Gender, Risk-Taking Propensity and Culture of Entrepreneurs at Small and Medium Enterprises in Gauteng

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Abstract: This study analyzed the risk-taking propensity amongst the four cultural groups and its impact on the business performance, from a sample of Small and Medium Enterprises (SMEs) within the Gauteng Province of South Africa. The data was collected using two sets of questionnaire measuring risk taking propensity and perceived business performance. 83 responses were returned from 400 respondents. The results indicate that male on average show higher risk taking, while difference in risk taking propensity between male and female was not statistically significant. A very weak or no correlation between risk taking and business performance scores for both the genders were found, indicating that gender and culture does not play a role in the relationship between risk taking and business performance. However study found that there was significant difference in risk taking behavior by different culture groups, Zimbabweans were the highest risk takers, while Chinese, Pakistanis and South Africans differed in their risk taking behavior.

Keywords: Entrepreneurship, risk, Culture, business performance, South Africa

1. Introduction

After 22 years of black rule, South Africa is still at transition stage in terms of distribution of wealth. Although the political power is transferred in the hands of black people, the business still is dominated by white natives. The black economic empowerment policy of the South African Government has resulted in transferring some businesses to a minority few but redistribution of wealth still remains a challenge. The internal labor problems, recession of 2008 and current slowdown in China has affected South African economy adversely. As an added mechanism to citizen empowerment, South African government has embarked on enhancing entrepreneurship to create jobs and redistribute wealth. To this end several schemes have been launched by the Government to enhance entrepreneurial activities. However as per GEM report (2015), entrepreneurial activity in South Africa, although very low, has increased marginally over the last 10 years, but in 2014 dropped by a staggering 34% (from 10.6% to 7%). Low level of labor efficiency, high level of crime and corruption are some of the factors that have hindered entrepreneurs to flourish in South Africa. However South African borders are open to immigrants and there are good number of small businesses operated by Chinese, Pakistanis, Zimbabweans, other African nationals (Ethiopians, Congolese, Kenyans etc.), while majority of Indians and Pakistanis from apartheid regime own big businesses in South Africa. Given this background, the objective of this study was to analyze the risk-taking propensity amongst the various cultural groups and its impact on the business performance, from a sample of Small and Medium Enterprises (SMEs) within the Gauteng Province of South Africa, which is the seat of highest entrepreneurial activities in South Africa.

2. Literature Review

Literature on entrepreneurship considers two types of cultures; organizational culture and national culture. Organizational culture relates to the individual behaviour and interaction of individuals with organization. Despande and Webster (1989), Quinn (1988), Cameron and Quinn (1999) are the pioneers in developing organizational culture while researchers like Kangas (2009); Valencia, Valle and Jimenez (2010) have studied

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various types of organizational culture in the domain of entrepreneurship. The essential core of national culture consists of traditional ideas and especially their attached values (Kluckhohn, 1951). National culture has been studied in entrepreneurial context by several authors, however the cultural dimensions proposed by Hofstede (2001) are the most accepted by researchers. Webster and White (2010) made a call to address the role of national culture on the relationship between organizational culture and entrepreneurship. Several authors (McGrath et al., 1992; Busenitz, Gómez and Spencer, 2000; Lee and Peterson, 2000; Mueller and Thomas, 2000; Stephan and Uhlaner, 2010; Autio, Pathak and Wennberg, 2013, Engelen et al., 2014) have studied relationship between organizational culture and entrepreneurship, but the relationship remains inconclusive.

