

INDIGENOUS NASCENT ENTREPRENEUR SELF-EFFICACY AND PERCEIVED INDIVIDUAL SUCCESS

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ABSTRACT

Considerable research has examined the relationship between entrepreneurial self-efficacy (ESE) and performance. ESE refers to the strength of the individuals' beliefs that they are capable of successfully performing the roles and tasks of entrepreneurs. Whereas prior ESE research has a non-Indigenous focus, this study addresses a gap in the literature by examining the relationship between ESE and perceived individual success in *Indigenous* nascent entrepreneurs. Whereas entrepreneurship from a non-Indigenous perspective is focused upon the commercialization of innovation and economic objectives, Indigenous entrepreneurship has both economic and non-economic objectives as desired outcomes. The research identified entrepreneurial experience-ESE and ESE-perceived individual success relationships. Education was inversely related to entrepreneurial experience.

INTRODUCTION

There are in excess of over 500 million Indigenous people globally and most of these people are located in the lower socio-economic strata of national populations. Indigenous entrepreneurship is viewed by various stakeholder groups as a means of empowering Indigenous people by assisting them away from welfare and royalty income stream support structures and allowing them to assume control for developing their futures. Research into Indigenous entrepreneurship, therefore, is receiving high priority status in government funded research programs. Although only a small component of the overall entrepreneurship research effort, Indigenous entrepreneurship research is an emerging and important area as the size and number of Indigenous enterprises increases and many nations recognize their Indigenous people as the original resource owners.

As part of developing a better understanding of Indigenous entrepreneurship and how it differs from its non-Indigenous counterpart, this research examines the relationship between entrepreneurial self-efficacy (ESE) and perceived individual success in *Indigenous* nascent entrepreneurs. Perceived self-efficacy is concerned with the beliefs of individuals as to their capabilities to produce given attainments (Bandura 1993, 1997). Efficacy beliefs can influence whether individuals think positively or negatively about completing particular tasks, the challenges

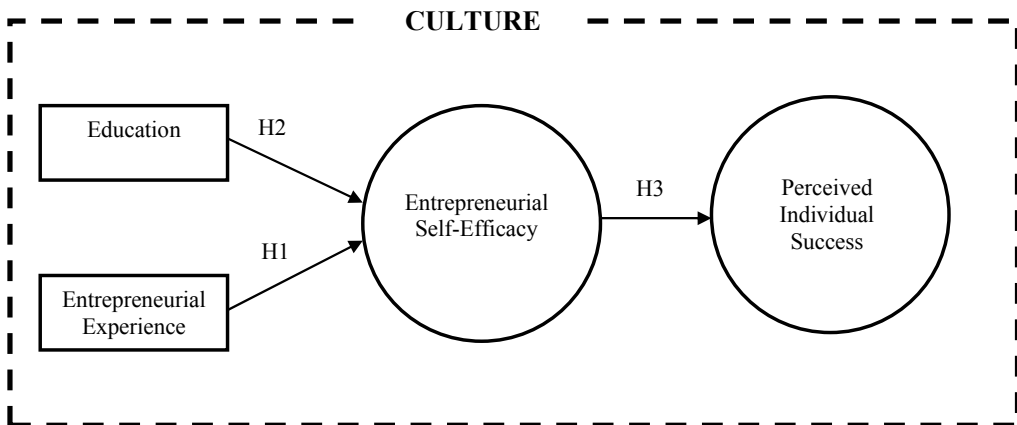
and goals they set for themselves, their commitment to them, how much effort they put in, the outcomes they expect, how long they persevere at the particular task, their ability to deal with task adversity, how much stress and depression they experience, and what they accomplish (Bandura 1997). Research demonstrates the existence of a strong self-efficacy-performance relationship and some researchers consider self-efficacy to be the most effective predictor of performance (Bandura 1997).

