



MAURITIUS RESEARCH COUNCIL

MOTIVATION TO ENTREPRENEURSHIP, RESOURCE UTILISATION AND ENTERPRISE PERFORMANCE

Final Report

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1. EXECUTIVE SUMMARY

Entrepreneurs are defined as those agents who know, or believe to know, investment projects with designs for specific uses of specific resources, and who can, in response to suitable incentives, initiate the implementation of such projects by taking appropriate actions — such as founding or expanding firms, creating jobs, and putting to work new technologies.

Economic progress is achieved when entrepreneurs are able to use available resources to generate employment and capital accumulation. Entrepreneurs are self-selected, not all of the self-selected entrepreneurs, can be expected to be able to efficiently employ resources. Many of them may definitely be unsuitable, in spite of their believing the opposite. As it is neither possible nor desirable that to have some kind of pre-selection of entrepreneurs, the question to policy makers and supporting institutions is rather about focusing on ways and means on the one hand, to enhance the capacity of entrepreneurs to make the most optimum use of available resources and on the other to ensure that resources available most efficiently meet the needs of entrepreneurs.

The study undertaken indicates that Mauritian entrepreneurs are strongly motivated, relatively weak in management and that there is serious dysfunction between entrepreneurs and resource providing institutions.

Profit is not the main motivation for Mauritians to become entrepreneurs, but a high degree of self esteem and need for achievement in the field they have chosen. The majority became entrepreneurs not because they were driven by external circumstances, but as a result of their own determination. They are driven by the spirit of hard work, and are even not deterred by a situation where they are not able to draw an adequate salary for themselves. This spirit of sacrifice and the consciousness that entrepreneurship is not equivalent of quick immediate gains is a very good basis for further growth. It shows that SMEs are eager to absorb the support extended to them and translate it into higher performance.

Markedly the results of the survey brings out clearly that the lowest percentage of well performing entrepreneurs was among those who took up entrepreneurship as a “pis aller” or were motivated by families or friends. Professional background did not appear to be a determinant in the good performance of entrepreneurs, neither was initial investment or gender.

Entrepreneurs tend however to over emphasise their personal qualities as explanation for the success of their enterprises, and under estimate managerial capabilities. Indeed the survey confirmed the views of most Resource Providing Institutions that the majority of entrepreneurs (60%) get into business without undertaking a proper feasibility.

Respondents were remarkably honest in rating their own strengths and weaknesses. On the positive side, Mauritian entrepreneurs in SME see themselves as being customer centred and flexible to satisfy customer needs, they are eager to know that their customers are satisfied with the quality of the products and services they offer. They are good leaders by the example of their hard work and commitment even during difficult times. They place equal emphasis on their relationship with their employees, it is important for them to know that the employees like to work for them and are prepared to amend their ways to ensure good employee/employer

relationship. The contradiction is here again highlighted when one notes that few among them pay any attention to training, many do not even realise that they are contributing a training levy, and when considering plans for the future, only 8.2% considered training as an objective.

Further on the downside, serious management capability shortcomings can be noted. Systematic planning is a relative weak area; use of adequate tools for financial management is clearly weak as is proper management methods generally. They are more production oriented, and less sales oriented. This more than the intrinsic competitiveness of their products might explain why 66% sell only on the local market and when asked whether they were considering exporting, only 38% responded positively.

Entrepreneurs are not complacent; they have set their objectives quite high. About 60% want to expand their business. Only 75% of those surveyed felt that their expectations had been only partly fulfilled, and were therefore looking at ways and means to enhance the future of their enterprises. Interestingly the majority focussed on management objectives, with 38% considering a re-engineering of their business, 31% looking into strategies to enhance competitiveness and 25% at diversification of the existing product range.