Risk taking has been associated with entrepreneurship. There is no dearth of literature risk taking and entrepreneurship. However there are recent studies (for example Kreiser et al., 2010; Mihet, 2013) that have studied the impact of national culture on risk taking. These studies find a good interplay between organizational culture, national culture and risk taking. Gender and ethnic culture further plays a role in entrepreneurship. Based on Meta analysis of 150 studies, Byrnes et al. (1999) found that risk taking was significantly larger among males as compared to females. Garg and Duvenhage (2014) also found that female were risk averse as compared to male counterpart. There are several studies exploring this relationship, Zeffane (2015) further explored the reasons for such disparities and found that females were less trusting than males, and the intention to engage in entrepreneurship is most significantly affected by propensity to trust. Mungai and Ogut (2012) found that ethnic culture influence play a larger role in women’s propensity towards entrepreneurship and is pronounced even when men and women from the same community are compared along the same dimension.

**Motivation for current study:** There has been extensive literature studying the effects of organizational culture, national culture, risk taking and gender on entrepreneurship. These factors are classified as environmental (social, cultural and political) factors that play a role in the entrepreneurship (Torrro et al., 2014). Most of the studies (for example Kreiser et al., 2010; Mihet, 2013; Engelen et al., 2014) dealing with the role of culture focus various countries to differentiate the cultural values, however, the drawback of such studies are that the business environment varies in countries and effect of culture is likely to be effected by variations in environmental conditions. Hence in this study, entrepreneurial behavior was considered in a single economy whereby different cultural were considered for their risk taking capabilities linked to business performance. Accordingly objectives of this study were to measure the risk propensity of entrepreneurs from the four chosen cultural groups, namely Chinese, Zimbabwean, Pakistani and South African, and to study the relationship between risk taking inclination per cultural group, business performance and gender. South African environment was considered to provide contribution to the theory from such perspective.

### 3. Research design

A survey was designed. The questionnaires used in this study have been designed based on previous research studies. As a first questionnaire, The Domain-Specific Risk-Taking (DOSPERT) Scale was selected as it assesses perceived-risk attitudes in five frequently encountered content areas, namely ethical, financial, health/safety, social, and recreational decisions (Weber et al., 2002). The questionnaire has been used and validated, and its factor structure replicated in a wide range of settings and populations. The goal of this study was to use the DOSPERT scale to measure entrepreneurs’ attitudes toward risk activities. A second questionnaire, to measure business performance, that was developed by the first author (Garg et al., 2004) was used. The validity and reliability of these two questionnaires have been tested and verified in number of settings. The targeted population was small- to medium- sized businesses owned by entrepreneurs in the Gauteng Province of South African. The population was chosen from four cultural groups, namely Zimbabwean, Chinese, Pakistani and local South African. Participants in this study were selected based on three criteria: the entrepreneur must be the owner of the business or have at least a 50% share in the business; the entrepreneur’s business must have been in operation for at least 12 months and participants can only belong to the four cultural groups, Zimbabwean, Chinese, Pakistani and local South African. Based on Department of Trade and Industry, the total population of SME in Gauteng is estimated at 77 850, there are no
estimates per cultural group available. A sample of 100 randomly selected respondents per cultural group was approached.

4. Data Analysis and Results

A total of 83 out of 400 questionnaires was successfully completed and returned, resulting in a response rate of 21%. There were 40 male and 43 females respondents across the four cultural groups. Amongst the male respondents 3.61% were Chinese, 10.84% were Pakistani, 25.30% were South African and 8.43% were Zimbabwean. While amongst female respondents 6.02% were Chinese, 15.66% were Pakistani, 20.48% were South African and 9.64% were Zimbabwean. A large percentage (37%) of respondents had their businesses running for 4 to 6 years. South Africans had a higher percentage of shareholding, while Zimbabweans were second and Pakistanis were third, Chinese were last on both ownership and shareholding.

Risk taking propensity and business performance perceptions amongst males and females

Table 1 shows the overall risk taking propensity between male and female. It also shows the business performance scores and risk taking propensity in different domains.