In the entrepreneurship domain, prior research has examined the entrepreneurial self-efficacy (ESE)-firm performance relationship (see, for example, Chandler & Jensen 1997; Chen, Greene, & Crick 1998; Peterman & Kennedy 2003; Drnovsek & Glas 2002; Lucas & Cooper 2004). ESE refers to the strength of the individual's belief that he/she is capable of successfully performing the roles and tasks of an entrepreneur (Boyd & Vozijis 1994). Prior ESE research implicitly has adopted a non-Indigenous focus and focused on firm performance. In this study, we address a gap in the literature by examining the relationship between ESE and perceived *individual success* in *Indigenous* nascent entrepreneurs.

MODEL DEVELOPMENT

Figure 1 provides an overview of the model. The model, based on prior (non-Indigenous) research, demonstrates an education/entrepreneurial experience-ESE relationship and an ESE-perceived individual success relationship. Culture provides a context for the model.

Figure 1: Model Overview



Perceived Individual success: Indigenous people are the original owners of a nation's resources or their descendents and they regard themselves as Indigenous and the Indigenous communities in which they live accept them as Indigenous (Foley 2003). Whereas entrepreneurship from a non-Indigenous perspective is focused upon the commercialization of innovation, Indigenous entrepreneurship is associated with creating, managing, and developing new ventures by Indigenous people for the benefit of Indigenous people (Hindle and Lansdowne 2005). Entrepreneurial benefits to Indigenous people may extend from economic profits for the individual to multiple

social and economic advantages for entire communities. Underpinning these benefits are strong desires for self determination and the preservation of heritage (Anderson 1999; Hindle and Lansdowne 2005). Indigenous people prefer to develop entrepreneurial strategies originating in, and controlled by, the community (Anderson 2002; Anderson, Giberson, Hindle, & Kayseas 2004) and with the sanction of Indigenous culture (Robinson and Ghostkeeper 1987). Thus, Indigenous measures of individual success will differ from non-Indigenous measures. Indigenous performance measures will include social as well as economic measures.

Since the focus of this research is on nascent entrepreneurs, actual individual success measures are not possible. The focus must be on what is expected to be achieved (Chandler & Jansen 1997). Thus, perceived individual success is measured in terms of how nascent entrepreneurs expect to perform in terms of their personal reasons for wanting to establish their businesses.

ESE: ESE is the “founder’s self-perceived ability to recognize and envision taking advantage of opportunity” (Chandler & Jansen 1997, p.98). Entrepreneurial experience is an important driver of ESE. Mastery experiences are the most effective ways of developing self-efficacy through repeated performance accomplishments. Less effective ways of developing self-efficacy beliefs include observational learning, social persuasion (observing others), and perceptions and interpretations of individual’s physiological states (Chandler & Jansen 1997).

Mastery experience opportunities may be difficult to identify for Indigenous nascent entrepreneurs, however, since many Indigenous communities are not socially or economically affluent and the availability of a viable customer base to support Indigenous businesses may be lacking. As such, opportunities to establish growth oriented entrepreneurial businesses will be scarce. In the absence of appropriate entrepreneurial training (Peterman and Kennedy 2003), entrepreneurial activity may be dominated by more craft oriented businesses generated through necessity and a need to survive. Thus, “*entrepreneurial experience*” gained by Indigenous nascent entrepreneurs may occur through prior subsistence oriented entrepreneurial activity augmented by observing other successful entrepreneurs and what they do to succeed. However nascent Indigenous entrepreneurs develop their “entrepreneurial experience”, the more they gain, the more confident they will feel about establishing their own businesses (and vice versa).

H1: There will be a relationship between entrepreneurial experience and ESE with Indigenous nascent entrepreneurs.

Education is another driver of ESE (Chandler & Jansen 1997). Most individuals who start businesses have a higher education levels than people who do not (Bates 1995; Bowen & Hisrich 1986).

H2: There will be a relationship between education and ESE with Indigenous nascent entrepreneurs.

