

# DEMYSTIFYING THE MOTIVATIONS TOWARDS HYBRID ENTREPRENEURSHIP AMONG THE WORKING POPULACE IN SOUTH AFRICA

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## ABSTRACT

*The major purpose of this study was to demystify the motivations towards hybrid entrepreneurship among the working populace in South Africa. The study was quantitative in nature. A sample of 83 staff members was conveniently sought from different industries. A self-administered questionnaire was used to collect data in a survey. Descriptive statistics and T tests were statistical tools used to analyse data. Reliability was measured using the Cronbach's alpha. The descriptive results showed that the participants regard entrepreneurship highly and have high intentions to venture into hybrid entrepreneurship. The results showed that the participants are motivated mainly by both a desire to supplement income and derive non-monetary benefits. T test results showed no significant gender difference on hybrid entrepreneurship. Organisations were encouraged to support their employees through flexible policies which can motivate them to become hybrid entrepreneurs.*

**Keywords:** Staff, Determinants, Entrepreneurship, Hybrid Entrepreneurship, South Africa.

## INTRODUCTION

Entrepreneurship has been identified as a panacea to a myriad of socio-economic problems facing developing countries particularly South Africa (Phungwayo & Mogashoa, 2014). As such, it has been adopted as a key strategy to bring the much-wanted jobs globally. However, the rate of entrepreneurial growth and success is unsatisfactorily low in South Africa with a small business failure rate of between 70%-80% (Fatoki, 2014). The much disgruntled and grounded entrepreneurs cite lack of capital as a major drawback to their entrepreneurial aspirations and endeavours (Robinson, 2017). Most banks do not prefer lending to small businesses because of their high risky status, information asymmetry and lack of collateral security. This is explained by the Credit Rationing Theory by Stiglitz and Weiss (1981) which postulates that; among loan applicants, some are rejected while others secure it and that on the loan applicants, there is a certain group which because of its perceived high risky status, cannot get loan approval or can do so at a higher interest rate than other groups. Consequently, as explained by the Discouraged Borrowers' Theory by Kon and Storey (2003) most entrepreneurs in South Africa have already given up applying for funding from banks due to high credit decline rate. The few entrepreneurs who manage to source some funds often fail before reaching their first-year anniversary (Fatoki & Garwe, 2010).

Hybrid entrepreneurship can be a more creative and sustainable mode of entry into main stream entrepreneurship (Raffiee & Feng, 2014; Xi et al., 2017). As noted by The Global Entrepreneurship Monitor (GEM) report for (2016/2017), 75% of the working population in Africa are of the view that entrepreneurship is a great and sustainable career. Hybrid

entrepreneurs are a preferred group of entrepreneurship because they have the necessary resources, balanced human capital and relevant experience (Folta et al., 2010). According to Folta et al. (2010:254), hybrid entrepreneurs are: “*Individuals who engage in self-employment activity while simultaneously holding a primary job in wage work.*” For example, Steve Wozniak founded Apple while he was an engineer at Hewlett-Packard, and while Pierre Omidyar was working for a software development firm, he launched the firm that would eventually become eBay Livingston (2007) identify Steve Wozniak (Apple co-founder) and Pierre Omidyar (eBay founder) as prominent entrepreneurs who found their successful business while still working for a paid job. Additionally, a Tanzanian entrepreneur, Vida Nasari, established her successful marketing company whilst working for Coca Cola (Sotunde, 2018). Hybrid entrepreneurs can easily use their wages to fund their ideas which eliminates the funding conundrum. Furthermore, hybrid entrepreneurship allows individuals to test their idea in the market while at the same time gaining experience to run a sustainable venture (Raffiee & Feng, 2014).

