

AN INVESTIGATION INTO THE PERSONAL VALUES OF SMALL BUSINESS OWNERS IN SOUTH AFRICA

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Abstract

The study investigated the personal values of small business owners in South Africa. In addition, the study examined if male and female small business owners exhibit significant differences in their personal values. The study employed the descriptive research design. Data was collected through the use of self-administered questionnaire in a survey. The study used the Schwartz Portrait Value Questionnaire. Descriptive statistics and the T-test were used for data analysis. The results indicated that self-direction, achievement, stimulation, power and security are the five most important personal values for small business owners. The results indicate that male small business owners give greater weight to self-direction, stimulation, achievement, hedonism and power. Female small business owners give greater weight to universalism, conformity, tradition, benevolence, and security.

Keywords: Personal Values, Small Business, Owners, South Africa

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1 Introduction

Chinomona and Pooe (2013) point out that small and medium enterprises (SMEs) are the drivers of economic growth and development in many countries. SMEs are one of the major drivers of inclusive and sustained economic growth and employment in both developed and developing nations (Organisation for Economic Cooperation and Development, 2014). SMEs account for approximately 91% of the businesses in South Africa. It is estimated that 52% to 57% of the gross domestic product of South Africa emanate from SMEs. The unemployment rate of South Africa is one of the highest in the world (International Labour Organisation, 2014). South Africa's unemployment rate currently stands at 24.3% (Statistics South Africa, 2014). In addition, other development challenges facing South Africa include high levels of poverty, income inequality and crime. The growth of the SME sector is one of the ways to address these development challenges (FinScope, 2010). SMEs are responsible for about 61% of all employment in South Africa (Abor and Quartey, 2010).

Effective decision-making is critical to the success of SMEs. This is important in light of the high failure rate and weak performance of SMEs in South Africa. It is estimated that the failure rate of SMEs in South Africa is between 70% and 80% (Adeniran and Johnston, 2011). In addition, SMEs need to adapt to changes in the dynamic environment to maintain their productivity. According to Pushpakumari (2011), values are very important in decision-making by SMEs. Values have implications for the behaviour of

the owners or managers of SMEs and their approach to managing their organisations. The values and goals of the owners of SMEs are not different from the goals of their businesses. Personal values have important implications for the decision to engage in entrepreneurship and the management of the business. The management and business practices adopted by SMEs are influenced by the personal values of the owners (Pushpakumari and Wijewickrama, 2009). SME owners with personal values that are entrepreneurial have stronger performance compared to those with conservative values (Boohene, 2008). An analysis of the empirical literature on personal values in South Africa (Viviers and Venter, 2008; Fatoki, 2014) revealed that no study has explored the personal values of the owners of SMEs in South Africa. This identified research gap necessitated this study.

2 Objectives of the study

The primary objective of the study is to investigate the personal value of the owners of SMEs in South Africa. In addition, the study will examine if male and female SME owners exhibit significant differences in their personal values.

3 Literature review

3.1 Small and medium enterprises in South Africa

Ngaruiya *et al.* (2014) point out that there is no single definition of the term "small and medium enterprises". However, definitions usually focus on quantitative and

qualitative factors. Quantitative factors include the gross asset total, the turnover or sales and the number of employees. The qualitative factors expect that a SME should have a small market share. According to the National Small Business Act of South Africa of 1996, as amended in 2003, a SME can be described as “a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards, and can be classified as an SME by satisfying the criteria mentioned in the schedule of size standards” (Government Gazette of the Republic of South Africa, 2003). The National Small Business Act provides a schedule of size standards for the definition of SMEs in all the sectors of the South African economy. The small business sector can be classified into four distinct groups. These are micro, very small, small and medium. The groups are distinguishable by the required level of employees, turnover and gross asset value (Government Gazette of the Republic of South Africa, 2003).