Culture and the ESE-Perceived Entrepreneurial Experience Relationship: Culture is the collective programming of the mind that distinguishes people included in one category from another (Hofstede 1989). Category of people is defined widely and includes an ethnic group such as an Indigenous group. Hofstede (1980, 1989, 1993) measures culture in terms of Power Distance, Individualism-Collectivism, Uncertainty Avoidance, Masculinity-Femininity, and Confucian Dynamism.

There are alternate models and perspectives of culture available (e.g., Kluckhohn & Strodtbeck 1961; Parsons & Shils 1951; Trompenaars 1985, 1993). However, no other empirically based country cultural orientation framework is as parsimonious (McGrath, MacMillan, Ai-Yuan Yang, & Tsai. 1992a) or as central to business and management (Chapman 1997). In addition, Hofstede's (1980) dimensions provide a useful basis for framing propositions and measuring culture in an Indigenous context. They encapsulate the core value differences between Indigenous and non-Indigenous communities (Redpath & Nielsen 1997).

Some researchers believe that certain entrepreneurial perceptions and beliefs transcend cultures while others may be more culture specific (Busenitz & Lau 1996). McGrath, MacMillan, & Scheinberg (1992), for example, identified a predictable set of values among entrepreneurs from across eight countries. Based on Hofstede's (1980) original dimensions, they found that (non-Indigenous) entrepreneurship is associated with low collectivism/high individualism, high power distance, low uncertainty avoidance, and low femininity/high masculinity. In contrast, Redpath & Nielsen (1997) identify high collectivism/low individualism; low power distance; low uncertainty avoidance; and high femininity/low masculinity as commonly held values within many Indigenous communities.

Thus, McGrath, MacMillan, & Scheinberg's (1992) set of (non-Indigenous) entrepreneurial values differs from Redpath & Nielsen's (1997) set of Indigenous community values. Because of strong Indigenous cultural influences on Indigenous entrepreneurs, Lindsay (2005) argued that any set of common Indigenous entrepreneurial values will reflect, and be subordinate to, Indigenous cultural values. This suggests that value system of Indigenous entrepreneurs will differ from non-Indigenous entrepreneurs and, consistent with Busenitz & Lau (1996), the Indigenous value system is culture specific. Indigenous nascent entrepreneurs, like their non-Indigenous nascent entrepreneur counterparts, however, have intentions to set up businesses. Thus, there will be a relationship between ESE and perceived individual success. As such,

H3: Indigenous nascent entrepreneurs will demonstrate an ESE-perceived individual success relationship.

RESEARCH DESIGN

The research was undertaken in South Africa. A questionnaire was administered to Indigenous South Africans from the Zulu and Xhosa tribes who intended starting businesses. The questionnaire included a section for demographic information and measures for ESE and perceived individual success.

Participants

Participants: There were 166 Indigenous nascent entrepreneurs from Johannesburg and surrounding areas who participated in this study. Table 1 provides participant demographics. Most of the participants were unemployed. Approximately one third of them (32%) had previously started businesses.

To recruit the participants, an advertisement was placed in the newspaper. In addition, community centres were asked to identify community members who were contemplating starting

businesses. Participants were thoroughly screened to ensure as best as possible that they intended establishing businesses. There were approximately 2,000 participants who responded. These were interviewed and, of these, 400 participants were identified as having a high probability of attempting to establish businesses. Those selected were eligible to enrol on a year long entrepreneurship training and business incubation program. The questionnaire was administered to participants prior to their commencement of the training program. Of the 400 identified as Indigenous nascent entrepreneurs, 166 were randomly selected for this study.