Regardless of the fundamental role played by hybrid entrepreneurship, it remains indistinct as to what motivates individuals to venture into hybrid entrepreneurship (Thorgren et al., 2014). According to Thorgren et al. (2014), much emphasis has been put on the motive behind one becoming an entrepreneur with little or no effort put to understand the determinants of hybrid entrepreneurship. Countries such as the UK and Sweden are among the countries where hybrid entrepreneurship is common. However, in some countries like South Africa, hybrid entrepreneurship is still low due to lack of recognition by policy makers. Existing literature point out that hybrid entrepreneurship is still a new phenomenon in most countries and in academic research (Xi et al., 2017). As such, the authors of this study noted that there is a paucity of studies which have attempted to investigate the motivations behind hybrid entrepreneurship in South Africa. Thorgren et al. (2014) argue that lack of empirical studies on the motivations of hybrid entrepreneurship is a major setback on the theory and policy development. Therefore, this study aims to close that lacuna and contribute empirically to this new field by demystifying the motivations towards hybrid entrepreneurship in a South African context.

## **Objectives**

This study aimed to achieve the following objectives: (1) To assess whether the desire to supplement income motivates individuals to become hybrid entrepreneurs, (2) To determine whether the desire to derive non-monetary benefits motivates individuals to become hybrid entrepreneurs, (3) To evaluate whether the desire for career transition motivates individuals to become hybrid entrepreneurs, (4) To ascertain whether organizational policy motivates individuals to become hybrid entrepreneurs and (5) To determine if there are differences on hybrid entrepreneurship of the participants based on gender.

## **LITERATURE REVIEW**

### **Theoretical Framework**

This study adopted the Real Options Theory as a theoretical framework to explain hybrid entrepreneurship. The entrepreneurship career is associated with high levels of uncertainty and risk in terms of success or failure. Hence, Real options theory postulates that individuals must evaluate the options available based on the risk involved before they can invest their capital and time (Dixit & Pindyck, 1994). In this case, McGrath (1997) defines a real option as a minimal

investment made which gives the investor a probability but not an obligation to grow significantly. Majd and Pindyck (1987) underscore that investing in a real option allows an individual to gather industry information and know the market better. This allows the individual to assess the viability of the market before committing huge investments, hence, reducing risks associated with failure (Raffiee & Feng, 2014). The proponents of the real options theory suggest that the theory is applicable to hybrid entrepreneurship in that; entrepreneurship is associated with high uncertainty; hence, hybrid entrepreneurs invest minimally into the entrepreneurial venture and observe its profitability before they can invest fully (O'Brien et al., 2003; Folta et al., 2010). In explaining the applicability of real options theory to hybrid entrepreneurship, Folta et al. (2010) explicate that hybrid entrepreneurship enables individuals to test their products or ideas in the market without bearing the risk of sunk costs in terms of huge investments. Additionally, Roberts and Weitzman (1981) express that the learning benefits associated real options in the context of hybrid entrepreneurship cannot be underestimated. Raffiee and Feng (2014) underscore that the real options theory is a robust theoretical framework to explain entrepreneurial career entry options as well as the outcomes.

### **Factors Motivating Individuals to Become Hybrid Entrepreneurs**

There is a paucity of empirical studies on what motivate people to venture into hybrid entrepreneurship in existing literature (Xi et al., 2017). Thorgren et al. (2014) express that there is need for more empirical studies to investigate the motivations behind hybrid entrepreneurship. Existing literature identify; A path to supplementary income, a path to nonmonetary benefits and a path to transition as key theoretical aspects which motivate individuals to venture into hybrid entrepreneurship. This study adds to the list, organizational policy as another key determinant of hybrid entrepreneurship in organizations. These four possible determinants are critically discussed in the section below.

#### **A path to supplement income**

Existing literature indicates that most people especially those in low paying jobs opt for hybrid entrepreneurship to supplement their income (Folta et al., 2010). Generally, business is perceived to be associated with high financial rewards. Hence, Renna (2006) asserts that individuals working on low salaried jobs have high chances of becoming hybrid entrepreneurs. However, Folta et al. (2010) argue that even highly paid individuals can engage into hybrid entrepreneurship to supplement their income if there is an opportunity to do so at a minimal cost.