Table 1: Mean rate of risk perception and business performance for male and female respondents

| Respondents (n=83) | Overall Risk Perception | Ethical Risk Perception | Health and Safety Risk Perception | Financial Risk Perception | Recreational Risk Perception | Social Risk Perception | Business Performance |
|-------------------|------------------------|------------------------|-----------------------------------|--------------------------|-----------------------------|-----------------------|---------------------|
| Male              | 2.81                   | 2.77                   | 2.79                              | 2.79                     | 2.75                        | 2.95                  | 3.10                |
| Female            | 2.68                   | 2.62                   | 2.63                              | 2.85                     | 2.62                        | 2.65                  | 3.50                |
| p values          | 0.151                  | 0.192                  | 0.173                             | 0.339                    | 0.229                       | 0.05*                 | -                   |

*significant at 5%

Table 1 indicates that males on average show higher risk taking profiles. While it highlights that men are perceived to take more risk in most of the domains, female scored higher in financial risk domain. The study further indicates that female respondents have a higher business performance mean score indicating that they believe their businesses’ performance to be better than their competitors’, while male respondents mean score to be only 3.10. The relationship between male and female entrepreneurs’ risk taking perception was analyzed using the difference in mean average of each risk-taking domain. The p-value indicates the probability of this relationship’s significance. Since the p values lies above 5% for most of the instances, it can be inferred with confidence that there is no difference in the mean scores for males and females in overall risk taking perception in all domains studied except the social domain.

Relationship between risk taking and business performance for male/female entrepreneurs

Table 2 shows the relationship between risk taking and business performance per gender.

Table 2: Risk Taking and Business Performance

| Risk Domain | Risk (x) | Domain | Business Performance (y) | Correlation Coefficient(r) | Correlation of determination(r^2) |
|-------------|----------|--------|--------------------------|----------------------------|----------------------------------|
|             | Male     | Female | Male                     | Female                     | Male                             | Female                         |
| Overall     | 2.81     | 2.68   | 3.10                     | 3.50                       | 0.0084                           | -0.037                         |
|              |          |        |                          |                            | 0.007%                          | 0.137%                         |
| Ethical domain | 2.77     | 2.62   | 3.10                     | 3.50                       | -0.0143                         | 0.0175                         |
|              |          |        |                          |                            | 0.023%                          | 0.03%                          |
| Health and Safety domain | 2.78     | 2.63   | 3.10                     | 3.50                       | 0.0910                           | -0.056                         |
|              |          |        |                          |                            | 0.025%                          | 0.03%                          |
| Finance domain | 2.79     | 2.85   | 3.10                     | 3.50                       | -0.126                          | -0.098                         |
|              |          |        |                          |                            | 0.83%                           | 0.31%                          |
| Recreational domain | 2.75     | 2.62   | 3.10                     | 3.50                       | -0.176                          | -0.915                         |
|              |          |        |                          |                            | 1.58%                           | 0.96%                          |
| Social domain | 2.95     | 2.65   | 3.10                     | 3.50                       | 0.0295                          | 0.0515                         |
|              |          |        |                          |                            | 3.09%                           | 83.7%                          |
|              |          |        |                          |                            | 0.087%                          | 0.26%                          |
The table 2 shows the correlation coefficient (r) and the correlation of determination (\( r^2 \)) between risk taking perceptions and business performance. The various r values show very weak or no correlation between the risk taking and business performance for both male and female category. This study found no relationship between risk and business performance for both male and female respondents.

**Culture in risk perceptions and business performance.**

**Culture and risk taking propensity:** Table 3 shows the risk taking propensity scores and business performance scores per culture. The average score shows that Zimbabweans were the highest risk takers in overall and in most of the domains, followed by South Africans. However the scores from other cultures were also very close. In order to find whether the risk scores differ between cultures, t test (p values) was performed and table 4 reports the p values between different culture's scores.