3.2 Definition and theoretical framework of personal values

The term “values” has been defined differently by many authors. Rokeach (1973) describes personal values as “core conceptions of the desirable within every individual and society”. Hofstede (1980) defines values as “a broad tendency to prefer certain states of affairs over others.” values are “affect laden beliefs that refer to a person’s desirable goals and guide the selection or evaluation of actions, policies, people and events” (Schwartz, 1992, 1994, 2006).

Schwartz (2012) points out that values are important for explaining social and personal organisation and change. The value theory by Schwartz (1992, 1996, 2006 and 2012) specifies six main features of values. (1) Values are beliefs linked inextricably to affect; (2) Values refer to desirable goals that motivate action; (3) Values transcend specific actions and situations; (4) Values serve as standards or criteria; (5) Values are ordered by importance relative to one another; and (6) The relative importance of multiple values guides action. The value theory defines ten primary values on the basis of their motivations. (1) Self-direction: described by independent thought and action. (2) Stimulation: described by excitement, novelty, and challenge in life (3) Hedonism: refers to pleasure and sensuous gratification for oneself. (4) Achievement: can be explained by personal success through demonstrating competence according to social standards. (5) Power: described by social status and prestige, control or dominance over people and resources (6) Security: refers to safety, harmony, and stability of society, of relationships, and of self. (7) Conformity: described by restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms. (8) Tradition: can be explained

by respect, commitment, and acceptance of the customs and ideas that one's culture or religion provides. (9) Benevolence: can be referred to preserving and enhancing the welfare of those with whom one is in frequent personal contact (10) Universalism: described by understanding, appreciation, tolerance, and protection for the welfare of all people and for nature. Pushpakumari (2011) points out that values have implications for the behaviour of the owners of SMEs and their approach to managing their organisations. The values and goals of the owners of SMEs are not different from the goals of their businesses.

3.3 Personal values and firm performance

Personal values can have significantly impact on organisational performance. Hemingway and Maclagan (2004) find that the adoption of corporate social responsibility (CSR) by corporations can be associated with the changing personal values of individual managers. CSR initiatives represent individuals' values. Ling et al. (2007), Zainol and Ayadurai (2011) and Asah (2012) find a significant positive relationship between the personal values of the owners and the performance of SMEs. The findings support the evidence that the performance of a firm is positively related to the values and cognitive bases of powerful actors in the organisation. Values form the link between the personal characteristics of the entrepreneur and the performance of a firm.

These findings are consistent with the results of Donker *et al.* (2008) that corporate values positively correlated with firm performance. Values have an impact on employee commitment to work and lead to improvement in the financial performance of a firm. In addition, the stock markets react negatively to firms that commit socially irresponsible or illegal acts. Empirical studies by Pushpakumari and Wijewickrama (2009) and Tangwo (2012) also find that the values of the owners positively impact on firm performance. The personal values of the owners can help to improve access to external finance by SMEs. Access to debt finance is one of the major constraints facing SMEs in South Africa (Rogerson, 2008; Cant and Wiid, 2013). A study by Shariff and Peou (2008) investigated the relationship between entrepreneurial values and firm financing. The study finds a significant positive relationship between personal values that are entrepreneurial and access to external finance by SMEs.

3.4 Gender and personal values

The gender of the owner or manager of a small business can influence personal values. However, the results are inconclusive. Stackman *et al.* (2006) find no statistically significant differences in the measures of personal values of male and female managers. Yegletu and Raju (2009) and Ludlum et al. (2013) however find significant differences in the value priorities of male and female students. Females tend to place higher values on tradition, benevolence, and conformity while males tend to place higher values on

self-direction, achievement and stimulation. A study by Boohene (2010) reveals that female small business owners give higher recognition to personal values such as social recognition, ambition and power. Male small business owners give higher recognition to innovation, risk taking and courageousness.

