COPYRIGHT AND CITATION CONSIDERATIONS FOR THIS THESIS/DISSERTATION

o Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

o NonCommercial — You may not use the material for commercial purposes.

o ShareAlike — If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original.

How to cite this thesis
INCUBATEE DEVELOPMENT AS A LOCAL ECONOMIC DEVELOPMENT ENABLER: THE CASE OF GALESHEWE VILLAGE

by

P.M. MOLISE
Student Number: 201284072

Technical Research Project

submitted in partial fulfilment of the requirements for the degree

PROFESSIONAL MAGISTER COMMERCII

in
Local Economic Development

in the
COLLEGE OF BUSINESS AND ECONOMICS (CBE)

at the
UNIVERSITY OF JOHANNESBURG

Supervisor: DR M. VENTER
Co-supervisor: DR J.P GRUNDLING

AUGUST 2017
ACKNOWLEDGEMENTS

First and foremost I offer my sincerest gratitude to my supervisor, Dr Marius Venter and to Dr Jan Grundling, for the support they offered me throughout this study, and for their patience, passion, and expertise on issues of economics in general, and Local Economic Development in particular. I thank them both for granting me the space to work in my own way, despite the fact that I was only a student. I attribute the attainment of my Master’s degree to their encouragement and effort. Without my them this research would not have been completed or written.

My sincere gratitude also goes to the Sol Plaatje Municipality for granting me permission to conduct my research at the Galeshewe SMME Village Incubator. I thank all the participants who offered their time and expertise to this study, without their contribution, this research would not have been conducted and concluded.

My appreciation also goes to Isabella Morris for language editing.

To my ever supportive family (Mr & Mrs Molise) and my best friend Lerato Mbambisa, thank you very much for your patience and support.

Lastly, I thank God almighty, for standing by and giving me strength for the duration of this study.
ABSTRACT

This technical research report entails a very limited study as prescribed in the requirements of the professional Master’s degree in Local Economic Development (LED). Over the years, LED strategies have played a significant role in alleviating socio-economic challenges such as poverty, unemployment, and inequality issues across local communities of South Africa. The definition and concept of LED has been described and defined globally in many ways, but all definitions imply job creation, inclusive economic growth, wealth creation, and the development of the local economies. Most importantly LED has played an enormous role in the local communities of South Africa through the promotion of entrepreneurship development. The focus in this LED research project is limited to a township incubator called Galeshewe SMME Village Incubator. The incubator is managed by the Sol Plaatje Municipality. The primary aim of this project was to determine the status quo of the workings of the Galeshewe SMME Village Incubator in order to make recommendations to the Sol Plaatje Municipality that could increase the success rates of SMMEs within this incubation centre. The investigation followed a cross-sectional mixed methods research design, involving a quantitative survey and qualitative interview approach. The quantitative results revealed that high levels of incubator service delivery diversity had a detrimental effect on incubator success. On the other hand incubator success was supported by good recruitment and selection practices. The major challenges experienced by incubatees related to obtaining finance, establishing contracts with suppliers, obtaining external advice, support from incubator management and the need for skills training. In particular incubatees sought external advice on how to build and expand their market base, accumulate profits and to present good business plans. These findings were gender independent. The qualitative results revealed a need to revise the incubator business process model to enhance overall success. The research laid the foundation to guide future research in Galeshewe SMME Village Incubator and to validate results obtained in this project.

Key words:
Local Economic Development; Entrepreneurship; Incubator; Incubatee
AFFIDAVIT

A technical research project submitted in partial fulfilment for the degree of Professional MCOM (LED) by coursework and Research Report in the College of Business and Economics (CBE), University of Johannesburg, Johannesburg, 2017.

I declare that this research is my own, unaided work. It has not been submitted before any other degree, part of degree or examination at this or any other university.

........................................... .................................. day of ......................... 2017
Palesa M. Molise

........................................... .................................. day of ......................... 2017
Commissioner of Oath
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>AFFIDAVIT</td>
<td>iv</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xiii</td>
</tr>
<tr>
<td>GLOSSARY</td>
<td>xiv</td>
</tr>
</tbody>
</table>

## CHAPTER 1: INTRODUCTION TO THE RESEARCH PROJECT  

1.1 INTRODUCTION  
1.2 BACKGROUND ON LED IN SOUTH AFRICA  
1.2.1 Demarcation of project  
1.2 AIM OF THE PROJECT  
1.3 SIGNIFICANCE OF THE PROJECT  
1.4 SCOPE  
1.5 RESEARCH DESIGN AND METHODOLOGY  
1.5.1 Research Questions  
1.5.1.1 Interviews
3.5 RESEARCH DESIGN
3.6 RESEARCH METHODOLOGY
3.6.1 Population description and size
3.6.2 Sample description and sample size
3.6.3 Research instruments
3.6.4 Research data collection and capturing
3.6.5 Data analysis
3.7 VALIDITY AND RELIABILITY
3.8 ETHICAL CONDUCT
3.9 TIME HORIZON
3.10 LIMITATIONS AND DELIMITATIONS
3.11 CONCLUSION

CHAPTER 4: RESEARCH RESULTS AND FINDINGS

4.1 INTRODUCTION
4.2 PURPOSE OF THE CHAPTER
4.3 SCOPE OF THE CHAPTER
4.4 DESCRIPTION OF THE SAMPLES
4.5 SCALE RELIABILITY
4.6 ENTERPRISE CHARACTERISTICS
4.7 CHALLENGES, ENTERPRISE DEVELOPMENT AND BUSINESS SUPPORT
4.7.1 Level of difficulty to be approved as an incubatee
4.7.2 Challenges experienced by incubatees
4.8 QUALITATIVE ANALYSIS AND DISCUSSION OF INCUBATOR MANAGEMENT VIEWS

4.8.1 Incubator management interviews

4.8.1.1 Section A: Selection and recruitment of incubatees

4.8.1.2 Section B: Measurement of success and services provided

4.8.1.3 Section C: Challenges experienced and management engagement

4.9 CONCLUSION

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

5.2 PURPOSE OF THE CHAPTER

5.3 FINDINGS ON EMPIRICAL RESULTS

5.4 RESEARCH OBJECTIVES

5.5 CONCLUSION

5.6 STRENGTHS OF THE PROJECT

5.7 LIMITATIONS OF THE PROJECT

5.8 RECOMMENDATION FOR SOL PLAATJE LOCAL MUNICIPALITY

5.9 FUTURE RESEARCH

REFERENCES

APPENDIX A: SELECTION CRITERIA ASSESSMENT

APPENDIX B: ETHICAL CLEARANCE

APPENDIX C: PERMISSION LETTER
LIST OF TABLES

TABLE 2.1  FOUR LED CORE POLICY PILLARS 12
TABLE 2.2  SME SELECTION PROCESS 25
TABLE 2.3  FOUR TYPES OF INCUBATORS BASED ON TENANT SCREENING PRACTICES IN THE U.S. (1998) 26
TABLE 2.4  COMPARISON OF SELECTION CRITERIA’S: SME INCUBATORS 27
TABLE 4.1  GENDER AND EDUCATION OF INCUBATEES 41
TABLE 4.2  AVERAGE AGE OF INCUBATEES 43
TABLE 4.3  CRONBACH’S ALPHA COEFFICIENT 44
TABLE 4.4  SMALL BUSINESS OWNERSHIP 45
TABLE 4.5  NUMBER OF EMPLOYEES EMPLOYED BY INCUBATEES 47
TABLE 4.6  CHALLENGES EXPERIENCED BY INCUBATEES 49
TABLE 4.7  SUPPORT SOUGHT BY INCUBATEES 51
TABLE 4.8  ABILITY TO SOLVE PROBLEMS 52
TABLE 4.9  BINOMIAL TEST FOR GENDER DIFFERENCES ON BUSINESS DEVELOPMENT AND SUPPORT 54
TABLE 4.10  MEASUREMENT OF INCUBATOR SUCCESS AND SERVICE PROVIDED 58
TABLE 4.11  ENGAGEMENT WITH INCUBATEES 60
TABLE 4.12  FUNDING CHALLENGES 60
TABLE 4.13  SUPPORT TO INCUBATEES 61
TABLE 4.14  SECURITY OF INCUBATOR 61
TABLE 4.15  INCUBATOR BUSINESS MODEL  
TABLE 4.16  STAFF RECRUITMENT  
TABLE 5.1  SYSTEM(S) 1 (S1) OPERATIONS AND CORE FUNCTIONS OF THE INCUBATOR  
TABLE 5.2  S2 COORDINATING ACTIVITIES  
TABLE 5.3  S3 CONTROL. THE CENTRE MANAGER
<table>
<thead>
<tr>
<th>FIGURE</th>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>THE MAP OF GALESHEWE</td>
<td>5</td>
</tr>
<tr>
<td>1.2</td>
<td>THE SCOPE OF GALESHEWE SMME VILLAGE INCUBATOR</td>
<td>7</td>
</tr>
<tr>
<td>2.1</td>
<td>THE SCOPE OF GALESHEWE SMME VILLAGE INCUBATOR AS A MECHANISM FOR LEARNING</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>AND SKILFUL LOCAL ECONOMIES WITHIN THE LED FRAMEWORK</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>THE SCOPE OF THE PROJECT’S RESEARCH DESIGN AND METHODOLOGY</td>
<td>32</td>
</tr>
<tr>
<td>4.1</td>
<td>THE SCOPE OF THE RESEARCH RESULTS AND FINDINGS</td>
<td>41</td>
</tr>
<tr>
<td>4.2</td>
<td>BAR CHART OF INCUBATEES GENDER AND EDUCATION</td>
<td>43</td>
</tr>
<tr>
<td>4.3</td>
<td>SMALL BUSINESS OWNER PRIOR INCUBATION</td>
<td>45</td>
</tr>
<tr>
<td>4.4</td>
<td>TOTAL NUMBER OF INCUBATEES JOINING THE INCUBATOR</td>
<td>46</td>
</tr>
<tr>
<td>4.5</td>
<td>LEVEL OF DIFFICULTY TO BE APPROVED AS AN INCUBATEE</td>
<td>47</td>
</tr>
<tr>
<td>4.6</td>
<td>MANAGEMENT RATINGS</td>
<td>55</td>
</tr>
<tr>
<td>4.7</td>
<td>INCUBATEES SATISFACTION</td>
<td>56</td>
</tr>
<tr>
<td>5.1</td>
<td>VIABLE SYSTEM MODEL (VSM) FOR GALESHEWE’S SMME VILLAGE INCUBATOR</td>
<td>74</td>
</tr>
</tbody>
</table>
LIST OF ABBREVIATIONS

DTI     Department of Trade & Industry
EU      European Union
GDP     Growth Domestic Product
HRSC    Human Resource Science Council
IDP     Integrated Development Plan
IPAP    Industrial Policy Action Plan
ISP     Incubation Support Programme
KPI     Key Performance Indicator
LED     Local Economic Development
NDP     National Development Plan
NGO     Non-Governmental Organisation
NGP     National Growth Plan
NYDA    National Youth Development Agency
PICAMM  People, Innovation, Capability, and Maturity Model
S       System
SBDC    Small Business Development Corporation
SEDA    Small Enterprise Development Agency
SETA    Sector Education and Training Authority
SME     Small Medium Enterprise
SMME    Small, Medium, and Micro Enterprises
SPSS    Statistical Package of Social Science
StatsSA Statistics South Africa
TEA     Total Early-Stage Entrepreneurial Activity
VSM     Viable System Model
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur</td>
<td>A person who sets up a business, and takes on financial risks in the hope of making a profit.</td>
</tr>
<tr>
<td>Godisa Trust/Fund</td>
<td>The Godisa Trust/fund is a collaboration partnership between Anglo-American's enterprise development arm, Zimele, Transnet, and the Small Enterprise Finance Agency. Godisa is a Setswana word, which means to nurture or to grow, and speaks to the nature of black-owned suppliers in order to facilitate sustainable socio-economic transformation and development.</td>
</tr>
<tr>
<td>Incubatees</td>
<td>Tenants of an incubator.</td>
</tr>
<tr>
<td>Incubator</td>
<td>A place with support staff and equipment is made available at a low rental to new small businesses.</td>
</tr>
<tr>
<td>Local Economic</td>
<td>An approach towards economic development that allows and encourages local people to work together to achieve sustainable economic growth and development, thereby bringing economic benefits and improved quality of life for all residents in a local municipal area.</td>
</tr>
<tr>
<td>Local Economic</td>
<td>An economic developer for LED initiatives and policies.</td>
</tr>
<tr>
<td>Development Practitioner</td>
<td></td>
</tr>
<tr>
<td>SMME</td>
<td>Small, Medium and Micro Enterprise or businesses that are locally owned and controlled, and thus strengthen the social system and economy. Some of these businesses are informal in nature.</td>
</tr>
</tbody>
</table>
Spaza shops  Informal business shops in South Africa, usually run from home, where every day small household items are sold. They may serve the purpose of supplementing the homeowner’s household incomes.
CHAPTER: 1
INTRODUCTION TO THE RESEARCH PROJECT

1.1 INTRODUCTION

This research project is a limited research study as required in terms of the professional nature of the degree and falls within the study field of Local Economic Development (LED). Over the years LED strategies have played a significant role in alleviating socio-economic challenges such as poverty, unemployment, and inequality issues across local communities of South Africa (Rodriguez-Pose & Tiijmstra, 2005). The international context is considered vital in the adaptation of the historical concept of LED through its good practices, and hence, LED should be a concept that is understood holistically in its local perspective (Khumalo, 2014).

The definition and concept of LED has been described and defined globally in many ways, but all definitions imply job creation, inclusive economic growth, wealth creation, and the development of the local economies. The World Bank (2003) describes LED as a process involving the public, businesses, and non-governmental stakeholders that actively work in collaboration and seek to create better living standards for all, and for economic growth and employment creation. Blakely and Leigh (2010) describe LED as a strategy that aims to establish a minimum standard of living for all, by reducing inequalities in communities through the promotion of sustainable wealth creation. Helmsing and Egziabher (2005:1) describe LED as “a process in which partnerships between Local Governments, Non-Government Organisations (NGOs), community based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory”. Blakely (1989) and Rogerson and Rogerson (2010) concur with the statement that the concept and practice of LED was implemented in the North during the late 1960s and 1970s in an environment of global economic restructuring and advancing decentralisation. According to Rogerson (2014), LED is a concept that requires planning to be located in a place-based approach. However, Akudugu and Laube (2013:4) maintain that the
term ‘LED’ “is still imprecise, ill-defined and open to multiple interpretations”. Therefore, for the purpose of research the definition for LED in this project was based on the definition provided by Blakely and Leigh (2010).

The need for LED to be a place-based approach and challenges created by global economic restructuring and challenges, has led to the serious rethinking of LED approaches. Overtime it has resulted in a transition from traditional local government practices to more urban, entrepreneurial practices that prompted the local governments to intervene for the purpose of economic growth in local communities (Rogerson & Rogerson, 2010). LED is an interdisciplinary concept governed by a wide variety of theories. Pike, Rodriguez-Pose, & Tomaney (2007) state that one of the rules in the LED theory arises from the regional development theory. Rogerson and Rogerson (2010) highlight three broad types of LED theories described by Gomez & Helmsing (2008:2490), namely market-driven development approaches, theories of local economic re-generation, and LED theories centred in the heart of alternative local development strategies.

1.2 BACKGROUND ON LED IN SOUTH AFRICA

Although a wide variety of LED theories exist, Rowe (2009) argues that there are no definite or distinct theories of local development in existence that duly explains or guides practice complexities that arise in the local and regional development spheres. In the South African context, LED still an evolving practice since the post 1994 democratic transition (Rogerson, 2011). Blakely and Leigh (2010) situate LED in the following theories:

- Neoclassical theory
  This theory advocates that communities should ensure resources are utilised in a manner that attracts capital in a market environment.

- Economic base theory
  This theory is the most useful for monitoring the local economies’ growths and downturns incurred by external market forces for the demand of goods and services that it sells. However, the theory posits that a community’s growth is related mainly to
the amount of goods and services demanded from areas outside its local economic boundaries.

