in running the business, need to be taken into account in any training programme. On the other hand, the goals, the resources for training, the target group, the training process and other factors influencing small business functioning and their relationships to each other need to be considered. This chapter, therefore, provides a review of the research conducted for this study and provides recommendations for a small business development strategy.

5.2. Review

This research project examined the needs of technikon fashion design graduates for small business development. The study aimed to explore the way in which respondents started up and ran their businesses and the role that they felt an incubator system could play in helping them to expand their micro enterprises.

5.2.1. Review of literature

A literature survey suggested ways in which business incubators might be used as a strategy to promote entrepreneurship and thereby contribute to economic development. It also indicated that micro enterprises could play an important role in the economy as providers of employment, and that the establishment of new and successful enterprises is the key to economic growth. The literature also indicated that the socio-cultural, economic and political environment, in which micro enterprises develop, needs to be taken into account in the formulation of any small business development programme.

For entrepreneurship to thrive, there is a need for an open flow of information and personal contact, and networks that link the micro enterprises to the outside world. This survey indicated that people, namely those who possess entrepreneurial characteristics, might be more likely to benefit from the mentoring within an incubator system but that any small business development programme (incubator system) needs to be geared to the specific needs of these micro enterprises.

The development of a self-supporting programme within an academic setting can, therefore, provide opportunities to postgraduate students and facilitate the transition from school-to-work-to-business ownership.

5.2.2. Review of findings

- Twenty technikon fashion design graduates were interviewed to determine the way in which they started-up and ran their micro enterprises. All the respondent's personal background, the problems experienced and their required needs were taken into account. Both males and females from the African and Indian population groups were represented in the group of respondents. Due to the disproportionate race and gender distribution of the technikon fashion design students, there were inevitably more females (76.5%) than males (23.5%), and 82% of the respondents were Africans.

- Most of the micro enterprises were started-up between the years 2000 and 2002. All these micro enterprises were set up by the respondents in the hope of improving their quality of life because of unemployment. These micro enterprises were started mainly for financial gain and independence. The respondents chose their particular type of business as a result of interest and know-how, and also because they were academically qualified to do so. All respondents had received some business knowledge through their post school education at the institution. The knowledge and skills obtained were regarded by these respondents as invaluable and were used to set up their micro enterprises.
- The shortage of funds appears to be the most significant problem experienced by the respondents. Linked to this was the inability to provide collateral for loans. All respondents were unable to satisfy the loan requirements of financial institutions and were, therefore, unsuccessful in securing loans. Starting off small and borrowing money from family and friends (76.5%) helped to overcome the problem. Other problems experienced by the respondents related to the lack of suitable machinery and equipment, lack of suitable premises, problems in obtaining raw materials, and problems with marketing their businesses. Limitations such as poor technology, defective communication systems and lack of capital in the macro-economy hindered the progress of these micro enterprises.
- In addition to ascertaining the problems experienced by the respondents, they were also asked to give their views on an incubator system. Although the respondents felt that general business management and interpersonal skills were necessary skills in running a business, 63% of the respondents considered mentoring from the incubator system as invaluable in the progress of their business. An interesting perspective was also offered on what the government and financial institutions could do to improve their support for micro enterprise development. Some of the respondents believed that the government should provide them with start-up cash as well as mentoring, before the loan was repaid.

Others were willing to be involved in community-based projects provided the essential materials were made available.

5.3. Recommendations

- Business incubation offers a comprehensive strategy to promote entrepreneurship, create jobs, stimulate economic growth, and revitalize rural areas. These business incubators provide commercial space at low cost and provide a host of business services to help entrepreneurs successfully survive in the early stages of business development. The research findings indicate that the most appropriate approach to training for small business development is an interactive one. On-the-job training through counselling and mentorship is highly effective. Participative workshops, group discussions, and finding successful business owners who can act as role models to exchange ideas with trainees, are all effective training methods.
- In view of the high levels of unemployment in South Africa at the present time and the apparent inability of businesses in the mainstream economy to provide employment for all work seekers, alternatives need to be found to create more jobs. Small businesses, in both the formal and informal sectors of the economy, have the potential to create more jobs. However, to ensure that these businesses are efficiently run, so that they can reach their potential and create more jobs, mentoring is needed. A major change in attitude towards small business development, in general, and towards informal sector businesses, in particular, is needed. The public needs to learn to accept that businesses from the formal and informal sectors can co-exist and can be mutually beneficial. The formal sector needs to realise that a viable informal sector can help them to expand and develop their businesses because their potential target market increases.
- The research findings of this study indicate that a strategy for the mentoring of micro enterprises is needed. Such a strategy – an incubator system – would ensure that the service offered actually catered for the needs of these micro enterprises. It

would provide a supportive atmosphere during the early months of existence, when these micro enterprises are most fragile and vulnerable to external dangers and internal errors. If the incubator system operates, as it should, the fledgling business could gain strength quickly and within a year or so, graduate from the incubator setting. If the institution could provide the facilities and resources to support the expansion of this informal sector, then these micro enterprises can be transformed from an idle and dependent state to one that makes an even greater impact on the ailing South African clothing industry.