**Table 3: Risk taking propensity per culture**

| Respondents   | Overall Risk Perception | Ethical Risk Perception | Health and Safety Risk Perception | Financial Risk Perception | Recreational Risk Perception | Social Risk Perception | Business Performance |
|---------------|-------------------------|-------------------------|-----------------------------------|----------------------------|------------------------------|-----------------------|----------------------|
| Chinese       | 2.50                    | 2.33                    | 2.27                              | 2.90                       | 2.27                         | 2.70                  | 3.60                 |
| Pakistani     | 2.74                    | 2.75                    | 2.69                              | 2.70                       | 2.68                         | 2.86                  | 3.96                 |
| South African | 2.75                    | 2.66                    | 2.71                              | 2.84                       | 2.82                         | 2.70                  | 2.78                 |
| Zimbabwean    | 2.86                    | 2.87                    | 2.97                              | 2.90                       | 2.54                         | 3.01                  | 3.53                 |

**Table 4: p values showing the difference in Risk taking scores between the two cultures**

| Risk Domain | Culture   | Pakistani | South African | Zimbabwean |
|-------------|-----------|-----------|---------------|------------|
| Overall     | Chinese   | 0.0749**  | 0.0979**      | 0.1114     |
|             | Pakistani | 0.48783   | 0.2653        |            |
|             | South African |        | 0.2934        |            |
| Ethical     | Chinese   | 0.0935**  | 0.1435        | 0.06398**  |
|             | Pakistani | 0.3233    | 0.3262        |            |
|             | South African |    | 0.2034        |            |
| Health and  | Chinese   | 0.1074**  | 0.1067**      | 0.0429*    |
| Safety      | Pakistani | 0.45640   | 0.13580       |            |
|             | South African |       | 0.16743       |            |
| Financial   | Chinese   | 0.27874   | 0.43645       | 0.49544    |
|             | Pakistani | 0.19166   | 0.18450       |            |
|             | South African |       | 0.40286       |            |
| Recreational| Chinese   | 0.03444*  | 0.00963*      | 0.20001    |
|             | Pakistani | 0.23300   | 0.32626       |            |
|             | South African |       | 0.18843       |            |
| Social      | Chinese   | 0.24863   | 0.49560       | 0.14742    |
|             | Pakistani | 0.16637   | 0.25974       |            |
|             | South African |       | 0.10001**     |            |

*statistically significant at 5% ** statistically significant at 10%

The p values show that there were differences in overall risk taking between Chinese, Pakistanis and South Africans, however Zimbabweans did not show any statistical difference in risk taking with other cultures. Zimbabweans showed differences in risk taking with Chinese in Ethical and Health & safety risk domain and with South African in social risk domains. Chinese showed differences with Pakistanis in Ethical, health & safety and recreational domains. South African showed differences in health & safety and recreational risk domains with Chinese. Zimbabweans showed highest risk taking propensity amongst cultures but did not show any statistical difference with other cultures in risk taking propensity. The results suggest differences in different types of risk taking propensity among different cultural domains.

**Culture and business performance:** Table 5 shows scores for risk domain and business performance scores per culture group. Table 6 shows the coefficient of correlation between risk and business performance.
he coefficient ors influencance per culture group. This study also found very weak to no. This is aligned reiser et al. (2010), who found that various
environmental factors such as social, cultural and political factors do pla
impact the willingness of entrepreneurial
risk takers, while Chinese, Pakistanis and South Africans differed in their risk
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risk taking propensity and business performance scores for male and female
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and business performance, however risk taking propensity varies with gender and cultural factors does impact risk taking propensity.

**Contribution to the Theory and Implications of the Study:** There has been some tend in recent studies that have found cultural aspect in entrepreneurial behavior. Understanding the risk taking propensity of cultural groups, could give a better understanding of why some cultural groups become entrepreneurial than others. However as indicated earlier there is no study that has studied the cultural difference, risk taking capabilities and other entrepreneurial variables in a single environment. Hence the finding of this study for such entrepreneurial behavior eliminates the effects that may arise due to differing opportunities posed by different economies, a key variable that distorts entrepreneurial behavior. The findings of this study can also make contribution in entrepreneurial policy formulation on specific gender and related issues in entrepreneurship, by South African government.

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