- **Location theory**
  This theory aims to explain how businesses select their place of location in which to pursue their business activities with the intention of growth development. For the firm or business to maximise profits and minimise costs of production and transportation, it is essential that they select the appropriate location for their market.

According to Koma (2013), local municipalities across all South African provinces face various challenges in social issues such as poverty, unemployment, inequality, and access to basic resources. These social issues call for regional and local municipalities to actively participate in promoting LED initiatives within local communities. The 1996 Constitution Section 152 (The Republic of South Africa (RSA), 1996a), legislatively compels local municipalities to effectively promote economic growth and development in local communities (Rogerson, 2014; Sibanda, 2013). Research on LED in South Africa is conducted to seek responses to new opportunities by linking LED to global practices and gather solutions on ways of stabilising declining local communities and restructuring economic practices. Nel (2001) states that the practice of LED planning and its development has been a steadily evolving practice with limited and confined interventions, led and guided by legislation and local municipalities. The practice of LED in South Africa requires and demands that local planning be aligned with international and national framework conditions (Rogerson, 2014).

According to Nel (2001) & Xuza (2007), South African LED research was historically driven by policy considerations that focussed on best practices and opportunities that could assist in the alleviation of poverty and support the development of poor local communities, rather than being guided and confined by theories. In 2005, a checklist for LED policy guidelines was implemented to ensure financial viability, implement innovative solutions to local challenges, ensure the effective mobilisation of local resources, build social capital, offer support programmes, and build networks. These functions were the responsibility of local municipalities and were intended to effectively guide municipal-led LED initiatives (Rogerson, 2011).
According to Khumalo (2014), LED practitioners should be implementing responses to minimise challenges that have arisen in local economic growth and the low success of government interventions in local community development. An impact evaluation in the Free State province revealed that despite LED strategies, few jobs were created, and certain implemented projects failed because of poor management planning in the local municipalities (Rogerson, 2011; Stoquart & Schubert, 2010). The LED challenges experienced have stimulated discussion regarding how LED should be practiced, and through LED governmental initiatives, strategies and policy recommendations have been established to support entrepreneurs and SMMEs, and to alleviate the cycle of poverty, and assist in reducing unemployment in South Africa.

In South Africa the core policy pillars of LED are contained in the 2013-2018 National Framework for Local Economic Development (RSA, 2013). The four core pillars are: building a diverse economic base, developing learning and skilful local economies, developing inclusive economies, and economic governance. These four pillars consist of sub-pillars—or rather strategy interventions— that guide and assist policy-makers in efficiently driving LED strategies. For research purposes in respect of this limited technical research report the focus is on Pillar 2 (Developing Learning and Skilful Local Economies) with its incorporation in Small, Medium and Micro Enterprises (SMMEs) development and will be discussed in Chapter 2.

1.2.1 Demarcation of the project

One of the LED drivers that this research project focussed on is the support of local economic growth through business incubation centres that the government and local municipalities have established in local urban and rural communities. This research project focused on the Galeshewe SMME Village Incubator. The research in respect of the incubator was carried out over a 3 month period during 2016.

The Galeshewe SMME Village Incubator was established in 2013 by the Sol Plaatje Local Municipality. Geographically, it is situated next to Kimberley in the Northern Cape Province as indicated in figure 1.1 below.
According to the Sol Plaatje Municipality’s LED General Manager (2016), the intention of the establishment of the Galeshewe SMME Village Incubator in partnership with Traction and the Join-2-Grow Programme, was to provide the incubates with regular, ongoing, and intensive business advice and training, and to create procurement linkages and opportunities for the incubates to enter into trade. The incubator was also established to create jobs by assisting SMMEs that met specific criteria to become viable and sustainable businesses in the long term, post-incubation.

The Sol Plaatje Municipality in partnership with Traction and Join-2-Grow Small Business Development Network as service providers are managing the incubator. As stated in Galeshewe SMME Village Incubator Activity Report (2014), programmes were designed to assist the incubates - consisting of start-up - SMMEs with the primary objectives being to:

- Improve the low success rate and the survival rate of incubates;
- Ensure continuous business performance;
- Achieve economies of scale in the provision of training, mentorship, and other support and development services;
- Improve the capacity of the participating businesses in the areas of business management, sales and marketing, financial management, and business planning;
• Create a dynamic mechanism for peer-to-peer learning and the sharing of ideas, opportunities, solutions to problems; and
• Encourage and promote intra-group trading, buying, and selling.

Although the incubator has realised a few success stories of SMME growth and development, the Galeshewe SMME Village Incubator system has not been able to deliver all the deliverables as mandated. The incubator has the capacity to accommodate a maximum of 40 small businesses for a period of three years.

During 2014 only 24 small businesses were operating in the incubator. According to the Galeshewe SMME Village Incubator Activity Report (2014), this number decreased from 30 incubatees in 2013 that were occupying the incubator. The decrease in the number of incubatees is of great concern to the incubator managers, the incubator board, and the Sol Plaatje Municipality. The major challenges experienced were acquiring and securing financial support, skills and training support, incubatees compliance to submit business reports of their businesses, and challenges of rating the incubatees performance based on their achievements (new customers, new contracts, projects completed, and new staff recruited), net profit gained in the past month and year, rental arrears status, and challenges experienced or still being experienced in respect of their business operations during the incubation period. (Galeshewe SMME Village Incubator Activity Report, 2014).

1.3 AIM OF THE PROJECT

The primary objective of this research project was to assess the operational effectiveness of the Galeshewe SMME Village Incubator in developing incubatees, within the spheres of LED.

1.4 SIGNIFICANCE OF THE PROJECT

The significance of this research project is that the Sol Plaatje Municipality will be able to understand the challenges confronting the incubatees, the operational challenges encountered by the incubator management which will empower the municipality to
develop interventions to increase the effectiveness of the Galeshewe SMME Village Incubator.

1.5 SCOPE

Figure 1.2 provides a brief overview of the research project in assessing the Galeshewe SMME Village Incubator. The focus was on the success of SMME incubatees, the challenges encountered, management’s relationship with incubatees, and the operational systems of the incubator.

FIGURE 1.2: The scope of Galeshewe SMME Village Incubator

Source: Galeshewe SMME Village Incubator Research 2016

In the following sections the research design and research methodology will be discussed.

1.5 RESEARCH DESIGN AND METHODOLOGY

Nowak (2010) used questionnaire surveys to analyse the barriers to Small and Medium-sized Enterprise (SME) development. Masutha and Rogerson (2014a) also used questionnaire surveys in their national audit of business incubator operations in...
South Africa to address the knowledge deficit on the growing phenomenon of small businesses and to analyse the contemporary state of business incubators, their sectorial and institutional base, and the character of entrepreneurs.

Ladzani and Van Vuuren (2002) made use of case studies (of SME service providers in the Northern Province), interviews and questionnaires to explain the training entrepreneurs require in effectively running their SMEs. Funchall, Herselman, & Van Greunen (2008) also used questionnaires and interviews to measure and observe the maturity of the SMME incubator, using the People, Innovation, Capability, and Maturity Model (PICaMM).

In this research project a cross-sectional mixed methods research design was used. The mixed method design was based upon a quantitative survey design and a qualitative interview approach to explore the operational effectiveness of the Galeshewe SMME Village Incubator.

The research design and methodology assisted in employing the appropriate strategy to gather and analyse the data, to report the findings, and to provide valid answers to the project’s research questions. The research design and methodology will be explained in greater detail in Chapter 3.

1.5.1 Research Questions
The purpose of this research project is to attempt to understand the operational effectiveness of the Galeshewe SMME Village Incubator in developing incubatees. The research question is: How successful is the Galeshewe SMME Village Incubator to increase success rates of SMMEs within the incubation centre? To answer the principal research question the following investigative questions were formulated:

- What are the challenges experienced by SMME incubatees in the Galeshewe SMME Village Incubator?
- What business development and support problems are experienced by the SMME incubatees in the Galeshewe SMME Village Incubator?
- How satisfied are SMME incubatees with Galeshewe SMME Village Incubator?
- Does the selection criteria employed contribute to the success of SMME incubatees in Galeshewe SMME Village Incubator?
• How does the Galeshewe SMME Village Incubator management perceive the success of the incubator?

1.5.1.1 Interviews
The interviews conducted were individual face-to-face interviews with incubator management. The focus of the interviews were centred around six themes namely: to probe the selection process employed by the incubator, how success is measured in the incubator, services provided to incubatees, the role of incubator management challenges experienced by the incubator/incubatees and future developments.

1.5.1.2 Questionnaires
A structured questionnaire to be completed by incubatees was developed. The questionnaire requested biographic information about respondents, the enterprise characteristics, stakeholder relationships within the incubator and enterprise and development support.

1.6 ETHICAL CONDUCT
Written permission was obtained from the Sol Plaatje Municipality to conduct interviews and administer questionnaires at the Galeshewe SMME Village Incubator. For the project ethical clearance was also obtained from the University of Johannesburg after complying with the following stipulations: anonymity; confidentiality; privacy and no harm to participants.

1.7 CHAPTER OVERVIEW

Chapter 1 is a brief introduction to the research project, and it briefly highlights descriptions of the research problem, the literature review, and the research design and methodology.

Chapter 2 comprises the literature review of the research project, which focuses on the LED Framework 2013-2018, the core policy pillars, the theoretical background in respect of incubators, challenges experienced by SMMEs, and the selection criteria for incubatees.


Chapter 3 explains the research design and methodology in a step-by-step process leading to the importance and collection of data guided by the research questions.

Chapter 4 reports on the findings, which are interpreted by means of graphs, tables, and statistical calculations, with the aim of answering the research question(s).

Chapter 5 draws final conclusions and makes recommendations to the Sol Plaatje Municipality and topics for future research projects.

1.8 SUMMARY

The essence of this research project was to determine the operational effectiveness of the Galeshewe SMME Village Incubator in developing incubatees and in order to assist the Sol Plaatje Municipality.

In Chapter 2 the literature relating to LED and incubators are reviewed as well as the 2013-2018 National LED Framework.
CHAPTER 2:
INCUBATION AS A MECHANISM FOR LEARNING AND SKILFUL LOCAL ECONOMIES

2.1 INTRODUCTION

In the previous chapter, the background justification, ethical conduct and outline of the project were provided. This chapter provides insights into the South African (LED) National Framework and more specifically on the importance of developing learning and skilful local economies. It intends to show how incubators can act as mechanisms that contribute to the establishment of such local economies.

The policy framework for LED was originally established in the South African Constitution 1996, in sections 152 (c) and 153 (a) (RSA, 1996a:1331), which clearly states that it is mandatory for local government to “promote social and economic development and must also structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community” (Patterson, 2008). Since the year 2000, the National Framework for LED has provided policy guidance on LED strategies. The objectives of the recent 2013-2018 National Framework for LED are aimed at creating jobs and new employment opportunities, increasing income levels, broadening the tax and revenue base of municipalities, developing the human resource potential and opportunities for development, attracting outside investment, and developing linkages between developed and underdeveloped areas (2013-2018 National Framework for LED; RSA, 2013).

The LED policy framework is incorporated in the following guiding policies: the National Development Plan (NDP); the New Growth Path (NGP); and the Industrial Policy Action Plan (IPAP). The contribution of LED in these policies aims to create an accelerated, shared, and inclusive economy, increase local competitiveness, redress poverty, enhance economic growth, promote learning and skills development, and
create integrated urban and rural economic development (RSA, 2011). The National LED Framework thus provides guidance as to what LED strategies should focus on in respect of the four core policy pillars indicated in Table 2.1. The four core policy pillars serve as guiding tools for the implementation of LED strategies. For the purpose of this project and its relevance to the core policy pillars, the study falls within the ambit of core policy pillar 2.

### Table 2.1: Four LED Core Policy Pillars

<table>
<thead>
<tr>
<th>Pillar 1: Building a Diverse Economic Base</th>
<th>Pillar 2: Developing Learning &amp; Skillful Local Economies</th>
<th>Pillar 3: Developing Inclusive Economies</th>
<th>Pillar 4: Economic Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible for promoting the modernisation of local businesses to ensure that dynamic sectors are supported, metropolitan economies are activated, and regional economic development at District level is encouraged.</td>
<td>Responsible for addressing basic skills gaps, creating an innovative and adaptable workforce to attract and support long-term growth of high value jobs, while creating sustainable businesses that will assist in the reduction of unemployment.</td>
<td>Responsible for the inclusion of local communities through: informal economy support programmes, inner city economic revitalisation programmes, township economic development programmes, youth economic empowerment, and broad-based black economic empowerment support.</td>
<td>The state is responsible for improving economic leadership and management capacity, administrative economic development capacity, access to development funding, and creating distinct branding.</td>
</tr>
</tbody>
</table>

2.2 SCOPE OF THE CHAPTER

Figure 2.1 provides a brief overview of how incubators act as mechanisms for creating learning and skilful local economies.

FIGURE 2.1: The scope of Galeshewe SMME Village Incubator as a mechanism for learning and skilful local economies within the LED Framework

Source: Galeshewe SMME Village Incubator Research 2016

2.3 CORE POLICY PILLAR 2: DEVELOPING LEARNING AND SKILFUL LOCAL ECONOMIES

According to the 2013-2018 National Framework for LED (RSA, 2013), pillar 2 focuses on creating and developing an enterprise and entrepreneurship culture and a labour force that is regarded as highly skilled, innovative, and adaptable in the long term, for the purpose of increasing economic growth. It is necessary that the gaps in basic skills are identified so that strategies can be implemented. This can be achieved through partnerships with stakeholders such as the education and training authorities, whose aims are to equip the workforce with the necessary educational skills in the business and entrepreneurship environment. In the case of South Africa, small business owners seem to have limited knowledge, capabilities, and skills (Visser, Chodukufa, Amadi-Echendu & Phillips, 2016).
Developing learning and skilful local economies is anchored by addressing the gap in basic skills, developing the existing workforce skills, and creating and developing new supportive entrepreneurial and business programmes. According to Dench (1997), given the intense debates on skills and those who are employable for certain jobs, it is important to view skills based on the abilities, attributes, and all other important factors required by employers. With productivity and skills not being evenly distributed across industry sectors, pressures from competitive markets arise in the development of technologies, thus causing these industry sectors to be more proactive in increasing innovation and customisation to achieve high performance, which ensures better communication, and encourages team work and employees mastering skills (Powell, 2002).

The importance of basic skills acquisition is not just about competency in such skills, but the ability to apply such skills in the work environment. It is crucial that training and skills for the specific job role be aligned with formal education, knowledge and work experience for the business to realise its potential growth and development (Cleeve & Ndhlovu, 2015). This is more of a necessity these days since the minimum prerequisite for employment is an ability to read and write (Dench, 1997). This minimum requirement is extremely important since it enables workers to know their jobs and the materials required to help them perform their duties, for example, for a cleaner to perform his or her duties they are required to know which products to use, how frequently to use them, and where to use them. All of this requires them to be able to read the product instructions and to be able to list the products required when placing orders (Dench, 1997).

In Africa, Small and Medium Enterprises (SMEs) are generally seen to contribute over 50% of the countries’ Growth Domestic Product (GDP), whilst South African SMEs constitute 55% of employment creation (Ramukumba, 2014). According to Urban and Naidoo (2012) and Naudé (1998), South Africa’s economic growth and development is largely dependent on the manufacturing sector and on Small, Micro and Medium Enterprises (SMMEs) operating in the manufacturing sector. However, the problems that SMMEs encounter centres around sustainability, since approximately 50% of newly established small businesses’ lifespans are cut short (Urban & Naidoo, 2012).
With the increasing failure rates of businesses in South Africa, high levels of unemployment seem to prevail, with 4.6 million people actively seeking employment (Herrington & Kew, 2013). According to a study conducted by Turton and Herrington (2013), South Africa’s Total Early-Stage Entrepreneurial Activity (TEA) is currently the lowest in the world, with percentages of TEA decreasing from 9.1% in 2011 to 7.3% in 2012, with significantly low level percentages of business activity, fewer entrepreneurs compared to Africa (Visser et al., 2016), and South Africa’s SMEs failure rate at between 70 and 80% (Adeniran & Johnston, 2011). These figures of small business start-ups are alarming, since the role of emerging SMEs is to become efficient agents of sustainable economic growth promotion and poverty reduction (Olawale, 2014).