Table 1: Participant Demographics

Details		Frequency	%
Gender	Female	99	60%
	Male	67	40%
Age	20 years or less	5	3%
	21 to 30 years	140	84%
	31 years to 40 years	21	13%
Highest Education Achieved	Primary School	3	2%
	Secondary School	16	10%
	Technical or Trade Qualification	11	7%
	Certificate after High School	36	22%
	Diploma after High School	60	36%
	Undergraduate Degree	18	11%
	Postgraduate Degree	11	7%
How long have you been unemployed?	I am not unemployed (I have part-time or casual employment)	19	11%
	1 month to 5 months	20	12%
	6 months to 11 months	3	2%
	1 year to 2 years	74	45%
	3 years to 4 years	31	19%
	5 years to 9 years	17	10%
	10 years to 12 years	2	1%
	Have you ever started your own business previously?	No	113
Yes		53	32%
How many businesses have you owned?	I have never started or purchased a business	113	68%
	1 business	44	27%
	2 businesses	8	5%
	3 or more businesses	1	1%
How long have you been in business for?	I have never started or purchased a business	113	68%
	1 Year or less	23	14%
	2 years to 5 years	28	17%
	6 years to 10 Years	2	1%

Measures

ESE: The conceptualization of ESE used in this study is based on self-efficacy theory (Bandura, 1977). It measures an individual's belief (from "not at all confident" to "very confident") that he or she could carry out the activities necessary to be a successful entrepreneur. The approach used to identify the items for the scale is similar to that suggested by Churchill (1979). A review of the entrepreneurship literature was conducted and appropriate questions developed. Initial lists of items were prepared. These were reviewed and pre-tested with subjects who had characteristics similar to the target population. The research used a scale ranging in 10-unit intervals ranging from "0 = Can not do", through intermediate degrees of assurance where "50 = moderately certain I can do", to "100 = Certain I can do" (Bandura, 2001).

Prior to this study, to develop this scale, three pilot tests were conducted using more than 300 subjects. Factor analyses were conducted, items removed, and new items inserted where appropriate. The final list of items in the survey is shown in Appendix 1. A confirmatory factor analysis identified a reliable (Nunnally, 1978) one factor solution (mean = 68.523, s. d. = 15.612, $\alpha = 0.955$).

Perceived Individual success. In measuring perceived individual success, participants were first asked their reasons for starting a business. They were then asked how successful they believed they would be in achieving each of their reasons. Scale items ranged from "1 = Unsuccessful" to "7 = Successful".

The approach used to identify the items for the scale is similar to that suggested by Churchill (1979). A review of the entrepreneurship literature was conducted and appropriate questions developed. Initial lists of items were prepared. These were reviewed and pre-tested with subjects who had characteristics similar to the target population. Prior to this study, three pilot tests were conducted using more than 300 subjects. Factor analyses were conducted, items removed, and new items inserted, where appropriate. The final list of items in the survey is shown in Appendix 2. A confirmatory factor analysis identified a reliable (Nunnally, 1978) one factor solution (mean = 5.677, s. d. = 0.759, $\alpha = 0.891$).

Education: Participants were asked what were their highest education levels achieved. The items ranged from "primary school" through to "postgraduate degree" and "other" qualifications.

Entrepreneurial Experience: Participants were asked whether they had previously started or purchased a business. Additional questions focused on how many businesses they had owned, how long they were in business for, and did they take an active role in running those businesses.

RESULTS

Education, entrepreneurial experience, and ESE were the independent variables. Perceived individual success was the dependent variable. Details of the results appear in Tables 2 and 3. Table 2 provides the correlations and Table 3 provides the Regression Analysis results.

Table 2: Correlation Coefficients

Measure	1	2	3	4
1. Education				
2. Entrepreneurial Experience	-.159*			
3. Entrepreneurial Self-Efficacy	-.146	.179*	.955	
4. Perceived Individual Success	-.084	.103	.445**	.891

* $p < 0.05$; ** $p < 0.01$

Reliability coefficients (Cronbach Alphas) are on the diagonal in **bold italics** for the Entrepreneurial Self-Efficacy and Perceived Individual Success factors.