#### **A path to nonmonetary benefits**

As indicated by Folta et al. (2010), some individuals are drawn into hybrid entrepreneurship not just for monetary benefits but mostly for psychological benefits. In most instances, these psychological benefits may not be present in the present job, hence, an individual ends up establishing a business aside to derive such non-monetary benefits. This tallies with the explanation from Maslow's hierarchy of needs. Maslow argues that people after meeting their basic needs such as safety and money, they will be motivated by higher order needs such as self-esteem and self-actualisation which in most cases are psychological benefits. Therefore, this will force an individual to go all out to find something that can satisfy these non-monetary benefits. On the other hand, some individuals may end up pursuing hybrid

entrepreneurship in order to follow their passion (Folta et al., 2010; Thorgren et al., 2014). Due to circumstances, some individuals may decide to look for a job to quickly solve their financial needs, but later on discover that they still need to pursue something they are passionate about. In some instances, something which people are passionate about takes time for an individual to rip profits, hence, one will finally decide to pursue both the paid job and the business until it can make significant returns. Cardon et al. (2013) define passion as activities which brings meaning and a sense of fulfillment to self. A study by Thorgren et al. (2014) found that passion is directly linked to hybrid entrepreneurship.

### **A path to transition**

Hybrid entrepreneurship is usually adopted by many individuals as a transition strategy in the case where they lose their jobs. For instance, in South Africa, there has been a shift in the labour market where most companies are now preferring part time and temporary employment as compared to full time employment. This creates uncertainty in terms of career planning, hence, hybrid entrepreneurship becomes a viable and sustainable option. As asserted by Folta et al. (2010), hybrid entrepreneurship can allow individuals to accumulate relevant information which makes transitioning from a paid job to self-employment a little bit easier.

### **Organizational policy**

Organisational policy is also among the key determinants of hybrid entrepreneurship. How organisational policies are structured in terms of flexibility to support employees to be entrepreneurial have a bearing on one's proclivity to be a hybrid entrepreneur. For example, in an organization where, creativity and risk taking is encouraged and supported, the employees are likely to come up with innovative ideas and products which they may like to pursue as businesses aside of their paid job. However, some organizational policies discourage employees from pursuing other jobs or businesses (Hammarström & Nylén, 2014), which suppress hybrid entrepreneurship intentions of the employees. Marx (2011) notes that some organisations make their employees sign non-compete covenants which prohibit employees from starting their own business while working for the present company or working for the competitor. In South Africa, the government prohibits all government employees from running separate businesses aside of their government job. This can act as a barrier to employees who have an entrepreneurial mindset (Samila & Sorenson, 2011).

## **RESEARCH METHODOLOGY**

This study followed a quantitative research design as it aimed to collect and analyse numerical data. The population of the study was staff members employed in the manufacturing, service, retail, agriculture and wholesale sectors in Polokwane, South Africa. This group consists of individuals who are qualified and experienced in different field which is a rich basis to investigate hybrid entrepreneurship. A sample of 83 employees was drawn from the total population. A convenience sampling technique was used to draw the participants due to the inability to find the sampling frame. A convenience sampling technique was also used because the participants could be conveniently located which saved time. A self-administered questionnaire was used as the data collection instrument. It consisted of closed ended questions where the participants responded to a set of given answers. The questions were designed in form

of a Likert scale which ranged from strongly disagree to strongly agree. Descriptive statistics and T tests were statistical tools used to analyse data. Reliability was measured using Cronbach's alpha. Validity was ensured by aligning questionnaire questions to the topic and objectives of the study.

## RESULTS AND DISCUSSION

### Response Rate

In conducting the survey, 200 questionnaires were conveniently distributed to the targeted participants. The researcher managed to get 83 questionnaires back. The response rate was 42%.

### Reliability Analysis

Reliability shows the extent to which the measurements of a test remain consistent over repeated tests on the same subject. The alpha coefficient ranges in value from 0 to 1. The higher the score, the more reliable the generated scale is. Cooper and Schindler (2008) noted that a score of 0.7 and above is the acceptable reliability coefficient. The Cronbach's alpha was used as measure of reliability. A Cronbach's alpha of 0.81 was established showing that the questionnaire was reliable.