Urban and Naidoo’s (2012) study revealed that amongst the various reasons for low success rates of small businesses, the main reason is that entrepreneurs lack operational skills. An added challenge in this regard is the fact that entrepreneurs struggle to be their own managers (Mayer & Louw, 2011). In South Africa, the biggest challenge that managers are faced with is that of being able to manage and control cross-cultural conflicts arising out of the diversity of the South African society. Lack of training in diversity, conflict management, knowledge, and awareness exacerbate this problem. Perks & Smith (2008) argue that for any business to successfully operate in the long-run, operations and training management should be crucial elements included in training South African SMMEs. Mclarty (2000) reports that a third of South African SMMEs with low success rates realise that their downfall in terms of their level of competitiveness was due to a lack of skills and expertise within their operations systems. Mboyane and Ladzani (2011) argue that the failure of small businesses is caused firstly, by a lack of financial management, because these small businesses are not capable of obtaining loans since they are regarded as high risks to financial institutions, and secondly, by the government’s inability to be proactive in creating support structures for business registration to ensure that micro-enterprises survive in the long term.

Urban and Naidoo (2012) agree that the only solution to curb high numbers of SMMEs not performing well is for SMME entrepreneurs, consultants, policy-makers, and higher learning and training institutions to work together and to place more focus on strategies that will develop operational skills for SMMEs entering the business environment so
that they can submit proof of operational skills and training during their first stage of registration. Powell (2002) states that since learning and training is important for the success and growth of businesses and local development of communities, continuous learning should be practiced daily.

For any type of business to operate efficiently, some level of literacy and training are required among employees and entrepreneurs. This level of training can be obtained from Sector Education and Training Authorities (SETAs). These SETAs assist entrepreneurs in gaining theoretical and practical knowledge, which can later assist them to be operational in their own businesses (Erasmus & Breier, 2009). The next section discusses the evolution of the incubator as an SMME and local economic growth initiative.

2.4 EVOLUTION OF THE INCUBATOR INITIATIVE

Incubators or business hubs are centres in which various activities take place to assist SMME incubatees. In this project the Galeshewe SMME Village Incubator serves as a hub for incubatees to learn as well as operate their businesses in it. The South African National Small Business Act of 1996 (RSA, 1996b) defines small businesses as registered undertakings with less than 50 employees and with a turnover of less than R2 million per annum, whilst medium enterprises are classified as undertakings with less than 100 employees yielding a turnover of less than R4 million per annum (Lekhanya & Mason, 2014). Hackett and Dilt (2004:57) describe a business incubator as a “shared office space facility that seeks to provide its incubatees with a strategic or value-adding intervention system of monitoring and business assistance”. Salem (2014) describes business incubation as a strategy of entrepreneurship initiatives that lead to sustainable economic growth and development, and which is responsible for developing entrepreneurial business ventures. According to Robinson (2010), the purpose of business incubators is to promote and encourage new business formations and to improve the growth and development of small businesses to become sustainable, through equipping entrepreneurs with the relevant skills in order for them to build long lasting relationships with customers and suppliers. Thus, business incubators can be seen as mechanisms for creating sustainable entrepreneurial
According to Theodorakopoulos, Kakabadse, and McGowan (2014), the evolution of business incubators is an evolving generational concept that evolved from being an affordable shared space to offering a variety of support services, networking, and business advisory services, to offering mentoring and business acceleration. According to the South Africa Business Incubator Establishment Handbook (RSA, 2016), incubators are established with the intention of offering Small and Medium Enterprises (SMEs) with business development services, physical space in the form of shared office services and resources, and funding support required for investment.

The support offered by incubators is important for the growth of the South African SME sector, since this form of business incubation is relatively new to our country and was adopted after the democratic transition from apartheid, which saw unemployment, poverty, and inequality at a high peak (Masutha & Rogerson, 2014a, 2014b). Therefore, this form of business incubation can be incorporated in core policy pillar 2 (developing skilful local economics) and core policy pillar 3 (building a diverse economic base) of the 2013-2018 National Framework for LED (RSA, 2013).

The evolution of incubator evolved from 1995, and consists of four phases. Firstly, it was called the Hives Industry. The Small Business Development Corporation (SBDC), which was established with the purpose of bridging the gap between the opportunities for growth between small and large businesses. These hives were situated in the urban townships, and they provided entrants with cheaper rental facilities, electricity costs, bookkeeping service, and storage facilities. Buys and Mbewana (2007) claim that due to changing circumstances, the hive idea did not fit in with the modern ways of doing business.

The absence of the hives gave way to the development of the Godisa Trust Incubation Programme in 2000. This programme included the Department of Trade and Industry (DTI), The Department of Science and Technology (DST), and the European Union (EU). During this phase, six technology-oriented incubators were launched, and they yielded a positive growth in existing SMMEs in Johannesburg. According to the Godisa
2005/06 Annual Report (Godisa, 2006), the programme was later merged with other government initiatives to form the Small Enterprise Development Agency (SEDA) in 2006. SEDA assisted SMMEs and fostered the technological growth of disadvantaged groups, but failed in their mandate of empowering women (Godisa, 2006). According to the SME Survey (2014), successful small businesses are often owned by women since they are now offered more support opportunities because of being previously excluded, and as a result their businesses realise greater growth and development.

In 2012, the DTI implemented the most recent incubation programme known as the Incubation Support Programme (ISP). It is a government initiative to create a long-term, sustainable commitment to small businesses. The Industry Policy Action Plan (IPAP) 2013/14 and 2015/16 reports (DTI, 2013) suggest that development needs to aim at increasing the number of incubators to be established by universities or the Human Resource Science Council (HRSC) to stimulate and promote technology development firms, and this objective is a priority in order to grow SMMEs in South Africa. The main purpose of SMME hubs or incubation is to eradicate the existence of failure rates of small businesses in their first year of establishment.

Since South African SMMEs contribute to economic growth, incubators play an important role in qualifying small businesses. Incubators are important to entrepreneurs, to people who have been retrenched, and in addressing unemployment, poverty, and job creation. SMMEs are the key drivers of economic growth and also contribute to ensuring social stability and economic welfare (Masutha & Rogerson, 2014a, 2014b; Ladzani & Van Vuuren, 2002).

Hence, incubators are established to promote and develop SMMEs and to assist with job creation. This support is offered in respect of the following: mentorship training; skills training and development; and grant funding from government and various stakeholders. According to the South African LED Network ISP (2017), the DTI established an Incubation Support Programme (ISP) with the objective of supporting SMMEs, revitalising local communities, and assisting SMMEs with skills development, networking, and creating market opportunities by encouraging private sector partnerships with government. The various forms of support offered by incubators ensure that during the first three years of their start-up phase, the SMMEs are
encouraged to gather all the necessary skills and resources in order to survive and become self-sufficient after graduating from the incubator. Ladzani and Van Vuuren (2002) suggest that since economic conditions are capable of rapid change, it is crucial that private and public organisations receive regular advanced training.

In the following section, the challenges confronting SMMEs operating in the incubators are discussed.

2.5 CHALLENGES EXPERIENCED BY SMALL MEDIUM AND MICRO ENTERPRISES

Post-1994 South Africa has struggled to be re-integrated into the world markets. In order to achieve economic growth, South Africa has to compete globally in order to create employment opportunities and to reduce inequalities in income distribution. To this end, SMMEs are seen as a vehicle through which some of these noble objectives can be achieved. According to the DTI (2012), South African SMEs are currently faced with challenges such as a lack of management skills and finance, an inability to secure credit, poor access to markets, low production, and the lack of appropriate technology.

The emergence and the establishment of SMMEs in the less developed urban areas of South Africa – known as townships – is identified as having the potential to play a key role in providing basic products and services within the retail sector of their local communities (Tustin, 2008). These SMMEs within the retail sector are known as Spaza shops or convenience shops. These shops offer basic household necessities to the lower income groups in the community, thus contributing greatly towards the local community’s economic and social well-being (Newman & Cullen, 2002).

Ligthelm (2011) highlights that some of these particular small businesses predominately operated in small business centres and others operated in garages or containers outside a person’s residential home. Due to the increase in the adult population and the redistribution of wealth, it was reported that approximately 7.2 million adults transitioned from being low-income earners to being middle-income earners in the period 1990-2008 (Ligthelm, 2011). As a result, this significantly led to more consumer spending, increased market participation, market growth expansion,
and the emergence of chain supermarkets in townships such as Soweto (Ligthelm, 2007). However, as a result of macro and micro economic factors and the emergence of large retail businesses for example the Jabulani Mall, the competition occurring within Soweto increased, and threatened the sustainability and survival of small businesses in the area (Porter, 2008).

The survival of SMMEs in South Africa still remains a significant concern, and therefore the development and promotion of small businesses are of critical importance to boost economic growth, to reduce poverty, and to create jobs (Nieman, Hough & Nieuwenhuis, 2003). Existing challenges that face SMMEs in South Africa are the lack of funding, access to markets, and lack of business skills, which seem to constrain the success levels of SMMEs’ sustainability.

Ashley and Maxwell (2001) argue that challenges affecting entrepreneurship development and success are mainly a result of the scant research undertaken on developing empowerment strategies towards small businesses in the rural areas, especially within KwaZulu Natal. According to their research, 75% of the failure of small businesses is due to internal and external environmental obstacles that prevent the growth of SMMEs. Internal obstacles entail the following: access to finance; management skills; location; and technology, whilst external obstacles entail: crime; corruption; regulations; and markets (Olawale & Garwe, 2010). According to Cant and Wiid’s (2013) study, crime, government legislation, unemployment, inflation, and interest rates are found to be the main key external factors affecting SMEs in South Africa. Common challenges encountered by SMMEs in developing countries are networking and competing competitively on the local and global platform (Urban & Naidoo, 2012). Beaver (2001) on the other hand states that the major causes of small business failure within their first year of start-up are a lack of product demand and a limited consumer support base. According to Morrison, Breen, and Shameen (2003), human factors should be the determinants that are used to assess the survivability of a small business.

Ligthelm (2011) conducted surveys between 300 small businesses from 2007-2010 to examine the survival and failure rates of small businesses. The analysis showed that the causes of low success rates of small businesses are not merely due to competition,
but are also due to unprofessional entrepreneurial behaviour, poor and negative business intentions by entrepreneurs, and new entrepreneur entrants entering the business world due to poverty rather than careful choice or passion. However, the low success rates of SMMEs can also be attributed to the poor geographical locations of the businesses, as illustrated by a study conducted by Chimucheka & Mandipaka (2015), which revealed that 62% of the respondents’ businesses were poorly located.

Lekhanya & Mason (2014) collected primary data in the form of questionnaires from 374 small business owners. Their findings suggest that the main challenges affecting small business owners in South Africa – particularly in the rural areas – are the limited access to finance, skills shortages, poor transport and infrastructure, and poor access to electricity supply. Rogerson (2008) & Okpukpara (2009) agree that for any small business to operate efficiently, business skills, leadership skills, knowledge of marketing, resources, and ease of market accessibility are fundamental requirements for sustainability. Chimucheka & Mandipaka (2015) argue that poor support of key stakeholders to SMMEs is the leading reason why SMMEs fail within their first year of start-up. However, the reasons can vary significantly from one small business to another, and Mbonyane & Ladzani (2011) state that the failure of small businesses in townships is associated with small business owners giving their customers goods on credit, resulting in their customers not paying their debts on time, which as a result, creates more debt for the small business owners.

Ladzani & Van Vuuren (2002) state that in the early 1990s, vocational education colleges and the National Senior Certificate system recognised the crucial need for training in entrepreneurship, but with entrepreneurial training in South Africa being a relatively new phenomenon, it was reported that approximately 50% of SMMEs established in South Africa eventually failed due to a lack of skills.

According to JTB Consulting (2016), small businesses in South Africa fail due to a lack of basic skills and inappropriate business motives, inadequate marketing, poor business plans, a lack of financial literacy, poor financial management, and the inability to secure funding.
Institutions that mainly focus on business skills or motivational skills tend to offer very little support in entrepreneurial skills, which negatively affects the SME sector. Ladzani & Van Vuuren (2002) illustrate the importance of SME development, by referring to a three-legged cooking pot, stating that training for SME owners or managers should be understood in the following context: a three-legged cooking pot cannot stand on its own if one leg of the pot is missing, therefore it is essential that training be instituted as a fundamental requirement of small business start-ups.

Funchall *et al.* (2009) suggest that even in instances where SMMEs receive support from the government and National Government Organisations (NGOs), they may still face major barriers that could lead to their demise, for example, technological failure; in the event that SMMEs are not fully making effective use of technology, their failure to do so may impact on their competitiveness. Entrepreneurship education should be directed at the phase of preparation of entrepreneurs, since there are more entrepreneurs and small businesses needed in South Africa, and emphasis on training in incubators should be more on entrepreneurial training than on conventional management training (Kroon, 1997). Lose & Tengeh (2015) emphasise that educational training in incubators is extremely important since business incubation centres in both developed and developing countries encounter serious challenges of: access to entrepreneurial management; lack of entrepreneurial skills; lack of growth and sustainability; lack of funding; and lack of access to proper technological facilities. Nowak (2010) surveyed 29 micro-enterprises in Poland, and found that the basic development problems of small businesses are: taxes; problems with payment of rental space; inflexible labour legislation; and troublesome administrative procedures – all limiting factors that constrain the competitiveness of small businesses.

It is assumed that the sustainability of SMME incubation is based on the design of programmes that are offered and how they are marketed and implemented, as sustainability is described as entrepreneurs’ ability to strive to achieve positive cash flows continuously in the future and to maintain the durability of the benefits achieved (Lalkaka, 2000). Boyd and Vozikis (1994) describe self-efficiency as a person’s need to believe in his or her own capabilities to perform a given task at a given time, and that by doing so they will gradually acquire experience.
Most research conducted perceives or quantifies the success of small businesses as financial sustainability, but Shepherd & Patzelt (2011) argue that success – or rather the sustainability of entrepreneurship – is focusing on what is to be sustained, and what is to be developed in sustainable entrepreneurship, and that entrepreneurial action should serve as a mechanism for sustaining nature, communities, and sources of life-support. The authors suggest that more focus should be directed to non-economic outcomes than on developing economic profits, since it is not entirely about entrepreneurs being financially sustainable, but about creating opportunities of gain for society.

Buys and Mbewana (2007) reported that business incubators assisted start-up businesses to grow during their most vulnerable start-up period, and concluded that there are 11 success factors for successful incubators, namely: access to science and technology; a comprehensive business plan; good networking skills; availability of funding; stringent selection criteria; good quality of entrepreneurs; high stakeholder support; supportive government policies; competent and motivated management; financial stability; and experimental advisory. According to a SME Survey (2014), SME businesses located in cities are likely to be more profitable than those that are located in rural areas or townships. These SME businesses are mostly owned and managed by women, since women are given more opportunities because they were previously excluded from economic activity. However, the report does not imply that it is a necessity for women to own a business in order for it to realise growth.

As recommendations to overcome some of the challenges, Ramukumba (2014) states that SME owners or managers need to clearly understand local markets; maintain technological advantages; attend management skills courses to enhance their knowledge and managerial skills; and to build social and business networks. Hence, it is important that the incubator selects incubatees with the relevant skills and knowledge. In the next section, an attempt is made to distinguish whether a link exists between challenges encountered by incubatees and the way in which they are selected. The literature that is relevant to the selection criteria of incubators will be discussed.

2.6 SELECTION CRITERIA OF INCUBATEES
The selection criteria and process play a pivotal role in the recruitment process of incubators. The selection of SMEs is the most important part of the incubator’s success, as it identifies entrepreneurs with high potential, thus complementing the incubator’s specific services and mission (Buys & Mbewana, 2007). According to DTI (2014) South Africa Business Incubator Establishment Handbook, it is important to assess whether or not an SME will be able to make a success of their business by assessing the entrepreneurs (personality, education, skills, and self-discipline), assessing the entrepreneurs business ideas (factors that can affect the demand of a product or service and size of the market and the viability of the their business plans).