There were three hypotheses. Specifically, the results were as follows ...

- H1 hypothesizes that there will be a relationship between entrepreneurial experience and ESE. This was confirmed. The result was significant.
- H2 hypothesizes that there will be a relationship between education and ESE. This was disconfirmed. The result was not significant.
- H3 hypothesizes that Indigenous nascent entrepreneurs will demonstrate an ESE-perceived individual success relationship. This was confirmed. The results were significant.

Table 3: Multiple Regression Analysis Results (using Perceived Individual Success - Independence as the Dependent Variable)**Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.445	.198	.184	.68570

Predictors: (Constant), Education, Entrepreneurial Experience, Entrepreneurial Self-Efficacy
Dependent Variable: Perceived Individual Success

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.860	3	6.287	13.371	.000
Residual	76.170	162	.470		
Total	95.030	165			

Predictors: (Constant), Education, Entrepreneurial Experience, Entrepreneurial Self-Efficacy
Dependent Variable: Perceived Individual Success

Coefficients

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.207	.339		12.426	.000
Education	-.008	.034	-.017	-.230	.818
Entrepreneurial Experience	.036	.117	.022	.305	.761
Entrepreneurial Self-Efficacy	.021	.004	.438	6.083	.000

Dependent Variable: Perceived Individual Success

DISCUSSION

Overall, there was general support for the proposed model. However, there were a couple of interesting results as well as that which was expected.

First, although not hypothesized, there was a negative relationship between education and entrepreneurial experience. It seems that the more participants focused on developing their educational qualifications, the less opportunity there was to develop their entrepreneurial experience. One mutually excludes the other. Although there is support for entrepreneurs having higher educational levels than those who do not start businesses (Bates 1995; Bowen & Hisrich 1986), this may be a non-Indigenous related phenomenon. Many Indigenous entrepreneurs set up businesses because they have to – in order to survive. They have no choice. As such, if Indigenous entrepreneurs are involved in developing their businesses, they have no time (or perhaps inclination) to “get an education”. Alternatively, if Indigenous people have the opportunity to obtain an education, then they may not want to establish their own businesses as becoming an entrepreneur may be seen as having a stigma associated with it (only those Indigenous people who have to, become entrepreneurs). This argument is supported, in part, by (1) the non-significant relationship between education and ESE (if you have an education then you may not feel confident about setting up a business) resulting in H2 being rejected; and, (2) the significant entrepreneurial experience-ESE relationship (resulting in H1 being accepted) suggesting that in Indigenous societies, there is no substitute for prior entrepreneurial experience (however defined – whether through repeated actual mastery experiences, observations, etc.) in developing entrepreneurial confidence.

Second, there was a significant relationship between ESE and perceived individual success resulting in H3 being accepted. Prior research has related ESE to firm performance. This study extends previous research to identify an ESE-perceived individual success relationship. Thus, feeling confident about one’s entrepreneurial ability is related to feeling confident about achieving personal success – however this is defined.

RESEARCH IMPLICATIONS

The research makes a contribution at two levels. First, from a scholarly perspective, the research builds upon non-Indigenous theory and extends this to an Indigenous setting where culture alters the nature of the entrepreneurial objectives. The research also extends the ESE-firm performance relationship to the existence of a relationship between ESE and perceived personal success. Thus, the research contributes toward a more holistic encompassing ESE theory inclusive of both non-Indigenous and Indigenous entrepreneurs. Second, from an applied perspective, the research provides insights for policy makers and trainers into identifying Indigenous nascent entrepreneurs. Although this study is exploratory and further research needs to be undertaken, it may be that those Indigenous individuals that have developed educational qualifications may not be “hungry enough” to want to set up their own businesses and/or inherently may see this as being below their station in life despite having or stating their entrepreneurial intentions. Thus, governments and training providers may derive more value for their money by focusing on training Indigenous nascent entrepreneurs who are yet to achieve higher educational qualifications.

