

# “The effects of culture as a start-up factor on business performance”

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## SECTION 1. Macroeconomic processes and regional economies management

Simon Radipere (South Africa)

### The effects of culture as a start-up factor on business performance

#### Abstract

The study examines relationship between culture and business performance using 500 SMMEs in Gauteng province, South Africa. South Africa's low ranking in terms of global competitiveness is a source of national concern. This means that South Africa has the smallest proportion of entrepreneurs compared with other developing countries. This is a problem in a country where entrepreneurial ventures account for one-third of total employment. There is a need to find out to what extent the entrepreneurial start-up factor (culture) affects the performance of a business. Questionnaire is used to collect data from 500 SMMEs owners. Probability sampling is used to ensure that each member of the SMME population was given a known non-zero chance of selection. Simple random sampling was utilized to identify the respondents. The findings from the survey are modelled through a categorical regression model with business performance as dependent variable. The level of significance of the sixteen variables out of twenty five variables suggests that culture is classified as the strongest predictor of business performance. These findings, depicting the magnitude of the business environment in the study area, clearly confirm the positive impact of culture on business performance.

**Keywords:** culture, business performance, cultural dimensions, SMMEs.

**JEL Classification:** M21.

#### Introduction

The relationship between culture and entrepreneurship has received some research attention. Studies have provided empirical support for the notion that cultural values influence entrepreneurial activity. There is also some debate about the role of culture in entrepreneurial activity, but the purpose of this study is to add to the debate on the relationship between culture and the performance of an entrepreneurial business.

Culture is defined as a set of shared values and beliefs and expected behaviors (Hofstede, 2001). The value-belief theory postulates that the shared values of a culture impact the behaviors of individuals and organizations and affect perceptions of legitimacy and acceptability (Hofstede, 2001). Entrepreneurship is a culturally embedded phenomenon. The role of culture as a determinant of entrepreneurship has received scant attention (Wennekers, 2001). Culture, in relation to business activity, is how people use values in starting a business and is best understood through the process in which people incorporate their values into their thinking and behavior (Wennekers, 2001). The sociocultural dimensions influence the desirability of starting a new business. Hofstede's (2001) work has been used extensively in cross-cultural research and has been effective in explaining behavioral differences among people in organizations. The Hofstede framework includes the cultural dimensions of individualism-collectivism, uncertainty avoidance, power-distance and mascu-

linity-femininity. Most researchers have applied this framework in an entrepreneurial context.

Like Hofstede (1980), Urban (2004) contends that cultural characteristics have a significant effect on the characteristics of organizations in society. Hayton, George and Zahra (2002) argue that cultural values serve as a filter for the degree to which a society considers certain entrepreneurial behavior desirable. On the basis of Weber's work, McClelland (1961) theorised about the impact of socialization on certain personality attributes (need for achievement). Thomas and Mueller (2000) posited, in their review of culture and entrepreneurial potential, that one would expect some cultures to be more closely associated with certain entrepreneurial orientations than others. They even found significant variation in entrepreneurial activity across cultures and noted that cultural values influence entrepreneurial behavior.

Some studies suggest that entrepreneurs share a common set of values regardless of culture, while other studies support the notion that culture will affect entrepreneurship (Urban, 2004). Yet other researchers found that culture is a moderator in the relationship between contextual factors and entrepreneurial outcomes. This informs us that culture acts as a catalyst rather than a causal agent of entrepreneurial outcomes. Culture occurs within the context of a social unit or group. It consists of patterned ways of thinking, feeling and reacting (Urban, 2004). Culture exists at multiple levels, from broad macro-cultures (nation and gender, ethnic and racial group) to more narrow micro-cultures (corporation, neighbourhood, family) (Morris, Schindehutte & Lesser, 2002).

As the pace of change continues to accelerate globally, the success of community enterprises depends on the innovation of entrepreneurs. Yet, the Global Entrepreneurship Monitor (GEM, 2011) reported South Africa as performing low (9.1%) in terms of entrepreneurship, and GEM (2012) reported 7.3% with regard to entrepreneurship, with total entrepreneurial activity (TEA) being below the average of comparable economies around the world. This remains a concern and feeds the debate around the factors that impact on entrepreneurial performance.

South Africa's low ranking in terms of global competitiveness is a source of national concern. This means that South Africa has the smallest proportion of entrepreneurs compared with other developing countries. This is a problem in a country where entrepreneurial ventures account for one-third of total employment. The unemployment rate in post-apartheid South Africa remains extremely high, with unemployment especially among black South Africans worsening since 1994 (GEM, 2011). With the increase in unemployment, which is in part due to the apartheid legacy, current government policies are increasingly being questioned. The GEM (2010) reported South Africa as ranking 110<sup>th</sup> out of 135 countries in terms of the unemployment rate.

It is therefore necessary to understand how the entrepreneurial start-up factors (motivation, culture, self-efficacy, intention, and entrepreneurial orientation) affect business performance; in other words, there is a need to find out to what extent the entrepreneurial start-up factors affect the performance of a business. In this study, however, only the extent to which culture as one of the start-up factors impacts on business performance will be considered.