However, according to the DTI (2014) South Africa Business Incubator Establishment Handbook the selection criteria of any incubator will differ according to its focus, thus the motivation and drive of the entrepreneur should be considered the most important criterion by all incubators, regardless of their focus. Table 2.2 provides a standard selection criterion framework that should be considered when selecting SMEs to be recruited by the incubator. The first step is to screen the SME applications, ensure that the applications are completed for the appropriate position, evaluate the candidates by means of an interview, and lastly, selecting the qualifying SMEs to be part of the incubation phase.
TABLE 2.2: SME selection process

<table>
<thead>
<tr>
<th>Step 1: Screening</th>
<th>Step 2: Application Preparation</th>
<th>Step 3: Evaluation</th>
<th>Step 4: Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure applications meet basic criteria.</td>
<td>Prepare applicants to undergo more thorough evaluations.</td>
<td>Conduct thorough assessments of motivations and personalities.</td>
<td>Collect and review assessment findings.</td>
</tr>
<tr>
<td>Select a pool of applicants for further evaluation.</td>
<td>Ensure alignment between incubator’s goals and expectations.</td>
<td>Assess viability of business concept.</td>
<td>Form consensus within incubator management.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Applicant must go through interviews/psychometric tests.</td>
<td>Select SMEs to enter incubator programme.</td>
</tr>
</tbody>
</table>


According to Aerts, MatthysSENS, and Vandenbempt (2007), on average, about three European businesses experience difficulties in maintaining their businesses within their first year of start-up. The survival of entrepreneurs and the growth of the economy are enhanced through promoting innovation in business incubators, as this environment of incubation assists emerging businesses to become self-efficient.

The main focus is on the importance of good screening practices, which largely ensure that the incubatees success rate increased. The European Commission (2002) substantiates this statement by reporting that through the business incubation system, about 80-90% of small businesses operating within incubation centres become more successful and self-efficient post-incubation phase.

Aerts et al. (2007) refer to the screening process that managers of incubators in the United States have implemented. Lumpkin and Ireland (1988) and Merrifield (1987) used the screening criteria to identify the following three groups involved in the selection process:

1. In the first phase, the incubator managers identify the potential candidates based on the following: the candidate’s small business having the potential to generate good revenue; political and socioeconomic challenges; and the ability
to grow in the relevant market of business. This phase looks at the relevant experience of management and also at the marketing, and the technical and financial skills of the potential candidates.

2. During the second phase of the selection process, the incubator’s management team evaluates the business plan in terms of the products or services to be rendered, the target market segment, the business uniqueness, its marketability, and the financial support it requires.

3. During the third phase of the screening process, the prospective incubatee is evaluated based on whether their small business has the ability to add value to the incubator. However, Merrifield (1987) states that although the requirements of successful incubator practice cannot be clearly identified, the proper screening of candidates could increase the success rates of incubators.

Table 2.3 compares four incubators (clusters) to assess the growth between them in terms of their growth and screening practices.

**TABLE 2.3: Four types of incubators based on tenant screening practices in the U.S. (1998)**

<table>
<thead>
<tr>
<th>Screening Factor</th>
<th>Cluster 1 (45.5%)</th>
<th>Cluster 2 (15.2%)</th>
<th>Cluster 3 (24.2%)</th>
<th>Cluster 4 (15.2%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience of management team</td>
<td>+</td>
<td>0</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Financial strength</td>
<td>+</td>
<td>0</td>
<td>++</td>
<td>0</td>
</tr>
<tr>
<td>Market and personal factors</td>
<td>++</td>
<td>0</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Explanations:

0: No screening performed.

+: Some screening of applications done with respect to the specific screening factor.

++: Thorough screening of applications was done regarding the specific screening factor.

**Source:** Lumpkin and Ireland (1998:72-73)
Although not much data exists regarding the performance of incubatees, it would be beneficial if the data available was easily accessible and readily available since it would assist in ascertaining which measures are appropriate to measure the success rate of incubatees and their survival rate during their incubation period and post-incubation (Hackett & Dilts, 2004). Increasing the survival rate and growth rate of incubatees is an important factor for both the incubation centres and for the economy. The selection or screening model is the fundamental component of any incubation centre since it can assist in selecting perfect fit entrepreneurs (Wulung, Takahashi & Morikawa, 2014).

However, Khalid, Gilbert, and Huq’s (2011) survey of the performance of screening processes revealed that market characteristics are the most important tools in incubators’ selection criteria. These market characteristics are based solely on managerial competency, incubatees’ products or services, and financial components. The authors propose that to increase the survival rate of incubatees and their performance, the selection model should include a measure that can easily predict the survivability of the small businesses. Table 2.4 compares the selection criteria and illustrates how different incubators utilise different selection criteria.

**TABLE 2.4: Comparison of selection criteria’s: SME Incubators**

<table>
<thead>
<tr>
<th>INCUBATOR</th>
<th>FOOTPRINT</th>
<th>PURPOSE</th>
<th>SELECTION CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awethu Project</td>
<td>Greater Johannesburg</td>
<td>Micro business incubator that uses its unique style of hands-on entrepreneurship to combine people, ideas, and capital to build the SMEs that South Africa needs.</td>
<td>Basic computer and internet skills. Ability to communicate in English. Must be able to meet his business associates weekly during office hours. Attendance at weekly training sessions.</td>
</tr>
<tr>
<td>Organisation</td>
<td>Area</td>
<td>Description</td>
<td>Qualifications</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>BizSpark</td>
<td>National</td>
<td>Microsoft BizSpark gives software development start-ups access to Microsoft software development tools and training. Connects them with key industry players including potential customers and investors, and provides marketing visibility.</td>
<td>Business must be less than five years old. The entrepreneur/s must be in the process of developing a software product or application. The business must be privately held. The business must generate at most not more than R5m annual revenue.</td>
</tr>
<tr>
<td>Endeavour</td>
<td>Global</td>
<td>Endeavour is a global non-profit organisation dedicated to supporting entrepreneurs in growth markets to become global leaders, by providing access to talent, investors, partners, and markets.</td>
<td>Business must have a minimum annual turnover of R10million. Business must have a proven track record. The business must be unique in nature. The business must have successfully raised the capital required. The business must reflect potential to grow. The business must have a business model that is repeatable in any country.</td>
</tr>
<tr>
<td>Fetola</td>
<td>National</td>
<td>Fetola supports the growth of small and medium-sized enterprises, and assists them to become independent, thriving businesses and qualified suppliers.</td>
<td>They must be black-owned businesses or community benefit projects, including social enterprises and non-profit organisations. Must be an enterprise with proven business viability Must show viability and potential for growth. Leaders must show willingness to learn and engage in change. Regular access to communications. Preference to enterprise benefitting women, rural communities, and poor and needy communities, and must be high impact in terms of job creation.</td>
</tr>
<tr>
<td>National Youth Development Agency (NYDA)</td>
<td>National</td>
<td>NYDA was established primarily to tackle challenges faced by the nation's youth. It plays a</td>
<td>Youth (18-35years) with necessary skills and experience or with potential skills appropriate for the enterprise that they conduct or intend to conduct.</td>
</tr>
</tbody>
</table>
leading role in ensuring that all major stakeholders e.g. government, the private sector, and civil society, prioritise youth development and contribute towards identifying and implementing lasting solutions that address youth development challenges.

South African citizens residing within the borders of South Africa.

Youth that requires the grant for business start-up/growth.

Business must be operating within the borders of South Africa.

The entrepreneur(s) must be involved in the day-to-day operation and/or management of the business, and/or be willing to join the business on a full-time basis.

Operate either informally or formally, generally recognised as micro enterprises (e.g. street traders, vendors, emerging enterprises).

**Source:** Small to Medium Enterprise Incubators and Support Programmes – February (2016:4-30)

The report on Small to Medium Enterprise Incubators and Support Programmes (2016) reported on 38 SME incubator centres. Only 14 of the centres made their selection criteria available. For the purpose of this research, reference is made to five SME incubator selection criteria to analyse common differences and to gather a better understanding of how incubatees are selected. The Galeshewe SMME Village Incubator is one of the 38 SME incubators mentioned in the report. However, amongst the five incubators that were randomly selected, none of the incubators seem to have psychometric testing as part of their selection criteria. Appendix A is the selection criteria assessment for the Galeshewe SMME Village Incubator, it does not include psychometric testing. This can also be regarded as a factor for concern, since the personal attributes of the person are important in business processes, as the survival of incubatees’ small businesses is dependent on the incubatees’ psychological characteristics such as their emotional stability or maturity, and their willingness to change (Ciaverella, Buchholtz, Riordan, Gatewood & Stokes, 2004).

Wulung *et al.* (2014) developed a selection model that decision-makers may consider in the selection process of incubatees. The proposed model takes the following into consideration: profit maximisation; incubatee survivability; and worker absorption maximisation. Their model was developed in a way that supports incubator managers
to be decision-makers in the selection process. Moreover, it gives decision-makers the advantage of selecting the “best configuration of incubatees to optimise future profitability, survivability and worker absorption to reduce the risk of business failure of entrepreneurs” (Wulung et al., 2014: 415).

From the literature it is evident that many incubation centres utilise their own selection criteria, but a gap still exists in incorporating or including psychometric testing in the selection process.

2.7 CONCLUSION

In this chapter the pivotal role of the National LED Policy Framework (2013-2018) was discussed. The selected core policy pillar 2 (developing learning and skilful local economies) outlines the importance and benefits of cultivating an entrepreneurship culture to increase economic growth. It is also evident from the literature that small businesses have low-success rates that are linked to their low levels of basic skills and knowledge to successfully develop their businesses. The challenges and selection of incubatees (SMMEs) operating in incubation centres were also outlined to distinguish whether or not they are contributing factors to the low success rates of SMMEs during and the post incubation phase. Sustainability and the level of knowledge of basic skills and entrepreneurial training of SMMEs are critical concerns highlighted extensively in the literature. It is also important to note from the literature that the incubator stakeholders, incubator centre management and LED Practitioners in South Africa could act as local economic enablers so that they can support the growth and development of SMMEs.

Chapter 3 outlines the research design and methodology.
CHAPTER: 3
RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

In the previous chapter the theoretical perspective on LED, empirical evidence on entrepreneurship and incubation, as well as incubation as a mechanism for establishing an entrepreneurial culture and a learning and growing economy was discussed. This chapter outlines the research design and the methodology used in conducting the surveys to collect data in order to answer the research questions to assist the Galeshewe SMME Village Incubator. Collis and Hussey (2009) and Wedawatta, Ingirige, and Amaratunga (2011) describe research methodology as an overall thought process that is aimed at solving problems identified from collected data.

3.2 RESEARCH PURPOSE

The primary objective of this research project was to assess the effectiveness of the operational workings of the Galeshewe SMME Village Incubator to develop incubatees.

3.3 INVESTIGATIVE RESEARCH QUESTIONS

To achieve the overall purpose of the project, the following investigative questions were formulated:

i. What are the challenges experienced by SMME incubatees in the Galeshewe SMME Village Incubator?

ii. What business development and support problems are experienced by the SMME incubatees in the Galeshewe SMME Village Incubator?

iii. How satisfied are SMME incubatees with Galeshewe SMME Village Incubator?

iv. Does the selection criteria employed contribute to the success of SMME incubatees in Galeshewe SMME Village Incubator?
v. How does the Galeshewe SMME Village Incubator management perceive the success of the incubator?

3.4 SCOPE OF THE CHAPTER

Figure 3.1 provides a brief overview of data collection and analysis involved in the research design and methodology.

**FIGURE 3.1: The scope of the project’s research design and methodology**

Source: Galeshewe SMME Village Incubator Research 2016

3.5 RESEARCH DESIGN

According to Kothari (2004), research design is all about planning and making decisions that need to be taken into consideration when conducting research for data collection and analysis. Therefore, it is important to define and understand the current research project, its purpose, the type of data required, sample size, sampling process, data analysis and the time period over which the project was conducted.

A cross-sectional mixed-method survey was conducted, since the research focused on a specific set of entrepreneurs and managers at the Galeshewe SMME Village Incubator.

Due to time limitations, a cross-sectional approach was adopted; implying that only one group of entrepreneurs was surveyed at a specific time. This is in contrast with a longitudinal research design which focuses on a group of people to analyse the same
subject data repeatedly over a period of time (Salkind, 2010). However, as the design was cross-sectional in nature no cause and effect relationship was determined and the researcher was only interested in describing and evaluating the performance situation as it was, at the time the research was conducted.

According to Morse and Niehaus (2009), complexities found in the research phenomena cannot be described in a single method, and thus requires a mixed approach to measure certain aspects that lead to answering research questions. Using this mixed-method approach enabled the researcher to get to more reliable interpretations on the performance of the incubator. Results should also be interpreted with caution when attempts are made to generalise findings. Rather findings should be interpreted as relevant to this incubator specifically.

Due to complexities to assess the success of the Galeshewe SMME Village Incubator a mixed method approach was deemed appropriate. The Mixed method approach adopted consisted of a quantitative survey approach and a qualitative interview approach. A qualitative research method is primarily a research method that works best with descriptive and evaluative research questions that relate to the perceptions of a focus group and are based on empirical investigation and evidence (Brief, 2012). An interview schedule questionnaire containing open-ended questions was constructed for incubator management, with the intention of gathering and reporting resultant data in a descriptive statistical manner using NViVo qualitative data analysis coding style to answer the research questions.

Quantitative methods generally aim to increase the research’s objectivity, to ensure replication and generalisation of findings (Harwell, 2011). In this project, the quantitative research method was selected as a structured survey design to answer questions posed to incubatees. The quantitative data collected from the structured questionnaire was reported by means of descriptive statistics (tables and figures) and by testing one hypothesis.
3.6 RESEARCH METHODOLOGY

This section describes comprehensively how the research methods were applied.

3.6.1 Population description and size
A population can be described as the theoretically specified aggregation of study elements as such the target population represents all potential respondents that meet designated sets of criteria specified by the researcher based upon the interest of the project. For the purpose of this project the target population were incubatees in the Galeshewe SMME Village Incubator as well as the managers operating in the incubator. At most 30 incubatees were registered to be operating within the incubator at the time of the investigation. However, only 20 incubatees were actively participating. A total of three managers are responsible for running the incubator.

3.6.2 Sample description and sample size
All three managers were selected to participate in the project. Using the registered database, 16 incubatees were selected to participate in the research. This sample size was determined using a population size of 20 incubatees, a confidence level of 95% and a margin of error of 5% into account. The determined sample size ensured representation of all genders, socio-economic class and age. The number of respondents is a fair representation of the target population. However, the small sample size and population restricted the researcher to do strong quantitative data analysis.

3.6.3 Research instruments
Two independent instruments were developed namely: a structured questionnaire administered to the 16 incubatees and an open-ended interview schedule for the three managers of the Galeshewe SMME Village Incubator. A structured questionnaire for incubatees comprised of five sections. Section A consisted of two questions providing biographic information about incubatees; Section B consisted of five questions which provided information on the education and employment history of incubatees. Section C consisted of three questions relating to the business characteristics in which incubatees operates; Section D consisted of six questions of which two were open-ended questions to probe the relation that exists between the incubatee and the
incubator centre whilst Section E comprised of 47 questions relating to business development and support, 14 of the questions related to problems experienced and enterprise development and support and were assessed on a five-point Likert-scale. Another 14 of the questions probed the sources of support sought and were assessed on the four-point-nominal scale. 14 other questions assessed whether a particular phenomenon was experienced as a problem or not. Two Likert scale questions and three open-ended questions were formulated relating to searching for support, services to be provided by the incubator and considerations for taking a business into the incubator.

The interview schedule administrated to the incubator management consisted of one closed-ended question and 14 open-ended questions relating to incubation processes, incubatee selection, services provided roles of management, success measures, challenges faced by the incubator and future development plans.