### Demographic Information

<b>Variables</b>	<b>Category</b>	<b>Percent %</b>
Gender	Male	59
	Female	41
Age	Below 20	0
	21-30	53
	31-40	35
	41-50	12
	Above 50	0
Level of education	Matric	18
	Diploma/degree	35
	Honours	6
	Masters	29
	Doctoral	12
Marital status	Single	71
	Married	29
	Divorced	0
	Widowed	0

Table 1 presents the demographic profiles of the participants. The results show that 59% of the participants were males while 41% were females. Considering age, most (53%) of the respondents were between 21-30 years followed by 31-40 (35%) and the remainder 12% were between 41-50 years. In terms of level of education, 18% of the respondents had matric, 35% had a degree/diploma, 6% had honours while 29% had masters and 12% had a doctoral degree. This is a good antecedent for hybrid entrepreneurship. This is consistent to the findings of Folta et al., (2010) which asserted that hybrid entrepreneurs have a balanced human capital.

Considering marital status, 71% of the participants indicated that there were single and 29% were married.

### Descriptive Statistics

To measure hybrid entrepreneurship and its determinants, Likert scale questions ranging from 1) Strongly Disagree-**SD**; 2) Disagree-**D**; 3) Neutral-**N**; 4) Agree-**A**; 5) Strongly Agree-**SA** were used.

<b>Items</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
1. I always wished to start my own business at a certain point in life.	83	1	5	4.34	1.04
2. I intend to start my own business aside of my paid job in the next 3 years.	83	1	5	4.16	0.86
3. I run a separate business aside of my paid job.	83	1	5	2.80	1.09
4. Being my own boss has always been my goal.	83	1	5	4.10	1.09
5. I have recently launched a business to test how it is to be an entrepreneur.	83	1	5	2.92	1.31
6. I have started a business to test my idea.	83	1	5	2.66	1.26
7. I enjoy the business/work combination.	83	1	5	3.64	1.29
8. I have always wanted to try something new that challenges my mind and creativity.	83	1	5	4.40	1.05
9. I was offered to become a business partner.	83	1	5	2.92	1.26
10. I have decided to start a business while working so that I can gain experience on how to run a successful business.	83	1	5	3.89	0.91

Table 2 presents the results on descriptive statistics for hybrid entrepreneurship. Considering the first item, I always wished to start my own business at a certain point in life, a high mean of 4.34,  $SD=1.04$  shows that majority of the respondents wish to run a business. Additionally, a significant number of the respondents (mean=4.16) indicated that they intend to own a business aside of the paid job in the next 3 years and a significant number as represented by a mean of 4.10 indicated that they always desired to be their own boss at a certain point in time by having something aside of their paid job which can challenge their mindset and creativity (mean=4.40). Overall, the results show that the surveyed participants show a positive attitude towards hybrid entrepreneurship. This is consistent with the findings of The Global Entrepreneurship Monitor (GEM) report for (2016/2017) which found out that 75% of the working population in Africa are of the view that entrepreneurship is a great and sustainable career.

Regardless of the positive attitude towards hybrid entrepreneurship, the results show that the surveyed participants haven't yet launched their businesses or ideas. For instance, the participants scored low on items such as; I run a separate business aside of my paid job, I have recently launched a business to test how it is to be an entrepreneur and I have started a business to test my idea with mean scores 2.80, 2.92 and 2.66 respectively. Therefore, measures have to

be put in place to convert hybrid entrepreneurship intentions into real action where the participants launch their businesses.

### T-tests

Variable	Male	Female	t statistic	Sig level
Hybrid entrepreneurship	4.39	4.26	0.53	0.60

Note: Sig level at 0.05.

Table 3 shows T test results on gender differences on hybrid entrepreneurship. The results show that males have a higher mean (4.39) as compared to females (4.26). However, the results are not statistically significant as the significance level of 0.60 is above the recommended significance level of 0.05. Therefore, it is deduced that there are no gender differences on hybrid entrepreneurship among the surveyed participants. Our results differ from the findings of Xi et al. (2017) who reported that there are gender differences on among hybrid entrepreneurs.