The aim of this article is to shed light on the existing situation in South Africa in terms of entrepreneurship in order to establish the effect of culture on business performance. The major question that arose from the research is: do cultural dimensions have an impact on the performance of a business?

This article is structured in the following manner: Introduction presents the research background and aim of the study. Section 1 presents a literature review on culture and business performance. The section further elaborates on the constructs used in this study and outlines proposed hypotheses. Section 2 presents the research methodology, and section 3 gives the results. The final section concludes the article with a discussion of the findings.

## 1. Literature review on cultural elements of entrepreneurship

It is proposed for this study that the cultural backgrounds of entrepreneurs play a significant role

in the performance of a business. It is the contention of this study that motivation for business formation is not universal and those differences in cultural frames of reference account for the differences in motivation for business formation, and, consequently, business performance. According to Hofstede, culture is the interactive aggregate of common characteristics that influence a human group's response to its environment. Culture determines the identity of a human group in the same way as personality determines the identity of an individual.

All human beings are born and raised in a culture. Samli (2009) proposed that personalities are formed under the influence of culture. Consumer behavior is an expression of preferences, and those expressions are a result of personality and the immediate influence of culture. Individual behavior and values are manifestations of cognitive and affective influences.

Some authors maintain that, without referring to cultural orientation of the environment at the individual level, it is not possible to understand the behaviors and characteristics of individuals who become entrepreneurs. It is therefore necessary to examine the cognitive and affective influences. Cognitive learning is described as the active and individualistic ways of receiving information and processing that information so as to manifest the personality. Affective and effective learning implies a strong presence of traditional values and emotions. Samli (2009) further argued that these values are more readily apparent in Third World countries.

There are two main cultural classifications of countries, namely individualistic and collectivistic. In general terms, industrial societies are individualistic cultures, while developing countries are primarily collectivistic. In individualistic cultures, individuals make their own decisions based on information collected individually and are responsible for the consequences. Individualistic cultures influence individual behavior by way of cognitive influences. In individualistic cultures, the hierarchy of needs as introduced by Maslow (1954) and social class influence individuals' search processes and decisions (Samli, 2009). In collectivistic cultures, decisions are based on traditional values and emotional influences. Collectivistic cultures revolve round groups, and group leaders influence the behavior of individuals. Economic necessities and traditional preferences dictate in collectivistic cultures. In collectivistic societies, group leaders' opinions or those of family elders are critically important in the decision-making process (Samli, 2009).

**1.1. Entrepreneurial culture.** Many scholars claim that culture, understood as general values, is important for the level of entrepreneurial activities in

a society. The author aims to analyze the differences in the values of the self-employed in South Africa and to try to find values that are important for entrepreneurial culture. Since values can be considered a motivational construct that refers to goals people want to attain, they are of special importance with respect to general economic decisions (Noseleit, 2010). The concept of values is useful in analyzing whether entrepreneurs share a common value system that distinguishes them from others.

Max Weber (1930), cited in Freytag and Thurik (2009), argued that entrepreneurial activities are influenced by cultural and religious factors, while McClelland (1961) found that the personality of entrepreneurs could be associated with achievement, preference for novel activity, responsibility for failure and success, and moderate risk-taking propensity. Davidson (1991) indicated in his study that, for a small sample of Swedish regions, cultural variation was small and relatively less important for new-firm formation. Steensma, Marion and Weaver (2000) discovered that cultural differences impact the attitudes of entrepreneurs with regard to cooperative strategies.

In understanding the relationship between culture and entrepreneurship, Butler and Herring (1999) suggested middleman theory and ethnic enclave theory as cultural and structural patterns of entrepreneurship. Both these frameworks identify cultural and structural patterns of various ethnic groups that facilitate or hinder success in the business world. Andendorff (2004) identified that middleman theory had developed propositions relating to ethnic solidarity, societal hostility, and the development of business enterprises. The theory proposes that, with regard to groups that adjust to society by developing enterprises, hostility is generated towards them from the larger society. This increases ethnic solidarity, which, in turn, promotes further development of business enterprise. A further outcome is the development of entrepreneurial culture, which keeps the groups from falling to the bottom of the economic ladder in society (Andendorff, 2004).

Over time, such groups begin to occupy the middle part of the economic system. Butler and Herring (1991) suggested that, because of the small amount of capital required; groups in this tradition are more likely to concentrate on small-service enterprises. These groups have been found to develop a strong emphasis on the education of their offspring. This increasingly results in their children becoming professionals in areas that are entrepreneurial in nature. They are found in occupations like law, education and medicine, and those who are not

professionals are more likely to develop enterprises in the middleman tradition (Butler & Herring, 1991).