LIMITATIONS

The exploratory research has a couple of inherent limitations. First, participants were not selected randomly. It was a convenience sample of Indigenous nascent entrepreneurs. However, it is difficult to access those intending to set up businesses and, although the approach was not perfect, it was one means of gaining insight into this population. Second, participants were from South Africa. Although at a fundamental level there will be similarities across Indigenous populations globally (for example, many Indigenous populations have an affinity with the land and strive for self-determination), there will be cultural differences between Indigenous communities. As such, generalising the results to Indigenous nascent entrepreneurs outside of South Africa should be done with caution. There is a need for additional research in this area and this research should attempt to deal with these limitations.

SUMMARY

This research developed a model and hypotheses that examined the ESE-perceived individual success relationship and the drivers of ESE – education and entrepreneurial experience – in Indigenous nascent entrepreneurs. The research results demonstrated the existence of an ESE-individual success relationship. In addition, entrepreneurial experience was identified as a driver of ESE but not education. Education was inversely related to entrepreneurial experience. The research makes a contribution to the literature by building upon the non-Indigenous theory and extending this to an Indigenous ESE context.

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APPENDIX 1

Entrepreneurial Self-Efficacy Items

Appearing below is a list of different activities. Please rate how confident you are that you can do these activities as of now. Rate your degree of confidence by circling a number from 0 to 100 using the scale given below: where “0 = Can not do at all” to “100 = Certain I can do”.

1. Identify an exceptional business opportunity
2. Be comfortable when meeting new people
3. Obtain finance for a new business
4. Put people at ease when meeting them
5. Identify market trends
6. Identify strengths and weaknesses in yourself
7. Put together an excellent team of people with the appropriate business and entrepreneurial skills
8. Start your own entrepreneurial business without having sufficient resources to do so
9. Trust your intuition/judgement about starting a business
10. Maintain good relationships with customers
11. Evaluate business risk
12. Evaluate financial risk
13. Achieve high growth in your business
14. Manage your business appropriately
15. Understand what is required to commercialize technology
16. Avoid business failure
17. Listen carefully and patiently to people
18. Work long hours and work weekends
19. Be an innovative problem solver
20. Live with uncertainty
21. Evaluate the downside risks
22. Be creative in using and controlling resources
23. Understand what is required to manage innovation
24. Make a large profit if you sold your business
25. Avoid a potential business failure
26. Develop creative solutions to difficult problems
27. Patch up relations with difficult customers
28. Develop new products and services to generate additional revenue for your business
29. Focus on what other people are really saying when they provide advice to you
30. Understand what characterises an exceptional business opportunity
31. Be creative in your work
32. Take calculated risks
33. Start your own business
34. Be recognised as a leader
35. Be in control of your future
36. Think like an entrepreneur
37. Establish a business that has a chance of succeeding.

APPENDIX 2

Perceived Individual success Items

We just asked you about the reasons you had for wanting to start or buy your own business. We would like you to indicate how successful you believe you will be in achieving each of your reasons for starting or buying your own business where “1 = Unsuccessful” to “7 = Successful”.

1. For financial reasons
2. For personal satisfaction reasons
3. To allow me to be more creative
4. To be in control of my own destiny
5. To achieve a vision I have
6. To be the boss
7. To enable me to take moderate risks while achieving above normal returns
8. To plan for my future
9. Because I always wanted to have my own business
10. To allow me to be more innovative
11. To achieve freedom of the mind
12. To achieve financial security
13. To be able to prove that I can do it
14. For self-development reasons
15. To get ahead financially
16. Because I see an opportunity to develop successful business
17. Because I have to as I cannot get a job
18. So that I can employ or involve members of my family
19. To become wealthy
20. To be able to help and/or develop my local community
21. To create work for others
22. To be able to generate exports for my country
23. To be able to commercialise an innovative product or technology
24. So that I can have personal or family security
25. Because I like to take risks