This incubator facility that is established will make the resources of the technikon available to micro enterprises in the form of:

- Support services
- Providing services to start-up entrepreneurs especially in areas where infrastructure is not well developed or where modern physical facilities are costly
- Assistance in conducting market studies, preparing business plans and getting loans.

Regarding the funding of an incubator programme, the following is recommended:

- Charging respondents fees that they can afford
- Subsidies paid to an accredited centre by the public sector
- Grants, scholarships and loans awarded to respondents as well as subsidies to the centre by the private sector.

5.4. Conclusion

The aim of this study was empowerment and the focus of the incubator system would be geared toward growth of the home-based businesses, exposure to the formal sector of the economy, and an attempt to get entrepreneurs out on a legal basis. By providing a variety of business-related services through the incubator system, economic development and entrepreneurship in the community can be promoted. This service can also provide opportunities for individuals to explore alternative career paths by tapping into their current business and technical skills.

Training for small business development, encompasses mentorship, counselling and consulting, and is a growing service that is being offered by a large number of organizations including universities, technikons, development agencies, financial institutions, large corporations and private organizations. Research findings of this study however, have indicated that these financial institutions, development agencies, corporations and organizations fail to provide the support structure needed by these micro enterprises in order to survive. They are unwilling to assist and grant loans because the respondents are unable to provide the necessary collateral needed to secure a loan. These respondents, therefore, are forced to use their savings or turn to family and friends for support.

Mentoring for small business development is a challenging field. Common grounds between the needs of the business owner and the way in which the incubator system can help in overcoming these problems need to be found. Further research needs to be undertaken to implement such a system not only to improve the chances that businesses will be efficiently run, but also to increase the possibility of expansion and growth. The need for small business development should be recognised and individuals should be given every encouragement to start their own businesses.

The data collected for the purpose of this study provides strong support for business incubation. This business incubator could be an effective economic development tool and

can have a positive impact on technikon fashion design graduates, through creating jobs and assisting new business survival and growth. Therefore, the primary motivation in establishing a business incubator at the institution is a desire to encourage entrepreneurship, and thereby contribute to the economic development of the South African economy.

ANNEXURES

Annexure 1 - Questionnaire for postgraduate students

1. Would you tell me about yourself before you started your venture?
2. Do you or your family have any business background? If yes, please give details.
3. Are your parents, relatives or close friends entrepreneurial? In which way?
4. Do you have any other role models?
5. Was your education experience helpful? In what specific ways?
6. What was your previous work experience? Was it helpful?
7. How did you get come up with your business idea?
8. What were your goals? What were your lifestyle needs or other personal requirements? How did you fit these together?
9. How did you assess the market potential for your innovation? Did you have specific criteria you wanted to meet?
10. Did you have a start-up business plan of any kind?
11. How much time did your business plan take from conception to the first day of business?
12. How much capital did you take to start your business?
13. How long did it take to reach a positive cash flow?
14. If you did not have enough money at the time, what were some ways in which you financed the venture?
15. What kinds of problems did you encounter as you developed the business?
16. What outside help did you get? Did you have experienced advisors or consultants?
17. How did you develop these networks and how long did it take?
18. How did outside advisors make a difference in your venture?
19. In which area does your business trade?
20. How many years have your business being running?
21. Where do you usually conduct your business?
22. Can you describe the activity from which the business derives its main income?

23. Do you outsource any of your own business? Do you do business for other businesses?
24. Do you have any employees? How many? What are their qualification levels?
25. What do you perceive to be your strengths and weaknesses?
26. What do you perceive to be the strengths and weaknesses of your venture?
27. Which critical skill shortage does your business currently experience?
28. What business development support would you need?
29. How should the government support your innovation?
30. What are the future prospects of your business?
31. What kind of assistance would help you make a success of your business?
32. Is your business registered with SETA (Sectoral Education Training Authority)?
33. What is the legal status of your business?
34. How should financial and commercial institutions support your innovation?
35. What individual efforts have you put so far to develop your idea further, which may illustrate your commitment to develop the idea to a viable business proposition?
36. Do you think being in an incubator program will offer low overheads and allow you to concentrate on selling your services without having to worry about cash flow?
37. Would it provide you with prestigious industrial address that will provide credibility with potential customers?

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