A society's culture consists of whatever it is: one has to know or believe in order to operate in a manner acceptable to its members. Culture is not a material phenomenon; it does not consist of things, people, behavior or emotions. It is rather an organization of these things. It is the form of things that people have in mind, their models for perceiving, relating to, and otherwise interpreting them (Redding, 1986). Other authors like Sajjad, Shafi and Munir Dad (2012) see culture as shared values, norms, traditions, rules, beliefs, and anticipated behaviors of people. Cultural values and beliefs specify the level to which society judges entrepreneurial behaviors such as innovation, perceived feasibility, risk-taking, independent thinking, and perceived desirability. A good culture influences entrepreneurial intention, and, ultimately, performance of the firm improves. Thus, the study suggests *H<sub>01</sub>: there is a positive and significant relationship between culture and business performance.*

**1.2. Business performance.** Examining the performance of small and medium enterprises can be problematic, especially when objective measures of performance are not available. Cooper and Gascon (1992) highlight the individual factors influencing performance as experience, education and occupation of parents, gender, race, age and the entrepreneur's goals. In addition, other studies highlight financial measures, and yet others what are normally termed "non-financial measures".

Some studies suggest that a combination of financial and non-financial measures offers a more comprehensive evaluation of a firm's performance (Li, Huang & Tsai, 2009), as financial measures alone may not provide an accurate assessment of business performance. Subjective, non-financial measures include indicators such as perceived market share, perceived sales growth, customer satisfaction, loyalty and brand equity (Li et al., 2009). Murphy, Trailer and Hill (1996) examined 51 published entrepreneurial studies using performance as the dependent variable and found that the most commonly considered dimensions of performance were related to efficiency, growth and profit. Efficiency comprises some financial measures like return on investment and return on equity; growth focuses on increase in sales, employees or market share; and profit includes return on sales and net profit margin.

It is always a problem to examine the performance of SMMEs (small, medium and micro enterprises), especially when objective measures of performance

are not publicly available. Collection of financial data like sales revenue and net profit through surveys often results in “item non-response” owing to business owners’ reluctance to disclose this type of information (Hallak, Assaker & O’Connor, 2012).

Therefore, the study suggests that: *H<sub>0</sub>1: There is a significant, positive relationship between culture and business performance (H<sub>0</sub>1a: my business income; H<sub>0</sub>1b: my business profit; H<sub>0</sub>1c: my market share; H<sub>0</sub>1d: my return on investment; H<sub>0</sub>1e: number of employees; H<sub>0</sub>1f: product line).*

## 2. Methodology

The population of the study is SMMEs (Small, Medium and Micro enterprises) in the retail sector of the Gauteng province of South Africa. The researcher used the brabys.com populations of SMMEs in Gauteng, since this organization is reliable and is the leading registry of SMMEs in the country (GEM, 2012). According to Brabys, the population size of SMMEs in the retail industry is 10 000. The study population was therefore based on 10 000 SMMEs.

Probability sampling was used to ensure that each member of the SMME population was given a known non-zero chance of selection. Simple random sampling was utilized to identify the respondents. According to Cooper and Schindler (2008), the sample size that is acceptable is 5% of the total population. Given this study’s estimate of a population of 10 000, it means that the targeted sample was 500 respondents (i.e.  $10\ 000 \text{ entrepreneurs} \times 0.05 = 500 \text{ respondents}$ ). A structured research instrument (a questionnaire) was used to collect data through self-administration interviews, and, from the targeted sample, 466 responses were received, which yielded a 93.2% response rate.

**2.1. Measures.** The investigative questions were related to the following constructs:

**2.1.1. Culture.** The concept of culture as used in this study is based on the work by Hofstede (2001), who posits that human problems and their solutions are limited in number. Hofstede (2001) found statistical evidence for four underlying dimensions of culture, together with their consequences, that reflect a given society’s culture within institutions and the behavior of such society. The respondents were asked to indicate the extent to which they agreed with statements on cultural values and dimensions based on Hofstede’s concept of culture. The 25 items were aimed at getting the respondents to indicate the extent to which they (entrepreneurs) viewed certain factors as basis for their start-ups. The questions asked from these variables are based on the following statements: success is owning a business, success is being promoted up through the ranks in

business, having a lot of money means you come from an influential family, time is a limited resource, being successful means making a lot of money, being an entrepreneur means running a business, there is a duty to uphold the values and reputation of your family, starting a business means the risk of not getting past employment back, starting a business is risky owing to uncertainty, but this adds to the excitement of your life. A five-point Likert scale (none, very little, moderate, quite a bit and a great deal) were used for each of the 25 items.

**2.1.2. Business performance.** Murphy et al. (1996) examined 51 published entrepreneurial studies using performance as the dependent variable and found that the most commonly considered dimensions of performance were related to efficiency, growth and profit. Efficiency comprises some financial measures like return on investment and return on equity; growth focuses on increase in sales, employees or market share; and profit includes return on sales and net profit margin.

The list of independent variables used to quantify business performance are: my business income; my business profit; market share; return on investment; number of employees; and product line. Respondents were requested to rate the extent to which they agreed with the statements on business performance. A five-point Likert scale (strongly agree, agree, don’t know, disagree and strongly disagree) was used for each of the six questions that were asked. The six items were aimed at determining the performance of the business.