### Descriptive Statistics for Factors Motivating Individuals to become Hybrid Entrepreneurs

Variable	Mean	Stand deviation
A Path to Supplement Income	4.11	1.05
A Path to Nonmonetary Benefits	4.18	0.89
A Path to Transition	3.42	1.30
Organizational policy	2.83	1.19

Table 4 presents the descriptive statistics for factors motivating individuals to become hybrid entrepreneurs. As indicated by the table, the highest mean was on a path to derive non-monetary benefits mean=4.18, SD=0.89. This means that the surveyed staff members rank this as their first motive to be hybrid entrepreneurs. Non-monetary benefits included one's desire to pursue their passion or hobby. This is consistent to existing similar studies such as Folta et al. (2010). According to Folta et al. (2010), some individuals are drawn into hybrid entrepreneurship not just for monetary benefits but mostly for psychological benefits. In most instances, these psychological benefits may not be present in the present job, hence, an individual ends up establishing a business aside to derive such non-monetary benefits.

Another significant motive to become a hybrid entrepreneur was to supplement income (mean=4.11, SD=1.05). The participants agreed that they are motivated to start their own businesses aside of their paid jobs to earn an extra income. Given prevailing economic conditions in South Africa, where the cost of living has increased due to the increase in value added tax, the participants agreed that owning a business can help them financially. The findings are consistent to similar existing studies (Renna, 2006; Folta et al., 2010).

Considering, a path to transition, a mean=3.42, SD=1.30 shows that the participants are not motivated to be hybrid entrepreneurs as a career transition strategy. However, they are mainly motivated by the desire to supplement their income and to derive other psychological benefits such as fulfilling one's passion.

In terms of organisational policy, a low mean of 2.83 shows that the organizational policies are not supportive of hybrid entrepreneurship. This might be the reason why the

surveyed employees have not yet started businesses aside of their work regardless of their positive attitude towards entrepreneurship. These findings are supported by Hammarström and Nylén (2014). Their study asserts that some organizational policies discourage employees from pursuing other jobs or businesses which suppress hybrid entrepreneurship. Similarly, Marx (2011) notes that some organisations make their employees to sign non-compete covenants which prohibit employees from starting their own business while working for the present company or working for the competitor. In South Africa, since hybrid entrepreneurship is still a new phenomenon, it might be that some organisations have not yet figured the importance of redesigning their policies to promote hybrid entrepreneurship.

### **PRACTICAL IMPLICATIONS**

The study results show that hybrid entrepreneurship is highly regarded in South Africa and the working populace has exhibit high intentions to venture into business. Hence, for entrepreneurs who wish to test their ideas in the market while maintaining their paid job, hybrid entrepreneurship will be of great importance. Additionally, as explained by the Real Options Theory, this study allows the entrepreneurs in South Africa to assess the viability of the market before committing huge investments, hence, reducing the high entrepreneurial failure rate in South Africa. Hybrid entrepreneurship allows entrepreneurs to gather industry information and know the market better.

### **CONCLUSION**

The major purpose of this study was to demystify the motivations towards hybrid entrepreneurship among the working populace in South Africa. Additionally, this study was conducted to fill the gap in South Africa on hybrid entrepreneurship since no study has ever endeavoured to explore what motivates people to be hybrid entrepreneurs. The results provided compelling evidences that working populace in South Africa highly regard hybrid entrepreneurship as they intend to start their own businesses in future. Worryingly, it was discovered that most of the surveyed participants have not yet launched their businesses or test their ideas in the market. T tests results showed that there is no gender difference on hybrid entrepreneurship among the surveyed participants. This implies that either males or females can equally become hybrid entrepreneurs. Considering what motivate individuals to become hybrid entrepreneurs, the desire to supplement income and to derive non-monetary benefits such as passion were the most significant factors. A career transition strategy was not deemed necessarily a motive behind one becoming a hybrid entrepreneur. Organisational policy was identified as a hindrance other than a motivation by many as most of the policies are not supportive of hybrid entrepreneurship. The participants were encouraged to launch their businesses in the market to test the viability of their ideas while it gives them scope to learn about the industry dynamics. On the other hand, organisations were recommended to redesign their policies to accommodate and support hybrid entrepreneurs as this group can be a sustainable panacea the socio-economic conundrums facing South Africa.

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