3.6.4 Research data collection and capturing
Initially, the researcher observed the local surroundings of the incubator Galeshewe SMME Village Incubator in the Sol Plaatje Local Municipality, the lifestyles of Galeshewe inhabitants, the surroundings in terms of whether or not the township had a library, clinic, schools, a nearby police-station, tar roads, access to basic necessities, and access to informal small businesses, and the physical appearance of the incubator. This was done to familiarise the researcher with the research context.

According to Boyce and Neale (2006), an in-depth interview is a style of conducting interviews in a deeper manner than usual. This style of conducting interviews – which is part of the qualitative research method – deals more with interviewing individuals or small focus groups. In this project it was used with the sole aim of obtaining a better understanding of the issues under investigation from the three managers. This was achieved by exploring the problems or situations encountered by incubatees, and by documenting their perceptions about such problems or situations. The in-depth interviews conducted with the management were necessary to achieve the objectives of this project and to answer the research questions. These interviews questions were conducted according to the interview schedule by means of questionnaires (Appendix D and E).
An excel spreadsheet was used to capture the data obtained from the survey. The qualitative data obtained from the interview questionnaire was captured using NVivo coding style.

3.6.5 Data analysis

SPSS version 24 was used to do the quantitative analysis. The following analysis was performed:

i. Sample description
   The data was presented by means of cross tables and bar charts. The incubatee sample were described in terms of gender and educational level of incubatees as well as their age categories.

ii. Enterprise characteristics of incubatees
   The enterprise characteristics indicated the number of respondents or incubatees who owned and did not own a small business prior to joining the Galeshewe SMME Village Incubator and when they joined the incubator, the number of employees employed by them. This analysis was presented by means of tables, bar-charts and pie-charts.

iii. Challenges experienced by incubatees
   The challenges were presented in a table format indicating frequencies, averages and standard deviations. Over and above the tables, the binomial test for gender differences on business and support were also tested. The overall research hypothesis was stated as:

Null hypothesis $H_0$: No significant difference exists between males and females in terms of the problems experienced in business development and support (1-14).

Alternative hypothesis $H_A$: A significant difference exists between males and females regarding the problems experienced in business development and support (1-14).

The results were interpreted in the form of tables and graphs in respect of the results obtained from the entrepreneurs.

iv. Support sought by incubatees
The support sought is presented in a descriptive table format.

v. Ability to solve problems
   This is presented in a descriptive table format.

vi. Incubatee satisfaction
   This was assessed by means of management ratings and incubatee satisfaction with the incubator. The results were presented by means of bar-charts.

The qualitative data was assessed and classified into integrated themes. For qualitative data reporting, results obtained from the management questionnaire were compiled using NViVo coding style to report the results from management of the incubator, since the management questionnaire only consisted of one closed question and the rest were open-ended questions. The results were grouped according to the similarity of answers per section focus.

### 3.7 VALIDITY AND RELIABILITY

Validity is defined as claims from findings or data collection that are concerned with answering what was intended to be measured (Drost, 2011). Face validity in this research was achieved by presenting the questionnaires to a panel of experts to assess the appropriateness of questions. Construct validity was achieved by piloting the questionnaire to a group of 10 University of Johannesburg students to evaluate correctness of sentence construction and simplicity of understanding.

Reliability is defined as a measurement tool that produces consistent results repeatedly for a person or a group (Drost, 2011), meaning that reliability reflects the extent of accuracy in the measurement (Flick, 2011). Reliability in this project was tested by means of Cronbach’s Alpha, which took into account the number of items being evaluated. The Cronbach’s Alpha coefficient assesses the internal consistency of the quantitative measuring instrument. In terms of a qualitative approach, reliability is measured by means of trustworthiness and consistency of the data results. The management interview schedule contained questions that were only intended for management and the answers were reported in their exact words.
3.8 **ETHICAL CONDUCT**

Written permission was obtained from the Sol Plaatje Local Municipality to conduct research interviews at the incubator (Appendix C). All the respondents were asked to sign letters of consent. An ethical clearance to conduct this project was obtained from the University of Johannesburg (Appendix B). In terms of ethical clearance, the following was complied with: anonymity; confidentiality; and privacy, since the interviews were treated with confidentiality and questionnaires recorded no participants' names or the name of the enterprise.

The purpose of the project was explained to all selected incubatees and incubator managers and their voluntary participation was requested. Participants were informed that they could withdraw their participation from the project at any stage without any negative consequences. The participants on the project also signed a consent form.

3.9 **TIME HORIZON**

The research project was carried out from October 2016 to January 2017.

3.10 **LIMITATIONS AND DELIMITATIONS**

Limitations in qualitative studies are generally associated with validity and reliability of a given research study, however, limitations are those occurrences that the researcher cannot foresee and control in such a study, yet these occurrences can affect the results of the data collection, and conclusions can be made based on collection of such data (Simon & Goes, 2013). The limitations in the research were to limit the study to certain people, namely the incubatees of the Galeshewe SMME Village Incubator, and the management of the incubator, and to limit observations to the incubator and its location.

Delimitations are described as characteristics that arise from limitations. These are usually decision boundaries the researcher makes to narrow the scope of the study (Simon & Goes, 2013). In this project delimitations were based on focusing attention on the business challenges experienced, the relationships between incubatees and
management, how these relationships contribute to the incubates’ success, and on the selection and screening of incubatees. The tools and strategies used to determine incubator success and the success of incubatees were also key focus areas in this regard.

3.11 CONCLUSION

In this chapter the research methodology of the research project was carefully considered and explained in great detail for the purpose of data collection and realisation of true data collection and interpretation. The research design of this study was considered and designed with the sole purpose of conducting a project that would answer the research questions and ensure credibility of results. Thus, the research methodology was aimed at identifying the major obstacles that hindered the effectiveness of the Galeshewe SMME Village Incubator in developing incubatees. The sample sizes selected included 16 incubatees and 3 incubator managers, in order to ensure representation of all genders, socio-economic groups, and all ages. In Chapter 4 the findings will be analysed and discussed.
CHAPTER: 4
RESEARCH RESULTS AND FINDINGS

4.1 INTRODUCTION

This chapter aims to analyse and discuss the findings of the quantitative survey and the qualitative interview schedule that were conducted. The purpose of this chapter is to present the key results of the study in the context of the research design and methods followed.

The findings are presented in the sequential order described in the previous chapter and in alignment with the research problem and purpose. This chapter laid the foundation for the interpretation of results reaching conclusions and offering recommendations to be discussed in chapter 5.

4.2 PURPOSE OF THE CHAPTER

The purpose of the chapter is to present the findings in respect of the surveys (structured questionnaire and scheduled interview questionnaire) conducted to determine the operational effectiveness of the Galeshewe SMME Village Incubator in developing incubatees.

4.3 SCOPE OF THE CHAPTER

The scope of this chapter is to provide an overview of the results and findings obtained from the quantitative survey and qualitative interview schedules.
4.4 DESCRIPTION OF THE SAMPLES

The samples consisted of 16 incubatees and three incubator managers that responded to the invitation to partake in this project. The incubator is a township incubator in Galeshewe situated in Kimberley in the Northern Province of South Africa. To understand the demographics of the respondents, based on their gender and level of education, a cross tabulation was done. Table 4.1 illustrates the demographics of the incubatees and their educational levels.

TABLE 4.1: Gender and education of incubatees

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Number</th>
<th>Education</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Grade 10</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Grade 11</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Grade 12</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Post-School</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>% within Gender</td>
<td>0.0%</td>
<td>22.2%</td>
<td>33.3%</td>
<td>44.4%</td>
</tr>
<tr>
<td>% of Total</td>
<td>0.0%</td>
<td>12.5%</td>
<td>18.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>Count</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>--------</td>
<td>--------</td>
<td>-------</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td></td>
<td>% within Gender</td>
<td>28.6%</td>
<td>0.0%</td>
<td>28.6%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>12.5%</td>
<td>0.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Total</td>
<td>Number</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>% within Gender</td>
<td>12.5%</td>
<td>12.5%</td>
<td>31.3%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>12.5%</td>
<td>12.5%</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

Although the township in this research location is considered to be poor, the educational level of both male and female incubtees with secondary schooling (grade 11-12) and higher education was a total of 87.6% \((n = 14)\). According to Figure 4.2 and Table 4.1, it was established that no males had less than a Grade 10 level of education, compared to females, of whom 12.50% \((n = 2)\) had less than Grade 10 level of schooling. In the responses given, one females mentioned that she fell pregnant at a young age, and as a result they couldn’t resume her education, while one cited a lack of finance.
FIGURE 4.2: Bar chart of incubatees gender and education

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

TABLE 4.2: Average age of incubatees

<table>
<thead>
<tr>
<th>Age of incubates</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents</td>
<td>16</td>
</tr>
<tr>
<td>Average Age</td>
<td>38.7</td>
</tr>
<tr>
<td>Standard Deviation in Age</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

The age range category of respondents was between the ages of 20 to 60 years, and participants were both male and female, with an average mean age of 38.69 (39 years), and standard deviation of 7.9, as indicated in Table 4.2. The total number of responding incubatees were 16 people, of which nine were male, and seven were female.
4.5 SCALE RELIABILITY

Cronbach’s Alpha reliability of the quantitative measurement scale is indicated by Table 4.3. The Cronbach’s Alpha coefficient measured the strength of the internal consistency of the measurement scale.

TABLE 4.3: Cronbach’s alpha coefficient

<table>
<thead>
<tr>
<th>Cronbach’s Alpha Based on Standardised Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.856</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

The Cronbach’s alpha measures the problems experienced by incubatees. As a rule, University of Virginia Research Data Services (2015) state that the resulting Cronbach’s alpha coefficient (α) of reliability ranges from 0 to 1 for providing an overall assessment of a reliability measure. When $\alpha = 0$, then all scale items are independent from one another. As $\alpha$ approaches 1, then the number of items in the scale are said to approach infinity. Therefore, the higher the alpha coefficient the more the items that have shared covariance and probably measure the same underlying concept. Thus, $\alpha=0.856$, which is $> 0.70$, therefore the alpha coefficient for 14 items (problems experienced) suggest that the items have a relatively high internal consistency and can be regarded as reliable.

4.6 ENTERPRISE CHARACTERISTICS

In this section the enterprise characteristics of the businesses in which incubatees are involved are discussed. This includes the year of establishment, economic sector in which the business operates, total number of employees employed.
TABLE 4.4: Small business ownership

<table>
<thead>
<tr>
<th>Ownership prior to joining incubator</th>
<th>FREQUENCY (N)</th>
<th>PERCENTAGE (%)</th>
<th>CUMULATIVE PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>12</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>25.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

FIGURE 4.3: Small business owner prior to incubation

Figure 4.3 and Table 4.4 illustrate the percentages and numbers of the 16 respondents who owned and who did not own a small business prior to joining the incubator. A total of 12 incubatees (75%) had already established their small businesses prior to joining the incubator, whilst the remaining four (25%) they did not own a small business prior to incubation, and the reason given for this was that they had been employed.
FIGURE 4.4: Total number of incubatees joining the incubator

![Bar chart showing total number of incubatees joining the incubator from 2012 to 2016.]

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

Figure 4.4 revealed that the 16 incubatees joined the incubator from 2013-2016, with 2016 having six incubatees – the highest number of incubatees being appointed, whilst only three incubatees – being the lowest number of incubatees – appointed in 2013 and 2015. In the incubator’s activity reports, the incubator had the capacity to accommodate at least 30 incubatees (Galeshewe SMME Village Incubator Activity Report, 2014).

4.7 CHALLENGES, ENTERPRISE DEVELOPMENT AND BUSINESS SUPPORT

4.7.1 Level of difficulty to be approved as an incubatee

The low number of incubatees being accepted could have been associated with the level of difficulty to enter the incubator. To establish the reason, incubatees were asked if they had applied, gone through an interview stage, and how they would rate the entry to the incubator, on a difficulty scale of 1-5, with level 5 being ‘very difficult’ and level 1 being ‘very easy’. It was found that all 16 incubatees applied using the official application form to join the incubator and went through a screening process by means of an interview.
Figure 4.5 below assists in capturing and illustrating the results of the difficulty in terms of entry level to the incubator, to indicate whether or not it was the reason for the low number of incubatees accepted.

FIGURE 4.5: Level of difficulty to be approved as an incubatee

<table>
<thead>
<tr>
<th>LEVEL OF DIFFICULTY TO BE APPOINTED IN THE INCUBATOR</th>
<th>RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>ervo EASY</td>
<td>1</td>
</tr>
<tr>
<td>EASY</td>
<td>2</td>
</tr>
<tr>
<td>MORERATE</td>
<td>3</td>
</tr>
<tr>
<td>SOMEWHAT DIFFICULT</td>
<td>4</td>
</tr>
<tr>
<td>VERY DIFFICULT</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

Figure 4.5 indicates that 31% (n = 5) of incubatees found the level of difficulty in joining the incubator to be average, 25% (n = 4) said it was easy, 6% (n = 1) found it very difficult, 19% (n = 3) found it very easy and 19% (n = 3) found it somewhat difficult. Therefore, the percentage of rating seems to suggest that there could have been other reasons associated with the low number of incubatees being accepted, as most of the incubatees found it easy to moderately easy to join the incubator.

With the incubator being diverse, the incubator had different types of SMMEs from different sectors ranging from; construction, financial services, transportation, beauty, arts and crafts, bookkeeping, fashion, butcheries, to manufacturing, and thus, each rendering a specific service or product and requiring different types of support.

TABLE 4.5: Number of employees employed by incubatees

<table>
<thead>
<tr>
<th>INCUBATEES</th>
<th>NUMBER OF PEOPLE EMPLOYED N = 42</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Each incubatee was questioned about employees working for them and the number of employees they employed. This question was asked to assess whether the LED objectives of job creation and creating a skilled and innovative workforce were being met. It was found that 42 employees in total were employed by incubatees, as per Table 4.5. The incubatee that employed more workers in comparison to other incubatees was incubatee number 4 who employed 14 of employees.

With the above employment rates, more people can be employed through the positive influence and initiatives of the LED unit of the Sol Plaatje Municipality under management of the Francis Baard District Municipality. Through the recruitment and selection of incubatees, it was found that the incubator management followed a robust procedure of recruitment and thus approved incubatees that were already established with the potential to grow and develop into sustainable businesses.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016
In addition to discussing enterprise and incubatee characteristics, it was also important to focus the attention to the challenges incubatees face in terms of business characteristics. The following section discusses the challenges encountered by incubatees.

### 4.7.2 Challenges experienced by incubatees

The questionnaire contained questions relating to challenges experienced by incubatees. The findings are indicated by Table 4.6

**TABLE 4.6: Challenges experienced by incubatees**

<table>
<thead>
<tr>
<th>PROBLEM DESCRIPTION</th>
<th>NO PROBLEM</th>
<th>SLIGHT PROBLEM</th>
<th>MODERATE/AVERAGE</th>
<th>SEMI. DIFFICULT</th>
<th>MAJOR DIFFICULTY</th>
<th>TOTAL</th>
<th>AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Obtaining finance</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>11</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>2. Accessibility to markets</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>3. Skills training</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td>16</td>
<td>3.25</td>
</tr>
<tr>
<td>4. Administrative compliance</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>16</td>
<td>2.88</td>
</tr>
<tr>
<td>5. Build/expand market base</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>16</td>
<td>3.44</td>
</tr>
<tr>
<td>6. Accumulate profit</td>
<td>3</td>
<td>2</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td>16</td>
<td>2.81</td>
</tr>
<tr>
<td>7. Writing a business plan</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>16</td>
<td>3.44</td>
</tr>
<tr>
<td>8. Establishing contracts with suppliers</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>8</td>
<td>16</td>
<td>3.63</td>
</tr>
<tr>
<td>9. Obtaining external advice</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>16</td>
<td>3.38</td>
</tr>
<tr>
<td>10. Support from incubator management</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>16</td>
<td>3.31</td>
</tr>
<tr>
<td></td>
<td>Writing/compiling business progress report</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>----</td>
</tr>
<tr>
<td>12. Generating new business ideas</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>16</td>
<td>2.44</td>
</tr>
<tr>
<td>13. Ability to pay rent at incubation centre</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>16</td>
<td>2.44</td>
</tr>
<tr>
<td>14. Decreasing operational costs</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>16</td>
<td>2.88</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

Tables 4.6, 4.7, and 4.8 are interlinked since they provide responsive feedback statistics to the research question of this research project. In order to have a better understanding of the degree of problems that they experienced, the incubatees had to rate their level of listed problems from ‘no problem’, ‘slight problem’, ‘moderate’, to ‘major difficulty’ by choosing only one level for each problem by means of a tick or a cross. The problems listed in Table 4.6 are regarded as the most commonly experienced by the incubatees.