The assumption was that there is a relationship between culture and business performance. The researcher therefore wanted to see if this was true and to find out which factors affect business positively, and to what extent.

**2.1.3. Analysis.** The statistical analysis makes use of a categorical regression model to facilitate the investigation of causal relationships in the data. This model was preferred over other categorical association measures such as chi-square, Cromer’s V and Lambda, which would not allow the same level of analysis, especially with regard to causal relationships. Another reason for using the categorical regression model derives from the use of ordinal and nominal data in the model, and also that the dependent variable is dichotomous. The dependent variable is defined as the performance of a business with six categories, namely: my business income; my business profit; market share; return on income; number of employees; and product line. The alpha reliability of the scale was 0.76.

## 3. Results

**3.1. My business income.** There is a significant positive relationship between culture and business

performance ( $H_{01a}$ : my business income). The results from the analysis of variance are depicted in Table 1 below. These show that the model variance (2.370) is considerably higher than the error

variance (0.770), indicating that the different predictors separately and conjointly succeeded in predicting business performance significantly at 95% level of certainty.

Table 1. ANOVA: my business income

	Sum of squares	df	Mean square	F	Sig.
Regression	118.506	50	2.370	3.080	.000
Residual	225.494	293	.770		
Total	344.000	343			

The regression coefficients obtained by estimating the full model are presented in Table 2. Given that a total of 500 observations were used, the fairly large number of variables listed can be included in the regression to determine which ones are significant in determining business performance.

Some of the standardized coefficients with regard to “my business income” in table below were found to present strong predictors of business performance. With regard to my business income, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. These include the following: success is owning a business; having a lot of money

means you come from an influential family; time is a limited resource; being an entrepreneur means running a business; starting a business is risky owing to uncertainty, but this adds to the excitement of your life; believe in belonging to a group; women should be modest and concerned with quality of life; men dominate in material success; interpersonal relationship should be priority; discussion with employees on business matters is helpful; enforcing rules with respect to employees helps; skills, wealth, status and power are based on effort and people are unequal in physical and intellectual capabilities. These factors are cultural factors in starting a business, but some are not predictors of business performance.

Table 2. Regression coefficients indicating the significance of culture variables with regard to business performance (my business income)

	Coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Success is owning a business	-.244	.160	2	2.341	.098
Success is being promoted up through the ranks in business	.207	.098	3	4.480	.004
Having a lot of money means you come from an influential family	.091	.143	3	.402	.752
Time is a limited resource	.056	.092	1	.372	.542
Being successful means making a lot of money	.162	.080	2	4.077	.018
There is a duty to uphold the values and reputation of your family	.128	.084	1	2.336	.012
Starting a business means a risk of not getting past employment back	.072	.104	3	.482	.015
Starting a business is risky owing to uncertainty, but this adds to the excitement of your life	.073	.112	1	.423	.516
Look at my own interest before considering other people	.222	.123	4	3.238	.013
Look at family interest before considering other people	-.140	.100	2	1.962	.002
Believe in belonging to a group	.132	.094	1	1.957	.163
Believe in myself only	-.106	.071	2	2.213	.014
Men should be assertive, ambitious and competitive	-.112	.086	2	1.674	.015
Women should be modest and concerned with quality of life	.094	.083	2	1.261	.285
Quality of life is based on material success	-.210	.107	3	3.851	.010
Men dominate in material success	.117	.133	2	.777	.461
Interpersonal relationship should be priority	-.074	.112	2	.438	.646

Table 2 (cont.). Regression coefficients indicating the significance of culture variables with regard to business performance (my business income)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
I feel threatened by unknown situations	-.276	.080	3	11.911	.000
If I can get employment in a company I will take it	-.189	.079	2	5.811	.003
I believe that ambiguous situations and unfamiliar risks are typical	-.120	.129	3	.860	.005
I believe in being tolerant, unemotional and less aggressive	.200	.167	1	1.442	.002
Discussion with employees on business matters is helpful	.053	.123	1	.186	.667
Enforcing rules with respect to employees helps	.113	.103	1	1.217	.271
Skills, wealth, status and power are based on effort	.064	.146	2	.196	.822
People are unequal in physical and intellectual capabilities	-.087	.148	1	.344	.558

With regard to business income, the majority of variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. Only 13 (success is being promoted up through the ranks in business; being successful means making a lot of money; there is a duty to uphold the values and reputation of your family; starting a business means a risk of not getting past employment back; look at my own interest before considering other people; look at family interest before considering other people; believe in myself only; men should be assertive, ambitious and competitive; quality of life is based on material success; I feel threatened by unknown situations; if I can get employment in a company I will take it; I believe that ambiguous situations and unfamiliar risks are typical; I believe in being tolerant, unemotional

and less aggressive) are predictors of business performance with a significance level of 0.004; 0.018; 0.012; 0.015; 0.013; 0.002; 0.014; 0.015; 0.010; 0.000; 0.003; 0.005; and 0.002 respectively.