The ongoing SME Challenge program is going a long way through its Flash Diagnosis exercise in raising awareness of entrepreneurs about their shortcomings. There is clearly a dysfunction between Resource Providing Institutions and entrepreneurs. It is noteworthy that none of the RPIs has ever carried out a customer satisfaction and customer needs survey. There are a number of RPIs providing a range of financial and other support services, but none capable of accompanying the entrepreneurs in his or her initial steps to set up business. The RPIs themselves rates as rather "fair" or "poor" the quality of counselling and extension services provided to SMEs.

The study also raises concern as whether there is a slowing down in enterprise creation during the last ten years, and whether the interest of young Mauritians in starting their own enterprise dwindling? Both the survey carried out under this study and that of Jenders in 2000 seem to point to this conclusion, only between 15 to 17 percent of enterprises were founded during last five years and it is also notable that only 11.6% of entrepreneurs were aged less than 35 years. This unfortunately cannot be confirmed or denied by official statistics as no recent survey of Small Establishments and Itinerant Units has been carried out by the CSO to allow for comparison with the last one done in 1997.

Both our survey and that of Jenders also indicate that there has not been a significant increase in the proportion of women entrepreneurs, which is about 20%.

This study was rendered possible by the support of the Mauritius Research Council. Gilles D. Joomun, Tara Deelchand and Shveta Henrage were the three research assistants who carried out the fieldwork while Kentish Curpen did most of the data entry. We also wish to acknowledge the contribution of Mrs. V. Radhay, sociologist who helped in the preparation of the survey questionnaire. Finally our gratitude goes to all the entrepreneurs who agreed to give their time to meet with the research assistants and answer the questionnaire.

2. INTRODUCTION

Objective Of The Study

We must have an enterprise culture, not a dependency culture.
Lord Young¹

The original objective of this research was to study whether the initial motivation to become entrepreneur has an impact on enterprise performance objectives and achievements. In consultation with the Mauritius Research Council it was agreed that the study would also evaluate the resource providing institutions, and the use of public resources by entrepreneurs to know if such support is used by entrepreneurs to further develop their enterprises and therefore become more performing.

While it is perceived that public support seems to be overly supply-oriented providing multiple resources in terms of financial incentives for the acquisition of material and human capital, empirical observation by the agencies concerned and on the ground indicate no commensurate development of the enterprises by entrepreneurs.

Entrepreneurship fulfils various functions in a developing economy. One is that of employment creation. Another however is about the dynamism it brings to the economy in terms of opening up of new production, challenges to existing establishment thus forcing all to more competitiveness.

While few would disagree with the proposition that resource acquisition is central to the creation and expansion of entrepreneurial activities, little consideration has been given to the determining factors that cause entrepreneurs to acquire or not acquire such resources, and make the most optimum use of the available resources.

The research undertaken attempts to challenge the ordinary way of thinking about this problem by refocusing the debate away from resource and financial capital arguments and more toward understanding how entrepreneurs recognize entrepreneurial opportunities and acquire the resources to bring the firm to fruition provides a more fruitful starting point for attempting to uncover differences in firm type, formation, management, and strategy between entrepreneurial actors.

What firms do is determined by the daring of their decision makers, as well as by their environment. Whether an entrepreneurial effort will succeed or fail is only partly determined by environmental factors. A basic constraint is the effectiveness of entrepreneurship. The strength of entrepreneurship in responding to profit opportunities determines the rate at which accumulation and growth will happen.

Mauritius is fully embarked onto full-scale integration in the global economy. The terms and conditions of its agreement to WTO provisions, the eight years period now imposed for Mauritius to develop reciprocal preference trade relations with the European Union, the implications of the SADC trade protocol, and COMESA FTA imply serious opportunities and challenges to the furtherance of development and growth of the Mauritian economy.

¹ As cited in Bridge, O'Neill & Cromie, 1998:3

These challenges are fully recognised by the state, which while it fully assumes its role as facilitator and resource provider, rest on entrepreneurs to meet the threats and challenges. In 1997, Mauritius had 25,000 Small establishments and Itinerant units employing 67,510 workers. 2,794 of the SMEs were in the manufacturing sector. The textiles and clothing sector has a large number of SMEs contributing to employment and gross output of that sector.