4 Methodology

The study used the quantitative research method with a descriptive research design. Self-administered questionnaires were used in a survey for data collection. Polokwane in the Limpopo province of South Africa was the study area. Convenience and snowball sampling methods were used because the researcher could not obtain a formal list of SMEs in the study area. Participation was voluntary and the respondents were informed that the data collected will be kept confidential. The owners of the SMEs completed the questionnaires. The questionnaire included question items on biographical information and personal values. Various methods have been developed by researchers to measure value (Chen and Flesischmann, 2012). Two of the most widely used methods are the Schwartz Personal Values Scale (SVS) and Schwartz Portrait Value Questionnaire (PVQ). Schwartz (1992) identifies ten types of value namely achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, power, conformity and security. These types of value can be arranged in a two dimensional circular structure representing the dynamic relationships between the values depending on their compatibility and conflicts between their respective motivational goals. The PVQ has forty questions. The questions are distributed as follows. Tradition: 9,20,25,38; Benevolence: 12,18,27,33; Universalism: 3,8,19,23,29,40; Conformity: 7,16,28,36; Self-Direction: 1,11,22,34; Hedonism: 10,26,37; Achievement: 4,13,24,32; Power: 2,17,39; Security: 5,14,21,31,35; Stimulation: 6,15,30. The study used two versions of the PVQ as suggested by Schwartz. One version was used for male respondents and the other version was used for female respondents. The male version used “he/his” and female version “she/her”. Respondents’ personal values are inferred from their self-reported similarity to people who are described in terms of particular values. Six point Likert scale ranging from “6 Very much like me”, “5 like me”, “4 Somewhat like me”, “3 A little like me”, “2 not like me” and “1 not like me at all”. The Cronbach’s alpha was used as a measure of reliability. In this study, the Cronbach’s alpha coefficients for the ten PVQ groups ranged between 0.70 and 0.81 indicating the reliability of the scales. Descriptive statistics and the T-test were used for data analysis.

5 Results

78 questionnaires were returned out of the 166 that were distributed to small business owners. The response rate was 47%. 45 respondents were in the retail sector and 33 respondents were in service sector. 48 respondents were males and 30 respondents were

females. 46 respondents had post-matric qualifications, 32 respondents had Matric qualification or below. None of the respondents had more than five employees. This implies that all the respondents can be considered as owners of micro enterprises.

5.1 Personal values of small business owners

Table 1. Personal values of small business owners

	PVQ group	Mean	Standard deviation
1	Conformity	4.75	1.01
2	Tradition	4.69	0.98
3	Benevolence	4.65	0.92
4	Universalism	5.04	0.92
5	Self-direction	5.15	0.96
6	Stimulation	5.10	1.02
7	Hedonism	4.52	0.92
8	Achievement	5.13	0.98
9	Power	5.09	0.91
10	Security	5.07	1.02

The results as presented in table 1 showed that self-direction, achievement, stimulation, power and security are the five most significant personal values for small business owners. Hedonism is the least significant of the measures of personal value. According to Schwartz (2012), self-direction involves thinking up new ideas and being creative and independent. Achievement focuses on being ambitious, risk-taking, successful and getting ahead in life. Stimulation is defined by excitement, novelty and challenge in life. Power values focus on the need of individuals for dominance and control. Security is defined by safety, harmony and the stability of society and of relationships. Self-direction is the most significant personal value. Self-direction involves creativity and innovation and risk-taking. Personal values can be linked to both proactive and reactive strategies of the owners of SMEs. Personal values that are associated with proactive strategies are also referred to as entrepreneurial values. These values include creativity, risk taking, innovation, achievement-oriented, ambition and independence. However, values such as equity, affection, social protection and compassion can be described as conservative or reactive. SME owners with personal values that are entrepreneurial have stronger performance compared to those with conservative values (Boohene, 2008). The results of the study suggest that SME owners have high levels of entrepreneurial values (i.e. self-direction, achievement). However, SME owners also have a high level of universalism which can be considered to be a conservative value. The failure rate of SMEs in South Africa is estimated to be between 70% and 80% (Scheers, 2011). To improve the performance of SMEs in South Africa, owners have to enhance their entrepreneurial values.