**3.2. My business profit.** There is a significant positive relationship between culture and business performance ( $H_01b$ : my business profit).

The Table 4 below shows the regression coefficients indicating the significance of variables relating to “my business profit”.

With regard to “my business profit”, no variables affect business performance. The significance level of some of the variables is above the 0.05% level of significance. There are some strong predictors of business performance.

Table 3. ANOVA: my business profit

	Sum of squares	df	Mean square	F	Sig.
Regression	111.745	50	2.235	2.824	.000
Residual	230.255	291	.791		
Total	342.000	341			

The results from the analysis of variance are depicted in Table 3. These show that the model variance (2.235) is considerably higher than the error variance (0.791), indicating that the different predictors separately and conjointly succeeded in

predicting business performance significantly at the 95% level of certainty. With regard to “my business profit”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance.

Table 4. Regression coefficients indicating the significance of cultural variables with regard to business performance (my business profit)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Success is owning a business	.110	.181	1	.371	.543
Success is being promoted up through the ranks in business	.145	.124	2	1.372	.014

Table 4 (cont.). Regression coefficients indicating the significance of cultural variables with regard to business performance (my business profit)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Having a lot of money means you come from an influential family	-.135	.145	1	.869	.352
Time is a limited resource	.090	.087	3	1.083	.357
Being successful means making a lot of money	.132	.092	2	2.069	.002
There is a duty to uphold the values and reputation of your family	.229	.080	3	8.251	.000
Starting a business means a risk of not getting past employment back	.113	.101	3	1.244	.294
Starting a business is risky owing to uncertainty, but this adds to the excitement of your life	-.121	.125	1	.949	.003
Look at my own interest before considering other people	.094	.116	3	.660	.578
Look at family interest before considering other people	-.078	.108	3	.520	.669
Believe in belonging to a group	.133	.103	2	1.663	.013
Believe in myself only	-.182	.085	2	4.556	.011
Men should be assertive, ambitious and competitive	-.095	.091	3	1.092	.353
Women should be modest and concerned with quality of life	.136	.082	3	2.736	.044
Quality of life is based on material success	-.105	.151	3	.488	.691
Men dominate in material success	-.061	.161	1	.142	.706
Interpersonal relationship should be priority	-.103	.107	2	.924	.003
I feel threatened by unknown situations	-.216	.105	2	4.239	.015
If I can get employment in a company I will take it	-.179	.071	2	6.395	.002
I believe that ambiguous situations and unfamiliar risks are typical	-.046	.116	1	.154	.695
I believe in being tolerant, unemotional and less aggressive	.113	.123	2	.850	.005
Discussion with employees on business matters is helpful	.037	.116	1	.105	.747
Enforcing rules with respect to employees helps	.190	.081	1	5.478	.020
Skills, wealth, status and power are based on effort	.091	.142	1	.407	.524
People are unequal in physical and intellectual capabilities	-.099	.141	2	.493	.611

With regard to “my business profit”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. Only 12 (success is being promoted up through the ranks in business; being successful means making a lot of money; there is a duty to uphold the values and reputation of your family; starting a business is risky owing to uncertainty, but this adds to the excitement of your life; believe in belonging to a group; believe in myself only; women should be modest and concerned with quality of life; interpersonal relationship should be priority; I feel threatened by unknown situations; if I can get employment in a company I will take it; I believe in being tolerant, unemotional and less

aggressive; enforcing rules with respect to employees helps) are predictors of business performance with a significance level of 0.014; 0.02; 0.000; 0.003; 0.013; 0.011; 0.044; 0.003; 0.015; 0.002; 0.005; and 0.020 respectively.

**3.3. My market share.** There is a significant positive relationship between culture and business performance ( $H_01c$ : my market share). Table 6 shows the regression coefficients indicating the significance of variables relating to “my market share”. With regard to “my market share”, no variables affect business performance. The significance level of all the variables is above the 0.05% level of significance. There are no strong predictors of business performance.

Table 5. ANOVA: my market share

	Sum of squares	df	Mean square	F	Sig.
Regression	85.607	50	1.712	1.938	.000
Residual	262.393	297	.883		
Total	348.000	347			

The results from the analysis of variance are depicted in Table 5. These show that the model variance (1.712) is considerably higher than the error variance (0.883), indicating that the different predictors separately and conjointly succeeded in

predicting business performance significantly at the 95% level of certainty. With regard to “my market share”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance.