The Mauritian state has clearly indicated the primacy of SMEs as one of the lead sector for development. In its Vision 2020 - The National Long-Term Perspective Study Vol II, the Mauritian Government clearly stated:

" The small and medium sized manufacturing enterprises sector has played an important role in nurturing innovations and entrepreneurial talent in a number of countries. Moreover the spread of skill and information intensive industries with low labour content will favour small units of production and the dividing line between the informal and the formal sector is likely to get blurred. Consequently the existing policy of encouraging and supporting the development of small enterprises is in the right direction and may be strengthened"

It is however regrettable that in contradiction with the above, the portfolio of SMEs has often in the past changed the ministry responsible, sometimes relegated to a mere appendage to one.

It is being empirically observed by many that one of the problems that Mauritius is facing at the beginning of this new century is a deficiency in entrepreneurship. Actually a recent study by Jenders (2000) highlighted that while entrepreneurship has acquired social approval and respectability in the country and that Mauritian entrepreneurs are quite motivated, he noted the diminishing enthusiasm of the Mauritian youth to become entrepreneurs.

The urgent need for dynamic entrepreneurship to support the continued economic development of Mauritius raises interesting questions, including "What are the processes by which new ventures are formed?" and " After founding, what factors influence the subsequent performance of new firms?" The question is whether or not it is possible to foster the growth of entrepreneurs and which government policies should be adopted to support entrepreneurs and entrepreneurial businesses.

3. METHODOLOGY

The study was done through:

1. A review of earlier studies on the question of entrepreneurship and motivation.
2. A survey of 15 Resource Providing Institutions (RPIs) by way of a questionnaire and direct interviews.
3. A survey of 86 SMEs and entrepreneurs by way of a questionnaire and interviews of all the entrepreneurs.

3.1 The Literature Review

A review of existing studies on entrepreneurship and SMEs in Mauritius was carried out. It was noted that there was not much research done on the characteristics of entrepreneurs in Mauritius, their motivation and relationship to performance.

The broader view and approach to the question of entrepreneurship, motivation and performance was researched through numerous books and papers. The most notable of such works is obviously that of David McClelland who has related motivation and economic growth in his book "The Achieving Society" (1961). In the course of the study, it was discovered that the same preoccupation had motivated similar research in the USA and in Japan.

The Japan Small Business Research Institute conducted a study in 1995 the result of which was published under the title *"Entrepreneurialism in Small Businesses, Entrepreneurs and their Philosophies"*.

3.2 Survey Of Resource Providing Institutions

Fifteen Resource Providing Institutions (RPIs) were surveyed through both a questionnaire and personal interviews. 12 out of the fifteen RPIs responded to our survey.

3.3 Survey Of SMEs

The survey of the SMEs was carried out by making use of the targeted category of enterprises provided by SMIDO. The sampling was made based on a census on Small and Medium Enterprises - 1997 Collection of Statistics of Economic Activities Phase 1- Small establishments and itinerant units carried out by the Central Statistical Office.

Apart from geographical distribution, other factors were taken into consideration in doing the sampling, namely, the gender distribution and the sectors of activity. This sampling was partly carried out using a list provided by SMIDO of all SMEs, which are registered with them.

However, the number of enterprises that had to be surveyed had to be reduced due to the fact that a number of them have shut down and many entrepreneurs were reluctant to answer the questions. As a result, we have interviewed 86 enterprises.

Table 1 below gives more information about the geographical distribution, the gender distribution and the sectors to which these SMEs belong.

Categories	Urban	Rural	Male	Female	Total
Food and Beverages	7	5	8	4	12
Leather and Garments	10	8	12	6	18
Wood and Furniture	9	3	11	1	12
Paper Products and Printing	10	0	7	3	10
Chemical, Rubber & Plastic	6	4	8	2	10
Jewelry and related items	5	2	6	1	7
Fabricated Metal	5	4	6	3	9
Others	6	2	8	0	8
Total	58	28	66	20	86

This questionnaire used to carry out the survey included questions pertaining to

- a. the enterprise profile,
- b. the entrepreneur's profile,
- c. the channels used to procure information about setting up of enterprise,
- d. the enterprise performance and
- e. the motivation of the entrepreneur.