According to Table 4.6 depicting the major difficulties experienced by incubatees, 11 incubatees were found to have major difficulties in obtaining finance to run their businesses and to continue their business activities, whilst 6 incubatees experienced skills training as a major difficulty, and 6 experienced problems obtaining support from incubator management. Surprisingly, even with challenges encountered, a low number of 1 incubatee experienced major difficulty in profit accumulation. This low number is thought to be a result of incubatees seeking assistance from external sources (people outside the incubator that could assist in whatever challenge(s) they are faced with in their business), as an indication was that 7 incubatees sought external support for profit accumulation, as illustrated in Table 4.7.

To have a better understanding the results averages were calculated. From the averages column, averages below 3 are regarded as moderate and averages above 3 can be regarded as difficult. Therefore amongst the 14 problems described difficulties were prevalent in the following problems namely: obtaining finance, acquiring skills
training, expanding market base, writing up business plans, establishing contracts with suppliers, obtaining external advise and getting support from incubator management.

The remaining averages below level 3 are considered as average problems.

**TABLE 4.7: Support sought by incubatees**

<table>
<thead>
<tr>
<th>PROBLEM DESCRIPTION</th>
<th>1 NO SUPPORT SOUGHT</th>
<th>2 SUPPORT FROM INCUBATOR MANAGEMENT</th>
<th>3 SUPPORT FROM FELLOW TENANTS</th>
<th>4 EXTERNAL SUPPORT</th>
<th>TOTAL SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtaining finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Accessibility to markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Skills training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Administrative compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Build/expand market base</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Accumulate profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Writing business plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Establishing contracts with suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Get external advice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Support from incubator management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Writing/compiling business progress report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N = ( )
Table 4.7 tabulates the responses from the incubatees in terms of whether or not they sought any form of support. In this instance, the incubatee survey allowed incubatees to choose more than one option in this table. In regard to the ability to obtain finance, 8 incubatees sought no support, whilst 6 incubatees sought support from external stakeholders, with the lowest number being one incubatee seeking assistance from fellow incubatees. In terms of skills training related problems only one incubatee sought no support, whilst 7 sought assistance from incubator management and 10 sought external assistance. In terms of building and expanding their market base, 4 incubatees sought no support, 1 sought support from incubator management, 2 from fellow tenants and 10 from external sources. Overall, most support was sought from external sources and less support was sought from incubator management.

From Table 4.7 a common pattern is reflected as it is apparent that a high volume of incubatees sought external assistance regarding the listed problems instead of seeking assistance from the incubator manager. It is evident from the results that incubatees seem to have low confidence and trust in the incubator management. This was also confirmed by the management rating in Figure 4.6.

**TABLE 4.8: Ability to solve problems**

<table>
<thead>
<tr>
<th>PROBLEM DESCRIPTION</th>
<th>1 NO</th>
<th>2 YES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>N = 16</td>
</tr>
<tr>
<td>1. Obtaining finance</td>
<td>15</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>2. Accessibility to markets</td>
<td>9</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>3. Skills training</td>
<td>7</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---</td>
<td>---</td>
<td>----</td>
</tr>
<tr>
<td>4. Administrative compliance</td>
<td>11</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>5. Build/expand market base</td>
<td>11</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>6. Accumulate profit</td>
<td>11</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>7. Writing business plan</td>
<td>10</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>8. Establishing contracts with suppliers</td>
<td>11</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>9. Obtaining external advice</td>
<td>5</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>10. Support from incubator management</td>
<td>9</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>11. Writing/compiling business progress report</td>
<td>8</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>12. Generating new business ideas</td>
<td>7</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>13. Ability to pay rent at incubation centre</td>
<td>8</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>14. Decreasing operational costs</td>
<td>10</td>
<td>6</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

An overall number of 16 incubatees were not able to solve their finance issues, as illustrated in Table 4.8.

In order to understand the challenges experienced by incubatees’ within the incubator, it was also important to look at the incubatees confidence levels in management and the incubatees relationships with incubator management.
In terms of the data collected on the problems encountered and on the business development support sought, it is possible that the encountered problems or challenges could have been dependent on the incubatees gender. However, only one hypothesis was tested for the type of challenges experienced in this regard (problems 1-14). The hypothesis test was based on both the biographical data and the problems experienced in business development and support.

State of hypothesis:
Null hypothesis $H_0$: No significant difference exists between males and females in terms of the problems experienced in business development and support (1-14). 
Alternative hypothesis $H_A$: A significant difference exists between males and females regarding the problems experienced in business development and support (1-14).

**TABLE 4.9: Binomial test for gender differences on business development and support**

<table>
<thead>
<tr>
<th>TEST STATISTIC</th>
<th>SIG</th>
<th>N</th>
<th>DECISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>0.804</td>
<td>16</td>
<td>Retain $H_0$</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016

According to Table 4.9, the $p$-value is 0.804%, test statistic of 9 male incubatees’ out of 16 incubatees’. Therefore, in this regard, $p = 0.804$ is greater than the alpha of 5% ($p > 0.05$), therefore the decision is to not reject the null hypothesis ($H_0$ is not rejected). The higher $p$-value simply means that the data collected was highly consistent with the hypothesis. Thus, Table 4.9 illustrates that no significant difference exists between males and female incubatees in terms of problems experienced in the incubator business development and support.
In Figure 4.6 incubatees’ were asked to rate the performance of their incubator management on a scale of 1-5, with 1 being ‘poor’ and 5 being ‘excellent’. As illustrated in Figure 4.5, 38% (n = 6) of incubatees rated management as ‘poor’ and ‘fair’ respectively, while only 12% (n = 2) of incubatees rated management as ‘good’ and ‘excellent’ respectively. This low confidence in management was reflected in the progress and development of incubatees’, since they struggled to solve their challenges.

When asked what services they would like to receive from the incubator, respondents said they would like to have more skills and more business training programmes, more marketing and advertising of their businesses, and good leadership and mentorship. They also stated that they would like to be assisted in creating opportunities for networking and to be given proper guidance in terms of their operational activities, in order to achieve sustainable development in their businesses in the post-incubation period.
FIGURE 4.7: Incubatees’ satisfaction

Conversely, Figure 4.7 reflects the level of incubatees’ satisfaction within the incubator. The highest rating was level 2 (dissatisfied) with 31% (n = 5) of incubatees being dissatisfied with current state of the incubator. This number was followed by rating level 1 (very dissatisfied) and 3 (neutral), both at 25% (n = 4). At most, only 6% (n = 1) of respondents were found to be ‘very satisfied’ with the incubator’s operations.

Respondents reported that without being properly assisted and guided by management, the local community members tend to pass the incubator centre and do not realise that there are businesses operating inside the centre. In their responses, the geographical location of the incubator was considered have a significant role in their success, since not much business activity happened around the area. The respondents’ general perception was that incubator management should allow the incubatees to operate their businesses without placing any restrictions on them. According to the incubatees, the existing restrictions were limiting and also had a negative effect on their businesses’ profit margins. Respondents further added that the incubator board should clearly identity and distinguish business requirement outcomes and expectations, since they are not being treated well by the board and managers.

Their ultimate concern was that the local municipality and incubator management be proactive in assisting incubatees with the promotion of their businesses, for the purpose of growth and development.

Source: Galeshewe SMME Village Incubator: Incubatee Survey 2016
The following section outlines the survey results of the incubator managers.

**4.8 QUALITATIVE ANALYSIS AND DISCUSSION OF INCUBATOR MANAGEMENT VIEWS**

4.8.1 Incubator management interviews

In any business, management plays a prominent role in ensuring the success of a business. For purposes of this project, interviews were conducted with three incubator management members. This was done through an interview schedule, which consisted of one closed question and 14 open-ended questions.

The responses of the managers were documented verbatim. The management interview schedule contained questions that focused on the recruitment and selection of entrepreneurs and services, the support offered by the incubator, the role and engagement of management, and the challenges experienced.

The responses in this regard were documented in following three sections: Section A focussed on the selection and recruitment, Section B focussed on success measurement of incubatees and the incubator in general, and Section C focussed on challenges and management engagement.

4.8.1.1 Section A: Selection and recruitment of incubatees

During the interviews managers A, B, and C indicated they were directly involved in the selection and recruitment of the incubatees and were part of the shortlisting, interviews, and decision-making panel. The managers briefly explained the steps involved in their selection and recruitment process. These steps, according to them were as follows:

Step 1: The prospective incubatee applies by completing an application form.
Step 2: Prospective incubatees are shortlisted and contacted
Step 3: Interviews are conducted and play a significant role as management seeks to see if the prospective incubatee has the required expertise and understanding to become an incubatee.
Step 4: Prospective incubatees are accepted if they meet the required.
Step 5: Successful prospective incubatees are notified.
Step 6: The prospective incubatees are subjected to an induction process.

The managers indicated that the prospective incubatees are required to have registered operational businesses in order to qualify and be admitted to the incubator. If such an operation existed, it was expected to be operational for at least one year. Prospective incubatees were also expected to have a good understanding of their business environment and target market.

4.8.1.2 Section B: Measurement of success and services provided

For any business to grow, the monitoring and evaluation of growth and development are important for success and sustainability. This section explains the responses from the three incubator managers in order to understand the monitoring and evaluation process.

The three managers indicated that the incubator offers educational skills training, business coaching, and development programmes for the purpose of developing and nurturing the incubatees. In terms of the monitoring and evaluation process the success of incubatees, are individually discussed at monthly meetings. Table 4.10 depicts the responses from the three managers.

<table>
<thead>
<tr>
<th>TABLE 4.10 Measurement of incubator success and services provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manager A</strong></td>
</tr>
<tr>
<td>“Success of the incubator is measured through growth, perseverance, and commitment, as it is easy to give up as business has its own challenges”</td>
</tr>
<tr>
<td>“The incubator does not have reports based on incubatees’ business performance, as the incubatees do not submit regular progress reports”</td>
</tr>
</tbody>
</table>
“We offer one-on-one monthly meetings to determine progress and short-comings of each tenant. Thereafter [we] assist [in] their short-comings”.

“We offer programmes to develop tenants”.

“The incubator provides daily assistance with advice, solutions, and day to day business operations”.

**Source: Galeshewe SMME Village Incubator: Management Interview Schedule 2016**

From Table 4.10, it is evident that success is measured differently, and business progress reports are not used to determine an incubatee’s business success or progress.

Every business has to overcome certain challenges. In the next section, the challenges presented by the managers are discussed.

### 4.8.1.3 Section C: Challenges experienced and management engagement

The incubatees identified several challenges that are related primarily to communication, funding, support, and security in the incubator complex and the incubator business model. The incubatees indicated that both internal and external challenges are affecting their operational development and the incubatees’ growth and development. Based on the interviews with the incubator management, their verbatim responses were recorded.
TABLE 4.11: Engagement with incubatees

<table>
<thead>
<tr>
<th>Manager A</th>
<th>Manager B</th>
<th>Manager C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicates with incubatees on a regular basis, through monthly meetings and one-on-one sessions and [an] open door policy.</td>
<td>Communicates with tenants via meetings, one-on-one sessions, “but most tenants do not attend meetings; there is poor attendance in meetings by tenants”.</td>
<td>Communicates with tenants via monthly meetings and scheduled one-on-one sessions, “every month there’s an incubatees meeting and one-on-one sessions scheduled for each incubatee to sit with management”.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Management Interview Schedule 2016

In Table 4.11 the managers indicated that they communicated with incubatees on a regular basis, have one-on-one sessions, and practice an open-door policy; however, manager B highlighted that incubatees do not attend meetings, as there is poor attendance.

TABLE 4.12: Funding challenges

<table>
<thead>
<tr>
<th>Manager A</th>
<th>Manager B</th>
<th>Manager C</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The incubator currently has no access to money to assist with marketing and advertising of tenants’ businesses”.</td>
<td>“Funding to assist tenants is a challenge in terms of assisting their business via networking and marketing. Incubator currently funds external services support for tenants from the incubator account where the funds are raised from rental collections of tenants”.</td>
<td>“Financial support to incubatees is needed and should be given to the right businesses who are committed and eager to prosper”.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Management Interview Schedule 2016

According to Table 4.12 the managers indicated that funding is a challenge, funding in terms of assisting in the promotion of SMMEs through marketing, advertising, and networking. Manager B added that to pay for the external services required by incubatees, funding comes from the incubator account, and the funds in this account are realised from the rental collected from the incubatees.
TABLE 4.13: Support to incubatees

<table>
<thead>
<tr>
<th>Manager A</th>
<th>Manager B</th>
<th>Manager C</th>
</tr>
</thead>
<tbody>
<tr>
<td>“We do not get full support from local and district municipality”.</td>
<td>“Municipality does not provide us with sufficient support”.</td>
<td>“Relevant qualified support staff is a serious concern”.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: management interview schedule 2016

In Table 4.13 in terms of support, managers A and B claimed that they do not receive sufficient support from the local and district municipality, whilst manager C mentioned that they required qualified support staff in the incubator.

TABLE 4.14: Security of incubator

<table>
<thead>
<tr>
<th>Manager A</th>
<th>Manager B</th>
</tr>
</thead>
<tbody>
<tr>
<td>“No security is available on the incubator premises”.</td>
<td>“Security is an issue as the tenants’ businesses are vulnerable to crime; there is no secured fencing”.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Management Interview Schedule 2016

In Table 4.14 managers A and B highlighted incubator complex security as a challenge, as the incubatee businesses are not safe. Manager B added that the incubator is vulnerable to crime since there is no secure security fencing, however, manager C did not note security as a challenge.

TABLE 4.15: Incubator business model

<table>
<thead>
<tr>
<th>Manager B</th>
<th>Manager C</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The business model system of how the incubator should be operated is not clearly stated”.</td>
<td>“There is no continuous plan, as some of the incubatees have been with the incubator from day 1 and there is no plan for them after incubation. The incubator business system model requires support and proper management to be efficient in carrying out its mandate”</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Management Interview Schedule 2016
According to Table 4.15 in the responses supplied, manager B mentioned that the way in which the incubator’s business system model is operated also contributes to the many challenges encountered by the incubator. However, manager A did not refer to the business model system as a challenge, but manager C felt that the operational business model of the incubator is exacerbated by the incubator’s poor management staff.

**TABLE 4.16: Staff recruitment**

<table>
<thead>
<tr>
<th></th>
<th>Manager A</th>
<th>Manager B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Not enough staff is recruited”.</td>
<td>“Incubator is losing tenants, thus not meeting intended expectations of realising positive local development, job creation”.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator: Management Interview Schedule 2016

According to Table 4.16 in terms of recruitment, manager A’s response was that not enough staff is recruited at the incubator, for example, cleaning staff. Manager B highlighted that the number of recruited incubatees had dropped, and as a result the incubator did not meet the expectations of the local economic development department. Manager C did not highlight incubator staff recruitment as a challenge.

In view of this management feedback the incubator seems to be experiencing numerous challenges that need to be solved for the purpose of growing the SMMEs and the local development of the Galeshewe township. There is a significant need for LED Practitioners from the Sol Plaatje Municipality to intervene at the incubator, since the incubator is under the municipality’s operation.