Table 6. Regression coefficients indicating the significance of cultural variables with regard to business performance (my market share)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Success is owning a business	-.080	.162	1	.246	.620
Success is being promoted up through the ranks in business	.118	.090	2	1.738	.001
Having a lot of money means you come from an influential family	.087	.134	2	.421	.657
Time is a limited resource	.011	.121	1	.008	.004
Being successful means making a lot of money	.033	.143	2	.053	.948
There is a duty to uphold the values and reputation of your family	.235	.116	3	4.130	.007
Starting a business means a risk of not getting past employment back	.013	.111	1	.013	.910
Starting a business is risky owing to uncertainty, but this adds to the excitement of your life	-.117	.132	1	.780	.378
Look at my own interest before considering other people	-.117	.169	2	.476	.622
Look at family interest before considering other people	.078	.156	2	.249	.006
Believe in belonging to a group	.049	.103	2	.224	.000
Believe in myself only	.087	.134	2	.422	.656
Men should be assertive, ambitious and competitive	-.067	.157	2	.182	.834
Women should be modest and concerned with quality of life	.117	.125	3	.873	.015
Quality of life is based on material success	-.111	.154	2	.519	.596
Men dominate in material success	.023	.143	1	.026	.011
Interpersonal relationship should be priority	-.208	.100	3	4.335	.005
I feel threatened by unknown situations	.070	.137	1	.260	.611
If I can get employment in a company I will take it	-.167	.083	3	4.001	.008
I believe that ambiguous situations and unfamiliar risks are typical	.121	.132	4	.847	.496
I believe in being tolerant, unemotional and less aggressive	-.104	.167	1	.387	.534
Discussion with employees on business matters is helpful	.209	.142	3	2.178	.051
Enforcing rules with respect to employees helps	.144	.140	1	1.056	.305
Skills, wealth, status and power are based on effort	-.160	.124	3	1.677	.007
People are unequal in physical and intellectual capabilities	.060	.140	2	.182	.833

With regard to “my business profit”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. Only 11 (success is being promoted up through the ranks in business; time is a limited resource; there is a duty to uphold the values and reputation of your family; look at family interest before considering other people; believe in belonging to a group; women should be modest and concerned with quality of life; men dominate in material success; interpersonal relationship should be priority; if I can get employment in a company I will take it; discussion with employees on business matters is helpful; and skills, wealth, status and power are based on effort) are predictors of business performance with a significance level of 0.001;

0.004; 0.007; 0.006; 0.000; 0.015; 0.011; 0.005; 0.008; 0.051; and 0.007 respectively.

**3.4. My return on investment.** There is a significant positive relationship between culture and business performance ( $H_0$ 1d: my return on investment).

Table 8 below shows the regression coefficients indicating the significance of variables relating to “my return on income”.

With regard to “my return on income”, no variables affect business performance. The significance level of all the variables is above the 0.05% level of significance. There are no strong predictors of business performance.

Table 7. ANOVA: my return on investment

	Sum of squares	df	Mean square	F	Sig.
Regression	100.631	52	1.935	2.324	.000
Residual	237.369	285	.833		
Total	338.000	337			

The results from the analysis of variance are depicted in Table 7. These show that the model variance (1.935) is considerably higher than the error variance (0.833), indicating that the different predictors separately and conjointly succeeded in

predicting business performance significantly at the 95% level of certainty. With regard to “my return on income”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance.

Table 8. Regression coefficients indicating the significance of cultural variables with regard to business performance (my return on income)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Success is owning a business	-.153	.120	2	1.614	.021
Success is being promoted up through the ranks in business	.132	.100	2	1.746	.016
Having a lot of money means you come from an influential family	.078	.140	2	.314	.731
Time is a limited resource	.050	.109	1	.214	.644
Being successful means making a lot of money	.135	.112	2	1.439	.019
There is a duty to uphold the values and reputation of your family	.150	.104	3	2.058	.006
Starting a business means a risk of not getting past employment back	.099	.087	3	1.286	.040
Starting a business is risky owing to uncertainty, but this adds to the excitement of your life	.060	.120	2	.254	.776
Look at my own interest before considering other people	.115	.123	3	.884	.020
Look at family interest before considering other people	-.126	.128	2	.966	.382
Believe in belonging to a group	.131	.086	2	2.361	.050
Believe in myself only	-.094	.108	2	.757	.470
Men should be assertive, ambitious and competitive	-.087	.116	3	.558	.643
Women should be modest and concerned with quality of life	.074	.100	2	.549	.578
Quality of life is based on material success	-.158	.147	2	1.157	.316
Men dominate in material success	.130	.144	2	.819	.012

Table 8 (cont). Regression coefficients indicating the significance of cultural variables with regard to business performance (my return on income)

Coefficients					
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Interpersonal relationship should be priority	-.125	.095	2	1.732	.179
I feel threatened by unknown situations	-.191	.103	2	3.464	.033
If I can get employment in a company I will take it	-.179	.087	2	4.199	.016
I believe that ambiguous situations and unfamiliar risks are typical	.078	.131	2	.349	.705
I believe in being tolerant, unemotional and less aggressive	.090	.130	2	.473	.624
Discussion with employees on business matters is helpful	.172	.099	3	3.037	.030
Enforcing rules with respect to employees helps	.130	.103	1	1.601	.007
Skills, wealth, status and power are based on effort	.099	.155	1	.408	.523
People are unequal in physical and intellectual capabilities	-.134	.149	2	.813	.445

With regard to “my return on income”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. Only 12 (success is owning a business; success is being promoted up through the ranks in business; being successful means making a lot of money; there is a duty to uphold the values and reputation of your family; starting a business means a risk of not getting past employment back; look at my own interest before considering other people; believe in belonging to a group; men dominate in material success; I feel threatened by unknown situations; if I can get employment in a company I will take it; discussion with employees on business matters is helpful; and enforcing rules with respect to employees helps) are predictors of

business performance with a significance level of 0.024; 0.016; 0.019; 0.006; 0.040; 0.020; 0.050; 0.012; 0.033; 0.016; 0.030 and 0.007 respectively.