Three research assistants carried out the survey from March 2001 to September 2001. This exercise proved to be quite time consuming due to constraints inherent to small and medium entrepreneurs.

4. EARLIER STUDIES OF ENTREPRENEURIALISM

The entrepreneurial feature may be viewed as something which comes from a person's ability to act as an entrepreneur and from one's individual character and personality, with all of these factors interacting together and contributing to the creation of an entrepreneur.

A number of different studies have already been performed in the United States and Europe on entrepreneurship and the characteristics of entrepreneurs, one example of which may be seen in research performed by R. H. Brockhaus, where the results of his research may be summed up by saying that the salient features of the entrepreneurial spirit consist of a "strong drive to achieve", "having experienced circumstances in which one has control over one's environment", and "a tendency to take risks".

In Japan, research been performed by Ryuei Shimizu, Shigeo Momose, Tadao Kiyonari, and other scholars on the questions of what can be held to characterize entrepreneurs and entrepreneurship. The results of these studies may be summarized briefly as concluding that entrepreneurs may be said to be men who are innovative, ambitious, possess a strong feeling of mission, and fiercely independent in spirit.

Achievement motivation has been singled out as the most prevalent theory of entrepreneurship (Johnson, 1990). The concept of Need for Achievement was originated by Henry Murray in 1938. Murray measured nAch with the Thematic Apperception test, where a subject writes a short story about a picture. (Graham, 1994).

Achievement motivation was studied extensively by David McClelland and his associates, who believed that needs are learned and therefore culturally, not biologically, determined. Individuals with a high level of nAch exhibit a strong desire to assume personal responsibility, to set and meet moderately difficult goals, and to receive performance feedback. McClelland believed that nAch was critical to economic development and advocated providing developing countries with achievement training rather than financial assistance (Cherrington, 1994). McClelland's conclusion, that culture determines the creation of new businesses, may have helped to shut down economic development projects in the inner city and in third world countries (Carney, 1995).

In *The Achieving Society* (1961), McClelland reviews a prodigious number of theories on achievement and entrepreneurship, discussing at length sources and effects of nAch in different cultures across space and time. Throughout, however, McClelland tends not to question the assumption that achievement needs are expressed through venture creation, and he appears to minimize the extent to which this drive might be fulfilled in other ways.

McClelland's work on need achievement found nAch to be a key factor in entrepreneurship. Moreover, McClelland concluded that the relationship between nAch and entrepreneurship meant that nAch was essential to economic development, and that any country that wished to accelerate economic progress

should be interested in raising levels of need for achievement within its borders (McClelland, 1961).

McClelland's work has attracted some criticism (e.g., Frey, 1984). The debate on nAch is far from settled. Some research indicates that entrepreneurs have significantly higher need for achievement than do non-entrepreneurs; other research finds no connection between achievement motivation and business venturing.

Many different studies do support the existence of a positive relationship between nAch and entrepreneurship. In a study of entrepreneurs in New England and rural Florida, need for achievement was one trait that differentiated founders and nonfounders. (Babb and Babb, 1992). An Indonesian study found achievement motivation to be one of seven important factors in the choice of an entrepreneurial career. The other six were innovative/creative imitation ability, business vision, technical knowledge and skills, organizing skills, perseverance, and environment (Rissal, 1992). A study of Indian and U.S. entrepreneurs indicated that U.S. entrepreneurs scored higher on achievement than U.S. non-entrepreneurs (Stimpson, Narayanan, and Shanthakumar, 1993).