**4.9 CONCLUSION**

The first section of this chapter demonstrated the demographics of the respondents as well as their educational level. The findings indicated that the educational level of the incubatees’ was quite high. It was found that 75% (n=12) of incubatees owned a small business prior to joining the incubator, which this percentage provides an indication
that the incubatees had some background knowledge of entrepreneurship. The findings indicated that it was difficult to be approved as an incubatee, due to the stringency of the selection criteria used by management. In terms of job creation incubatees were able to employ employees in their SMMEs, this can be seen as a positive impact aligned with core policy pillar 2 mentioned in chapter 2. A reliability scale test was conducted with the intention of measuring the strength of the internal consistency and reliability of the problems experienced by incubatees. The Cronbach’s alpha measure was used and suggested that the items have had a relatively high internal consistency. The non-parametric binomial-test was used to test the hypothesis as normality could not be assumed. Only one hypothesis test was tested based on both the biographical data and the problems experienced in business development to test if the encountered problems were dependent on the incubatees gender. From the non-parametric binomial-test results it was found that no significant difference exists between male and females in terms of the problems experienced in business development and support.

However incubatee development was found to be affected by the challenges incubatees experienced namely: the ability to obtain finance, accessibility to markets, skills training, administrative compliance, building market base, accumulating profit, writing up a business plan, establishing contracts with suppliers, obtaining external advice and support from incubator management. What was rather disappointing in respect to the findings was how low the percentage of incubatee satisfaction was. This could be related to the low management ratings scored by the incubatees. This was rather disappointing as it is the incubator management’s responsibility to ensure that proper channels are adhered to, with relevance to supporting the growth and development of incubatees. Even so it was fair to also gather the responses and views of management. In the interviews conducted with management it was reported that management does engage with incubatees on a regular basis, however the main challenges hindering the development of the incubator is their lack of funding, less support from incubator management, lack of skills training, lack of education or knowledge in writing business plans, as well as poor attendance of meetings by incubatees.
The analysis of the responses of both incubatees and management provided an indication of the challenges incubatees and incubator management of Galeshewe SMME Village Incubator are faced with. From the data collected through interviews and surveys with incubatees and management, it is evident that the incubator encountered numerous challenges. As reported in this chapter, it was found that a chain reaction exists between the challenges arising out of the operational system of the incubator and those that are affected by such challenges, namely the management and the incubatees involved in the incubation business.

Chapter 5 follows with a conclusion to the research questions and recommendations from the literature reviewed and data results.
CHAPTER: 5
CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter the research findings were presented. This chapter focuses on the empirical findings based upon a critical reflection on the theory presented in chapter 2 and its relationship with the findings in chapter 4, the design and methodology in chapter 3, short-comings and limitations and recommendations to improve the effectiveness of the Galeshewe SMME Village Incubator in developing incubatees.

5.2 PURPOSE OF THE CHAPTER

The purpose of this chapter is to interpret the extent to which the Galeshewe SMME Incubator succeeded in developing incubatees and thereby contributing to the second pillar of the LED framework namely to create skilful, learning and local economies through entrepreneurship. Furthermore, the strengths and limitations of the research project are considered and suggestions for future research into the development of incubatees are presented.

5.3 FINDINGS ON EMPIRICAL RESULTS

With the research project falling within the study field of LED it was important to link results obtained back to the LED theory. One of the LED drivers this project focused on was the support of local economic growth through the business incubation initiative. In chapter 2 of the literature review section, the research project is classified to fall under policy pillar 2 (developing learning and skilful local economies). This policy pillar was adapted from the four policy pillars set in the 2013-2018 National Framework for LED, as a guiding policy on LED strategies. The overarching aim of the project was to establish the effectiveness of the Galeshewe incubator as an enabler within the LED context to develop incubatees, as well as to understand the incubator theory,
challenges encountered by SMMEs and how selection criteria influence the success of developing SMMEs in incubation centres. The findings indicated that a structured selection and recruitment process was adhered to by the Galeshewe SMME Village Incubator management. However a psychometric testing method was not part of the recruitment process despite the fact that personal attributes of a person are important in business processes as the survival of incubatees is dependent on the incubatees’ psychological characteristics (Ciaverella, Buchholtz, Riordan, Gatewood & Stokes, 2004). It is recommended that Sol Plaatje municipality consider introducing a psychometric selection battery to improve the selection of incubatees.

Interesting findings in the literature review section is that South African SMEs constitute 55% of employment creation (Ramukumba, 2014), with approximately 50% of newly established small businesses’ life span cut short (Urban & Naidoo, 2012), as a result prominent levels of unemployment continue to prevail. As an LED initiative to assist the growth and development of SMMEs, incubation centres were established and still being established to promote and encourage new business formations. Over the years this has been a commendable initiative however SMMEs still face challenges of attaining growth, as in the case of the Galeshewe SMME Village Incubator.

It was also found that the incubatees experienced a great deal of challenges within the incubator. The following challenges were prominent: obtaining finance, acquiring skills training, building and expanding the market base, writing up business plans, establishing contracts with suppliers, obtaining external advice and acquiring support from incubator management. Literature supported the findings as it reported that a lack of training, lack of skills and expertise are the underlying reasons for low success rates of SMMEs (Urban & Naidoo, 2012). What was also interesting in the results was the high level of high school and higher learning education that the incubatees have, considering that literature reported that a number of South African small business owners generally have limited knowledge, capabilities and skills (Visser, Chodukufa, Amadi-Echendu & Phillips, 2016). Amongst the 16 incubatees 12 (75%) of them had already established a small business prior to joining the incubator. Therefore, these incubatees had some form of entrepreneurship knowledge and experience.

Amongst the challenges incubatees experienced, it was found that at most 11 incubatees experienced major difficulty in obtaining finance, 6 incubatees experienced
major difficulty in acquiring skills training and 6 incubatees were reported to have major difficulty in getting support from incubator management, whilst 5 incubatees found it very difficult to expand their market base. The implication of these findings is that if no solutions are found, existing challenges that incubatees are faced with will continue to accrue and result in business failure. Therefore, it is important that the incubator management intervene with the necessary measures and strategies to minimise challenges incubatees are faced with.

These findings can be seen as elements of poor development as 38% (n=6) of incubatees rated management performance as poor and a total of 31% (n=5) of incubatees were dissatisfied with the incubator. One of the questions required incubatees to choose more than one option and asked incubatees how they sought support. It was found that 10 incubatees sought support from external sources with reference to skills training. This is disappointing as it is the responsibility of incubator management to create opportunities that will assist incubatees in acquiring skills development from suppliers. It is crucial that training and skills for the specific job roles be aligned with formal education, knowledge and work experience for the business to realise its potential growth and development (Cleeve & Ndlovu, 2015). Another question asked the incubatees if they were able to solve their problems. The outcome in this question revealed high numbers of incubatees were not able to resolve their problems. Therefore, for the incubator to be successful it is important that the incubator management re-assess their current strategies of assisting incubatees so that they can try a different approach to problem solving.

In the data collected only 75% (n = 12) of incubatees admitted owned a small business prior to incubation. The contradictory element is the grounds on which the remaining 25% (n = 4) were admitted, as one of the prerequisites of the Galeshewe SMME Village Incubator selection criteria is to recruit an incubatee whose small business is already in operation as per Appendix A. Therefore, if the four incubatees were recruited on special terms or conditions, the selection criteria needs to be amended with the special terms or conditions of recruiting an incubatee who has never owned a small business prior to incubation.
Furthermore, it was found that the managers measured the success of the incubator based on the SMMEs monthly submission of activity reports which include turnover for the month. However, no mention of a detailed scorecard was used to assess the key performance of the incubatees. A Key Performance Indicator (KPI) assessment approach can be considered as a key tool to keep record of the incubatees’ performance, so that management can effectively recognise the development gaps and assist the incubatees to grow.

Based on the challenges experienced and the level of management engagement with incubatees, incubator managers reported that they usually communicate with incubatees through one-on-one meetings, but most tenants do not attend the scheduled meetings. If incubatees are not attending meetings, management must enforce certain disciplinary measures against the incubatees as it in their best interest to attend meetings.

Lastly, operational funding of the incubator was also highlighted as a crucial challenge preventing incubator managers to effectively assist incubatees; therefore Sol Plaatje Municipality should assist by finding additional sponsorships and building more solid relationships with stakeholders to secure more funding.

From the findings it can be concluded that the operational effectiveness of the Galeshewe SMME Incubator can be improved to develop and grow incubatees.

### 5.4 RESEARCH OBJECTIVES

The primary objective of the research project was to assess the effectiveness of the workings of the Galeshewe SMME incubator in developing incubatees. This objective brought the research investigative questions and interpretation of findings that were answered:

i. What are the challenges experienced by SMME incubatees in the Galeshewe SMME Village Incubator?  
ii. What business development and support problems are experienced by the SMME incubatees in the Galeshewe SMME Village Incubator?
iii. How satisfied are SMME incubatees with Galeshewe SMME Village Incubator?

iv. Does the selection criteria employed contribute to the success of SMME incubatees in Galeshewe SMME Village Incubator?

v. How does the Galeshewe SMME Village Incubator management perceive the success of the incubator?

5.5 CONCLUSION

Incubation initiatives as part of LED strategies that are properly developed, financed and well managed will increase the growth and development of SMMEs and employment opportunities in any community.

In order to grow sustainable SMMEs, incubators need solid relationships with the various stakeholders, including the community, and the local municipality. It is also important that the incubation centres appoint managers that have the right skills, resources, and education to manage the incubator and to effectively mentor entrepreneurs during their incubation period.

5.6. STRENGTHS OF THE PROJECT

The strength of this research project is that it was the first research to be conducted on a Sol Plaatje township incubator. What was successful in the results and findings was how both quantitative and qualitative mixed methods were effectively used in collating data. The quantitative results reported on the business characteristics of the incubatees, whilst qualitative results reported on management views and perceptions of the incubator. Qualitative results also revealed a need to revise the incubator business system model to enhance overall success.

As the sample was drawn from a single incubator within Sol Plaatje Municipality, it will be easy to validate results obtained in the project and replicate the study in future.

5.7. LIMITATIONS OF THE PROJECT
The limitations of the research were to limit the study to certain people, namely those people who were the incubatees of the Galeshewe SMME Village Incubator, and the management of the incubator, and to limit observations to the incubator and its location. Limitations of the research project were also time constraints in terms of the turnover amount of respondents, as respondents did not stick to the allocated or the agreed-upon time for interviews and survey completion.

Only one incubator was evaluated, the incubator could have been compared to another township incubator. However, despite the fact that the results of this project cannot be generalised to other incubators some of the findings may also be applicable to other incubators in South Africa. This study provides baseline information to conduct comparative research in the future and may assist in strengthening the information base of incubation in South Africa.

The project was a cross-sectional study, therefore cause and effect relationship could not be determined and only a static prospective could be provided. Furthermore, the methodological approach in this project followed a variable or attribute approach, a complimentary process approach may assist to identify relationships and causal direction between variables.

5.8. RECOMMENDATIONS FOR SOL PLAATJE LOCAL MUNICIPALITY

The overall results indicate that the Galeshewe SMME Village incubator system is experiencing a great deal of difficulties in nurturing and sustaining the growth and development of incubatees within the incubator. Therefore, in an effort to assist the incubator, the Sol Plaatje Municipality needs to look at creating a holistic LED planning solution for the incubator by taking into consideration the needs of the incubator. The following are recommendations proposed to the municipality:

1. Psychometric testing should be incorporated in the selection and recruitment process of incubatees.
2. Gradually overtime the incubator should take the direction of specialisation or supply-chain approach to minimise the diversity of business sectors operating in the incubator.

3. The need to revise the incubator business system model is crucial for the incubator’s growth and development. Therefore a Viable System Model (VSM) is recommended, because a system thinking model has immense potential to assist the incubator to yield sustainable growth returns by investing in the success of its incubatees. The VSM is a system thinking model that may be used to assist in creating solutions for challenges encountered within the Galeshewe SMME Village Incubator, for the purpose empowering SMMEs and the community of Galeshewe.

In order for the system to be viable in its operating environment, five elements are required in the VSM, namely: implementation/operations; co-ordination; control; intelligence/development, and policy.

The VSM in Figure 5.1 suggests the direction and key responsibilities as to who should be responsible for what, so that the relevant department or people are not responsible for everything that happens in the incubator. By designating roles, the specific, people will focus only on their designation to ensure a sound business system. The proposed model has not been tested, and is a recommendation that can be tested to establish whether it is a viable system.

The descriptions of the model are as follows:

<table>
<thead>
<tr>
<th>TABLE 5.1: System (S) 1 (S1) Operations and core functions of the incubator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SYSTEM 1 (S1)</strong></td>
</tr>
<tr>
<td>SMME Awareness Campaign.</td>
</tr>
<tr>
<td>Procurement &amp; Development of SMMEs.</td>
</tr>
</tbody>
</table>
Training, Mentorship, & Funding.

| Stakeholders (SEDA, National Youth Development Agency, Sol Plaatje University, FET Collages, NGOs, etc.). | Training coordinators/stakeholders will deal with training; mentorship offered to SMMEs to equip them with the necessary and relevant skills. |

Source: Galeshewe SMME Village Incubator Research 2016

**TABLE 5.2: S2 Coordinating activities**

Person(s) responsible is/are the SMME manager(s). Their role is to:

<table>
<thead>
<tr>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor the tenants’ business performance.</td>
</tr>
<tr>
<td>Monitor and coordinate activities of procurement, communication between stakeholders and SMMEs, LED Practitioners, and small business owners.</td>
</tr>
<tr>
<td>Deal with complaints, conflict resolution, and solve communication barriers between operational units.</td>
</tr>
<tr>
<td>Monitor attendance of meetings and mentorship programmes.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator Research 2016

**TABLE 5.3: S3 Control. The centre manager:**

<table>
<thead>
<tr>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deals with challenges occurring within the operational units.</td>
</tr>
<tr>
<td>Facilitates the allocation of resources to the tenants according to required needs and resources.</td>
</tr>
<tr>
<td>Monitors growth and consistency.</td>
</tr>
<tr>
<td>Engages with S2 to provide feedback on challenges.</td>
</tr>
<tr>
<td>Is responsible for the development of SMMEs in the incubator.</td>
</tr>
</tbody>
</table>

Source: Galeshewe SMME Village Incubator Research 2016

**S3: Audit**

Effectively monitoring an audit system is essential to amplify knowledge of implementations and strategies at control (S3) to determine whether audit activities are sporadic or routine in nature. Thus, the centre manager and the Sol Plaatje Municipality’s LED official can perform random spot checks within the operational system.

**S4: Development**

This element deals with issues of current activities happening in the system. An LED Practitioner is responsible for the product development, checking the market
competitiveness, and taking advantage of take-up in new technology, knowledge, and market research to explore changes that could contain opportunities or threats for the future developments of the incubator and local development. There must be a means of evaluation in place to assess how the development activities are made accountable for resources consumed, how performance is measured in terms of Key Performance Indicators (KPIs) or scorecards, and lastly how the relevance of development activities is determined.