Entrepreneurial values can improve innovation and risk-taking behaviour and lead to sustainable

competitive advantage. Fairoz *et al.* (2010) and Hung and Chiang (2010) point out that innovation in the firm of new products, services and processes can lead to sustainable competitive advantage. Allah and Nakhaie (2011) find that successful entrepreneurship is associated with risk-taking which involves the identification of the new opportunities and resources mobilization. Achievement is another significant personal value. Some of the characteristics or behaviours associated with entrepreneurs are that they are opportunity driven, optimistic, emotionally resilient high mental energy and hard work (Simpeh, 2011). According to Tapies and Fernandez (2012), values are a key element in managing a business and in business longevity. Quality, honesty and hard work are values that contribute significantly to business longevity.

5.2 Gender difference in the personal values of small business owners

Table 2. Gender difference in the personal values of small business owners

Measures of personal value	Gender	Mean	T-test sig.
Conformity	Male	4.931	0.769
	Female	4.809	
Tradition	Male	4.694	0.717
	Female	4.761	
Benevolence	Male	5.037	0.777
	Female	5.079	
Universalism	Male	5.102	0.215
	Female	4.953	
Self-direction	Male	4.917	0.223
	Female	5.235	
Stimulation	Male	5.167	0.635
	Female	4.934	
Hedonism	Male	4.686	0.263
	Female	4.597	
Achievement	Male	5.405	0.248
	Female	5.203	
Power	Male	4.568	0.301
	Female	4.357	
Security	Male	5.015	0.717
	Female	5.093	

Note: Sig. 0.05

Table 2 depicts the results of the differences in the measures of personal values for male and female small business owners. The results indicated that the male respondents in the study have higher means than female respondents in the some of the measures of personal values. These are self-direction, stimulation, achievement, hedonism and power. Female respondents have higher means in universalism, conformity, tradition, benevolence, and security. The results of the study show that there is no significant gender difference in all the measures of personal values. The results suggest that men have higher levels of entrepreneurial values compared to women. Boohene (2010) find that female small business owners give higher recognition to personal values

such as social recognition, ambition and power. Male small business owners give higher recognition to innovation, risk taking and courageousness. Gender differences in personal values and ethics can be explained by socialisation. Males and females are socialised differently in their early childhood when they were boys and girls. Boys value competition, assertiveness and dominance. Girls value cooperation, equality and emotional closeness. Female-owned SMEs often underperform and have a higher failure rate male-owned SMEs (Woldie *et al.* 2008); (Watson, 2010). There is the need to enhance entrepreneurial values in order to improve the performance of female-owned SMEs in South Africa.

6 Conclusion

The management and business practices adopted by small business owners and ultimately the performance of the business are influenced by the personal values of the owners. Values are one of the ways to understand the relationship between the personal characteristics of the entrepreneur and firm performance. The study investigated the personal values of small business owners in South Africa. In addition, the study examined if male and female small business owners exhibit significant differences in their personal values. The results indicated that self-direction, achievement, stimulation, power and security are the five most significant personal values for small business owners. Hedonism is the least significant personal values. The results indicated that male respondents in the study have higher means than female respondents in the some of the measures of personal values. These are self-direction, stimulation, achievement, hedonism and power. Female respondents have higher means in universalism, conformity, tradition, benevolence, and security. There are no significant gender differences in all the measures of personal values.

7 Recommendations

Training of small business owners on how to improve personal values that are entrepreneurial is very important. Agencies that support small businesses at national and provincial levels should organise training programmes for small business owners on how to improve entrepreneurial values. Well trained field agents on personal values from organisations such as the Small Enterprise Development Agency should make constant visits to small business owners. In addition, small business owners should take responsibility for their learning. Many universities in South Africa have courses on ethics and values that are specifically designed for small businesses. It is incumbent on small business owners to attend such courses.

8 Areas for further research

Further research can investigate the impact of personal values on the ethical behaviour of small business owners. This can be extended to immigrant

entrepreneurs. In addition, other studies can examine the impact of entrepreneur's characteristics (i.e. the level of education of the owner) and firm characteristics (i.e. the age of the firm) on the personal values of small business owners.

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