**3.5. Number of employees.** There is a significant positive relationship between culture and business performance ( $H_0$ 1e: number of employees).

Table 10 shows the regression coefficients indicating the significance of variables relating to “number of employees”.

With regard to “number of employees”, some variables affect business performance. The significance level of some of the variables is above the 0.05% level of significance. There are no strong predictors of business performance.

Table 9. ANOVA: number of employees

	Sum of squares	df	Mean square	F	Sig.
Regression	119.629	66	1.813	2.227	.000
Residual	230.371	283	.814		
Total	350.000	349			

The results from the analysis of variance are depicted in Table 9. These show that the model variance (1.813) is considerably higher than the error variance (0.814), indicating that the different predictors separately and conjointly succeeded in predicting

business performance significantly at the 95% level of certainty. With regard to “number of employees”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance.

Table 10. Regression coefficients indicating the significance of cultural variables with regard to business performance (number of employees)

Coefficients					
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Success is owning a business	-.153	.185	3	.682	.563
Success is being promoted up through the ranks in business	.255	.094	4	7.406	.000

Table 10 (cont.). Regression coefficients indicating the significance of cultural variables with regard to business performance (number of employees)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Having a lot of money means you come from an influential family	-.052	.139	2	.139	.871
Time is a limited resource	.172	.064	4	7.158	.000
Being successful means making a lot of money	.189	.076	4	6.111	.000
There is a duty to uphold the values and reputation of your family	-.114	.119	2	.914	.002
Starting a business means a risk of not getting past employment back	.258	.091	3	8.022	.000
Starting a business is risky owing to uncertainty, but this adds to the excitement of your life	-.185	.126	3	2.155	.004
Look at my own interest before considering other people	-.061	.128	3	.231	.875
Look at family interest before considering other people	-.206	.080	4	6.602	.000
Believe in belonging to a group	.179	.110	2	2.677	.001
Believe in myself only	-.029	.103	3	.081	.970
Men should be assertive, ambitious and competitive	-.144	.104	3	1.908	.018
Women should be modest and concerned with quality of life	.080	.121	2	.439	.645
Quality of life is based on material success	-.077	.140	2	.304	.738
Men dominate in material success	.064	.134	3	.225	.879
Interpersonal relationship should be priority	.013	.116	2	.013	.987
I feel threatened by unknown situations	-.161	.095	3	2.850	.038
If I can get employment in a company I will take it	-.116	.123	2	.890	.412
I believe that ambiguous situations and unfamiliar risks are typical	-.093	.137	2	.460	.632
I believe in being tolerant, unemotional and less aggressive	.199	.108	2	3.385	.035
Discussion with employees on business matters is helpful	-.116	.061	3	3.552	.015
Enforcing rules with respect to employees helps	.158	.112	1	1.971	.001
Skills, wealth, status and power are based on effort	-.079	.144	2	.299	.742
People are unequal in physical and intellectual capabilities	.027	.167	2	.025	.975

With regard to “number of employees”, the majority of variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. Only 12 variables (success is being promoted up through the ranks in business; time is a limited resource; being successful means making a lot of money; there is a duty to uphold the values and reputation of your family; starting a business means a risk of not getting past employment back; starting a business is risky owing to uncertainty, but this adds to the excitement of your life; look at family interest before considering other people; believe in belonging to a group; men should be assertive, ambitious and competitive; I feel threatened by unknown situations; I believe in being tolerant, unemotional and less aggressive; and enforcing rules with respect to

employees helps) are predictors of business performance with a significance level of 0.000; 0.000; 0.000; 0.002; 0.000; 0.004; 0.000; 0.001; 0.018; 0.038; 0.035; and 0.001 respectively.

**3.6. Product lines.** There is a significant positive relationship between culture and business performance ( $H_01f$ : product lines).

Table 12 shows the regression coefficients indicating the significance of variables relating to “product lines”.

With regard to “product lines”, some variables affect business performance. The significance level of some of the variables is above the 0.05% level of significance. There are no strong predictors of business performance.

Table 11. ANOVA: product lines

	Sum of squares	df	Mean square	F	Sig.
Regression	78.927	55	1.435	1.556	.011
Residual	271.073	294	.922		
Total	350.000	349			

The results from the analysis of variance are depicted in Table 11. These show that the model variance (1.435) is considerably higher than the error variance (0.922), indicating that the different predictors separately and conjointly succeeded in

predicting business performance significantly at the 95% level of certainty. With regard to “product lines”, some of the variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance.