**S5: Policy**

This deals with policy administration, as a recommendation here, the incubators management should be guided by their Integrated Development Plans (IDPs) as well the NDP frameworks to effectively carry out LED objectives and goals as per Sol Plaatje Municipality’s objectives, and to keep the incubator effectively operational to produce sustainable small businesses during the incubatees’ period in the incubator and post incubation.
Figure 5.1: Viable System Model (VSM) for Galeshewe’s SMME Village Incubator

Source: Galeshewe SMME Village Incubator Research 2016
5.9. FUTURE RESEARCH

The results of the current project should be verified by means of follow-up longitudinal studies. This would allow for studying possible changes in the management and success of the Galeshewe SMME Village Incubator.
REFERENCES


### SMME Village Tenant Assessment and Selection Criteria

<table>
<thead>
<tr>
<th>Name</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name</td>
<td></td>
</tr>
<tr>
<td>Date of Interview</td>
<td>Cellphone</td>
</tr>
<tr>
<td>Interviewer</td>
<td></td>
</tr>
<tr>
<td>ASSESSMENT AREA</td>
<td>INTERVIEWER GUIDELINES</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>RELEVANT EXPERIENCE AND BUSINESS ACUMEN</td>
<td>Does the candidate have any experience indicating they are achievement-oriented and good with finances and people?</td>
</tr>
<tr>
<td></td>
<td>1. Evidence of school, community or business achievement and recognition. (5)</td>
</tr>
<tr>
<td>ASSESSMENT AREA</td>
<td>INTERVIEWER GUIDELINES</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>ENTREPRENEURIAL POTENTIAL OF INDIVIDUAL</td>
<td>Does the candidate demonstrate entrepreneurial potential? Assess by evaluating the following:</td>
</tr>
<tr>
<td></td>
<td>1. Degree to which candidate expresses individual &quot;ownership&quot; and responsibility for the success of the business. (10)</td>
</tr>
<tr>
<td></td>
<td>2. Candidate's understanding of basic business terminology and &quot;language of business&quot;, eg sales, profit, customer. (10)</td>
</tr>
<tr>
<td></td>
<td>3. Life skills: does the candidate appear to have the necessary (or potential for) confidence, presentability, communication and integrity required for business? (10)</td>
</tr>
<tr>
<td>ASSESSMENT AREA</td>
<td>INTERVIEWER GUIDELINES</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| CLARITY OF BUSINESS FOCUS | Does the candidate have a reasonably clear idea of the current critical success factors and the future of the business model?  
1. Has good understanding of the customer needs and target market (5)  
2. Has a clear product or service focus and the necessary technical or other understanding of the product. (5)  
3. Has a concept of the future growth path of the business. (5)  
4. Has the ability to translate thinking and “dreams” into operational reality (ie a bias for action). (5) | 20                      |                      |              |
<table>
<thead>
<tr>
<th>ASSESSMENT AREA</th>
<th>INTERVIEWER GUIDELINES</th>
<th>POSSIBLE WEIGHTED SCORE</th>
<th>INTERVIEWER COMMENTS</th>
<th>ACTUAL SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT BUSINESS STATUS AND GROWTH POTENTIAL</td>
<td>Is the business at the stage where it will benefit from incubation, as opposed to training and development? Assess by considering the following: 1. Sound business concept and model (product, target customer, method of operation) exists, even if it needs refinement. (10) 2. Some sales have either taken place or are in progress. (5) 3. Clear training or development needs can be identified for this individual and business which can be delivered via the SMME Village. (5)</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASSESSMENT AREA</td>
<td>INTERVIEWER GUIDELINES</td>
<td>POSSIBLE WEIGHTED SCORE</td>
<td>INTERVIEWER COMMENTS</td>
<td>ACTUAL SCORE</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-------------------------</td>
<td>-----------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>POTENTIAL BENEFIT OF INCUBATOR SUPPORT</td>
<td>Will this individual and business benefit from being a tenant?</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Operating in one of the SMME Village's identified priority sectors (manufacturing, ICT, business services, facilities management) (5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Individual sees the value beyond just the physical facilities and lower operating costs (i.e., sees value of networking, shared services) (5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. There is a &quot;fit&quot; between the operational needs of the candidate (e.g., space, shared services, telecommunication) and the services offered by the Village. (5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. There is a &quot;fit&quot; between the developmental needs of the candidate (e.g., specific training, mentorship etc) and the BDS offered by the Village. (5)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| TOTAL                           |                                                                                       |                         |                       |              |</p>
<table>
<thead>
<tr>
<th>ASSESSMENT AREA</th>
<th>INTERVIEWER GUIDELINES</th>
<th>POSSIBLE WEIGHTED SCORE</th>
<th>INTERVIEWER COMMENTS</th>
<th>ACTUAL SCORE</th>
</tr>
</thead>
</table>

INTERVIEWER COMMENTS:

INTERVIEWER RECOMMENDATION:

SCORING KEY

0 - 30%: Not suitable for tenancy at this stage, either because the business is too "early-stage" or the individual does not have sufficient business potential, or because the business type is not suitable for incubation.

30% to 50%: Not suitable for tenancy at this time, but may be considered in future if the issues identified by the interviewer are addressed.

50% to 70%: Can be considered for tenancy, if space available, but emphasis needs to be placed on the identified areas.

70% to 100%: Definite candidate for tenancy and is likely to benefit.

7
APPENDIX B: ETHICAL CLEARANCE

FACULTY OF ECONOMIC AND FINANCIAL SCIENCES
(ETHICS COMMITTEE)

15 September 2016

To Whom it may concern

ETHICAL APPROVAL FOR THE PM MOLISE STUDY ON ASSESSING THE IMPACT OF THE GALESHEWE SMME VILLAGE INCUBATOR

STUDY DETAILS

<table>
<thead>
<tr>
<th>Student(s) / Researcher(s) name(s)</th>
<th>FM Molise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student number</td>
<td>201284072</td>
</tr>
<tr>
<td>Qualification registered for</td>
<td>M Com (LED)</td>
</tr>
<tr>
<td>Title</td>
<td>Assessing the impact of the Galeshewe SMME village incubator</td>
</tr>
<tr>
<td>Supervisor(s)</td>
<td>M Venter</td>
</tr>
<tr>
<td>Co-supervisor(s)</td>
<td>NA</td>
</tr>
</tbody>
</table>

ETHICAL CONSIDERATIONS FOR QUESTIONNAIRES CHECKLIST

<table>
<thead>
<tr>
<th>RESEARCH COMPLIES WITH</th>
<th>COMPLIANT</th>
<th>NON-COMPLIANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>The right to privacy, confidentiality and anonymity</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>The right to equality, justice, human dignity and protection against harm</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>The right to freedom of choice, expression and access to information</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Right of the community and science community</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Informed consent / letters of request</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Page 1 of 2
Additional narrative comments from the committee

1. The FEFS ethics committee has scrutinised the proposal for the intended research.
2. The committee is satisfied that adequate ethical attention to anonymity and the use of the data has been detailed in the proposal.
3. The proposal indicates amongst others that:
   a. Aggregates will be used to discuss overall results
   b. Confidentiality is assured
   c. Under no circumstances will individual results be divulged

The Ethics Committee of the Faculty of Economic and Financial Sciences at the University of Johannesburg hereby provides ethical clearance for the abovementioned study to proceed as detailed in the proposal, provided that the statements made regarding anonymity and the use of data as indicated in point 3. above, is adhered to.

Signed at Johannesburg, this ___15th____ day of ___September__________, 2018.

K Heathcote
FEFS Ethics Committee Chairperson
knystph@uj.ac.za

Page 2 of 2
APPENDIX C: PERMISSION LETTER

Wednesday, 24th Aug. 2016

FOR ATTENTION: The Registrar
University of University

RE: Ms Palesa Molise – Granting of permission to conduct research at Sol Plaatje Municipality’s Galeshewe SMMEs Village.

The above matter bears reference.

I, Phetole Sithole, in my capacity as General Manager: LED Unit of the Sol Plaatje Municipality (SPM), do hereby grant that Ms Palesa Molise a permission to conduct study at Galeshewe SMMEs Village. However, it should be noted SPM is indemnified from any loss, or injury that may occur against Ms Palesa Molise during period of conducting interviews. At the same Ms Palesa Molise must comply with all our safety and health policy, of which the copy is available on request.

We believe that the study will assist SPM through its LED Units in answering the dilemma of the management of Galeshewe SMMEs Village as faced by SPM’s LED Unit, so that we can be able to improve the development and promotion our SMMEs through township economic development as one of the programs that falls under pillar three of LED policy.
We are looking forward for the outcomes of the research and we will provide Ms Palesa Modise with necessary support she will required during interviews of her study. As we are indebted as part of our responsibilities to tackle is issues skills within South Africa as guided by LED pillar 2.

I trust that you find the above all in order.

Kindest regards

[Signature]

Mr Photole Sithole
GM: LED Unit
Sol Plaatje Municipality
APPENDIX D: INCUBATEE QUESTIONNAIRE

Covering letter example /guideline to accompany questionnaires/interviews/other human contact which covers ethical research considerations

Date: 2 September 2016

To whom it may concern

Information and informed consent regarding the collection of research data

This survey relates to making an assessment of how you relate to the Galeshewe Incubator in Kimberley. This study is being conducted by a researcher, Palesa Molise (contactable at molisepalesa@hotmail.com), as part of the completion of a research project to complete her Master’s degree in Local Economic Development at the University of Johannesburg during 2016. The title of her study is Assessing the impact of the Galeshewe SMME Village Incubator and is being supervised by Dr. M. Venter (contactable at mventer@uj.ac.za).

Your willingness to voluntarily participate in this survey is greatly appreciated and contributes to the creation of new knowledge. You are hereby informed that your responses are completely anonymous, which means that no personal details of your identity are submitted by you in this survey, which means that your responses can in no way be traced back to you personally as an individual. Results from all of the respondents (30 in total) will be collated and reported on as a unit, and your specific responses will not be reported on individually.

You are reminded and informed hereby, that you are not obligated in any way to participate in this study. You are voluntarily taking part and may choose to withdraw from the process at any stage without fear or consequence. You as a respondent are reminded and informed of your right to privacy, confidentiality, anonymity, equality, justice, human dignity, freedom of choice, freedom of expression, access to information and access to the science community.

Please respond as openly and as frankly as possible to the questions.

Please acknowledge that you have read and understand the above information and that the data collector who is conducting this survey/interview with you has explained it adequately, by making a cross or with a signature, in the space provided below.

I, as respondent, understand my rights in this process and proceed willingly and voluntarily with the survey

[ ] Mark with an “X” or Signature ___________________________

Your participation is greatly appreciated

Me: Palesa Molise (T +27835072746)
QUESTIONNAIRE: ENTREPRENEURS GALASHEWE SMME VILLAGE INCUBATOR

SECTION A
This section relates to profiles of the entrepreneurs.

1. Respondent’s gender:
   
   Male 1  
   Female 2

2. Respondent’s age?


SECTION B
This section relates to the respondents’ education and employment history.

3. What is the highest school or tertiary qualification you have passed?

   Grade
<table>
<thead>
<tr>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
</table>
   Post School Qualification 13

   Post School Qualification. Please mention the qualification
   ........................................................................................................................................

4. If the highest schooling passed is below grade 12, why did you leave school before completing grade 12?

   ........................................................................................................................................

5. Before being admitted to the incubator did you own a small business?

   Yes 1  
   No 2

6. If YES was answered in question 5, how long have you had you small business?

   Years
   Months
7. If No was answered in question 10, what job did you have prior to joining the incubator?

SECTION C
This section relates to the enterprise characteristics of the respondent
8. In which year was your business established?

9. What is the total number of your current employees?

10. What is your primary product or service rendering?

SECTION D
This section relates to the relation of the respondent with the incubator centre
11. In which year did you move to the incubator?

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1</td>
</tr>
<tr>
<td>2013</td>
<td>2</td>
</tr>
<tr>
<td>2014</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
</tr>
</tbody>
</table>

12. Can you give a short description of your business activities?

13. How did you come in contact with the incubator?

14. Did you go through an interview process prior to being appointed in the incubator?
15. On a scale of 1-5, 5=being very difficult and 1=being no difficulty. What was the degree of difficulty to be allowed entry into the Incubator Centre?

<table>
<thead>
<tr>
<th></th>
<th>1 ☺</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 ☺</th>
</tr>
</thead>
</table>

16. What is your job title?

<table>
<thead>
<tr>
<th>Business Owner/ Tenant</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>2</td>
</tr>
</tbody>
</table>

**SECTION E**

This section relates to the enterprise development and business support

17. Since the beginning of your incubation period, to what extent did you experience and of the following problems? 1=No Problem, 5=Major Difficulty

<table>
<thead>
<tr>
<th>PROBLEM DESCRIPTION</th>
<th>1 NO PROBLEM</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 MAJOR DIFFICULTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain Finance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Accessibility to markets</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Skills training</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Comply with administrative regulations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Build/expand market base</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Accumulate profit</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Writing business plan</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Establish contracts with suppliers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Get external advice</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
18. Based on the answers completed in question 24; did you look for support for any of the problems experienced? If so, where did you look for support?

<table>
<thead>
<tr>
<th>PROBLEM DESCRIPTION</th>
<th>1 NO SUPPORT SOUGHT</th>
<th>2 INCUBATOR MANAGEMENT</th>
<th>3 FELLOW TENANTS</th>
<th>4 EXTERNAL SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain Finance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Accessibility to markets</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Skills training</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Comply with administrative regulations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Build/expand market base</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Accumulate profit</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Writing business plan</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Establish contracts with suppliers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Get external advice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Support from incubator management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Writing/compiling business progress report</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generate new business ideas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to pay rent at incubation centre</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease operational costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. Did you solve the problem you experienced?

<table>
<thead>
<tr>
<th><strong>PROBLEM DESCRIPTION</strong></th>
<th><strong>1 NO</strong></th>
<th><strong>2 YES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain Finance</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Accessibility to markets</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Skills training</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Comply with administrative regulations</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Build/expand market base</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Accumulate profit</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Writing business plan</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Establish contracts with suppliers</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Get external advice</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Support from incubator management</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Writing/compiling business progress report</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Generate new business ideas</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Ability to pay rent at incubation centre</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Decrease operational costs</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
20. In your opinion how would you judge the incubator? In terms of the area, network, marketing, technical knowledge and social mission


21. Which services do you expect to receive from an incubator in general?


22. Why do you think someone should consider taking his/her business within an incubator?


23. On a scale of 1-5, 1=Poor, 5=Excellent, how would you rate the incubator management?


24. On a scale of 1-5, 1=Poor, 5=Excellent, how satisfied are you with your stay at the incubator?


GENERAL COMMENTS


Interviewer: Thank the respondent for his/her participation.
Date: 2 September 2016

To whom it may concern

Information and informed consent regarding the collection of research data

This survey relates to making an assessment of how you relate to the Galeshewe Incubator in Kimberley. This study is being conducted by a researcher, Palesa Molise (contactable at molisepalesa@hotmail.com), as part of the completion of a research project to complete her Master’s degree in Local Economic Development at the University of Johannesburg during 2016. The title of her study is Assessing the impact of the Galeshewe SMME Village Incubator and is being supervised by Dr. M. Venter (contactable at mventer@uj.ac.za).

Your willingness to voluntarily participate in this survey is greatly appreciated and contributes to the creation of new knowledge. You are hereby informed that your responses are completely anonymous, which means that no personal details of your identity are submitted by you in this survey, which means that your responses can in no way be traced back to you personally as an individual. Results from all of the respondents (30 in total) will be collated and reported on as a unit, and your specific responses will not be reported on individually.

You are reminded and informed hereby, that you are not obligated in any way to participate in this study. You are voluntarily taking part and may choose to withdraw from the process at any stage without fear or consequence. You as a respondent are reminded and informed of your right to privacy, confidentiality, anonymity, equality, justice, human dignity, freedom of choice, freedom of expression, access to information and access to the science community.

Please respond as openly and as frankly as possible to the questions.

Please acknowledge that you have read and understand the above information and that the data collector who is conducting this survey/interview with you has explained it adequately, by making a cross or with a signature, in the space provided below.

I, as respondent, understand my rights in this process and proceed willingly and voluntarily with the survey

Mark with an “X” or Signature ___________________________

Your participation is greatly appreciated

Me: Palesa Molise (T +27835072746)
QUESTIONNAIRE: MANAGEMENT GALESHEWE SMME VILLAGE INCUBATOR

Section A

This section relates ONLY to the management of Galeshewe Incubator

1. What is your job title?

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incubator Management/ Board Member</td>
<td>1</td>
</tr>
<tr>
<td>Sol Plaatje Municipality Authority</td>
<td>2</td>
</tr>
</tbody>
</table>

2. Briefly explain the process and steps to become an incubatee?

3. How are you involved in the recruitment and selection process of tenants?

4. What selection criteria are used to select incubatees?

5. How is success measured at the incubator?

6. What services are provided to incubatees by incubator staff?

7. What services are provided by external contractors to incubatees of the incubator?

8. What are the roles of incubator management versus that of the Sol Plaatje Municipality?
9. Who pays for the services or support? E.g. (Financial support, skills training services)

10. How long can incubatees remain within the incubator?

11. What criteria are used to determine when the incubatees should leave the incubator?

12. How often do you engage or communicate with the incubatees?

13. What do you think are the main challenges of the incubator at present?

14. Have these challenges been resolved? If yes, what steps were taken to resolve them?

15. What developments have been planned to ensure continuous success of the incubator?
Interviewer: Thank the respondent for his/her participation.