Table 12. Regression coefficients indicating the significance of cultural variables with regard to business performance (product lines)

	Coefficients				
	Standardized coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of std. error			
Success is owning a business	.027	.210	3	.016	.997
Success is being promoted up through the ranks in business	.206	.119	4	3.000	.019
Having a lot of money means you come from an influential family	-.078	.134	2	.342	.711
Time is a limited resource	.114	.127	3	.800	.495
Being successful means making a lot of money	.118	.130	2	.819	.002
There is a duty to uphold the values and reputation of your family	-.089	.150	2	.349	.706
Starting a business means a risk of not getting past employment back	.128	.124	3	1.066	.014
Starting a business is risky owing to uncertainty, but this adds to the excitement of your life	.042	.116	2	.134	.875
Look at my own interest before considering other people	.199	.167	3	1.412	.009
Look at family interest before considering other people	-.127	.132	4	.934	.445
Believe in belonging to a group	.193	.103	2	3.531	.031
Believe in myself only	-.065	.126	2	.271	.763
Men should be assertive, ambitious and competitive	-.051	.128	2	.155	.856
Women should be modest and concerned with quality of life	-.061	.127	2	.231	.794
Quality of life is based on material success	-.190	.141	3	1.803	.147
Men dominate in material success	.134	.156	2	.734	.011
Interpersonal relationship should be priority	-.119	.156	1	.583	.046
I feel threatened by unknown situations	-.021	.134	2	.025	.976
If I can get employment in a company I will take it	-.033	.134	2	.062	.940
I believe that ambiguous situations and unfamiliar risks are typical	-.079	.146	3	.295	.829
I believe in being tolerant, unemotional and less aggressive	.091	.139	1	.431	.012
Discussion with employees on business matters is helpful	-.042	.168	1	.063	.802
Enforcing rules with respect to employees helps	-.132	.112	2	1.383	.252
Skills, wealth, status and power are based on effort	-.054	.132	1	.166	.684
People are unequal in physical and intellectual capabilities	.073	.150	1	.238	.011

With regard to “product lines”, some variables are above the 0.050 level of significance and can therefore be regarded as weak predictors of business performance. Only 9 (success is being promoted up through the ranks in business; being successful means making a lot of money; starting a business means a risk of not getting past employment back; look at my own interest before considering other people; believe in belonging to a group; men dominate in material success; interpersonal relationship should be priority; I believe in being tolerant, unemotional and less aggressive; and people are unequal in physical and intellectual capabilities) are predictors of business performance with a significance level of 0.019; 0.002; 0.014; 0.009; 0.031; 0.011; 0.046; 0.012 and 0.011 respectively.

These findings, depicting the magnitude of the business environment in the study area, clearly confirm the positive impact of culture on business performance. This conclusion serves to elucidate the first research question regarding the possible positive impacts of culture on business performance. The variables relating to this phenomenon are the best predictors of business performance. The strong predictive value of culture as an independent variable in respect of business performance confirms that these factors should be present in the individual entrepreneur for the business to perform better. It is furthermore clear from the tables above that other variables do not impact business performance at all.

### Conclusion and recommendation

As indicated above, some of cultural factors are not predictors of business performance. The following were found to be predictors of business performance: success is owning a business; success is being promoted up through the ranks in business; being successful means making a lot of money; there is a duty to uphold the values and reputation of your family; starting a business means a risk of not getting past employment back; look at my own interest before considering other people; believe in belonging to a group; men dominate in material success; I feel threatened by unknown situations; if I can get employment in a company I will take it; discussion

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with employees on business matters is helpful; and enforcing rules with respect to employees helps; I believe in being tolerant, unemotional and less aggressive; and people are unequal in physical and intellectual capabilities. The rest of the factors were found to be weak predictors of business performance. Therefore, they should be excluded from the factors that predict business performance. The study conducted by Radipere (2013) found that there is a significant correlation between culture and business performance. A person’s cultural background can contribute to positive business performance. The dimension of power-distance and uncertainty avoidance influences the structure and function of the business and leads to different implicit models in people’s minds of what a business should be. National culture is accepted in the literature as a contextual parameter that affects the performance of the business (Hofstede, 2001, p. 161). An entrepreneurial culture, for example, would most likely result in better business performance.

Other authors like Sajjad et al. (2012) also see culture as shared values, norms, traditions, rules, beliefs, and anticipated behaviors of people. A good culture influences entrepreneurial intention, and ultimately, performance of the firm improves. The level of significance in respect of 16 to 25 independent variables suggests that culture should be classified as the strongest predictor of business performance. The study further suggests that scholars may need to pay greater attention to both joint and interdependent effects of performance predictors rather than relying solely on the main effects or two-way interactions.

### Limitation and future research

Owing to the localized nature of the study in Gauteng (South Africa) as well as the small sample size involved, the findings of this study cannot be generalized. This becomes a major limitation when the small sample in Gauteng only is considered in the light of the fact that there are more than 10 000 SMMEs in the country. It is suggested, therefore, that future studies could perhaps use a sample from all nine provinces in South Africa to present an overall picture of SMMEs.

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