In contrast to the above findings, there is research which does not demonstrate any correlation between achievement motivation and entrepreneurial activity. Subjects from a secondary-level entrepreneur program in the United Kingdom, the Young Enterprise group, demonstrated a more internal locus of control and a stronger belief in hard work than a non-entrepreneur sample, but no difference was found between the groups on need for achievement (Bonnett and Furnham, 1991). Chell, Haworth, and Brearley maintain that although need for achievement may have some limited value in predicting entrepreneurship in the United Kingdom, high achievers in this society have traditionally been tapped for prestigious government positions (1991).

Some studies have found need for achievement to be typical of entrepreneurs, but have not measured the entrepreneurs in the sample against non-entrepreneurs. Hisrich (1986) compared women entrepreneurs from the US and Ireland. He found certain inherent characteristics in both samples. Both groups of women were well educated, energetic, and motivated by achievement. Similarly, a qualitative study of six female entrepreneurs that had left corporate jobs found that achievement/success was the entrepreneurs' predominant value. (Jacobson, 1993). Another study of 18 women entrepreneurs found that the subjects matched McClelland's profile of the successful, achievement-motivated entrepreneur (Wells, 1994).

McClelland deduced through his research that Entrepreneurial Behaviour is characterised principally by:

1. Moderate risk taking
2. Energetic and/or novel instrumental activity
3. Individual responsibility
4. Knowledge of results of actions
5. Long Range Planning and Organisational Abilities

Moderate risk taker

Most theorists agree that entrepreneurship can be equated with risk taking. It involves taking decisions in situations of uncertainty. McClelland believes that businesspersons take calculated risks. He argues that an entrepreneur would be less involved in games of chance like gambling and would prefer games of skills. The entrepreneur having a high level of *nAch* will automatically look for situations where there are moderate levels of uncertainty to thrive.

Innovator

The entrepreneur is also an innovator according to McClelland. His/her high level of *nAch* coupled with a high level of activity leads him/her to look for new ideas and to be very optimistic.

Individual responsibility

McClelland also believes that entrepreneurship involves a strong sense of individual responsibility. The entrepreneur is involved in decision-making and has the responsibility to take the best decision so that there is a sense of personal achievement. This sense of personal achievement is very important for people with high level of *nAch*.

Knowledge of results of action

A person with a high *nAch* will perform better as an entrepreneur if he/she gets feedback about how well he/she is doing. Feedback or knowledge of the results of one's action is important for the high achiever, as he/she needs to know the risks he/she is taking and also the uncertainties ahead. In that respect, doing something according to the rules of best practice is not enough. The knowledge of the results also is essential, as the entrepreneur might need to reorient him/herself and take new decisions to be more successful.

Long range planner and organisational abilities

The entrepreneur is a long-range planner because he/she must have a good intuition of what can happen in the future. He/she should be able to think ahead and this is a particular trait of people with high level of *nAch*. The high *nAch* entrepreneur is more inclined to be able to find the right target.

4.1 Sources of *nAch*

McClelland states that various factors are related to the level *nAch*. These are considered by some psychologists as being the intrinsic or extrinsic sources of *nAch*.

One relates to the social environment. A more analytical version of environment theories would assert that challenges from without can arouse achievement motivation in people. *A popular explanation for why a people show the energy*

characteristic of high n Achievement is that they have somehow been subordinated or discriminated against.

McClelland however is of the view that the response to subordination depends on the initial level of achievement motivation in the group. He concludes that degree of challenge from the environment is an important determinant of aroused achievement motivation, but its effect is greatly influenced by initial levels of n Achievement.

4.1.1 Parent-child interaction

Research on intrinsic determinants of *nAch* have generally concentrated on the role of the family. In that respect the role of parents in determining the level of *nAch* of their children has been analysed by various researchers. Various studies have shown that effective child rearing that is setting standards of excellence and minimum interference in the child endeavours amongst others leads children to become high achievers.

4.1.2 Occupational status – socio-economic status of parent

This is considered to be an important determinant of *nAch*. Studies show that middle-class children have higher *nAch* than lower class children. Middle-class families tend to work and focus on long-range goals. Children from this social class are conditioned to work for “delayed rewards”. However, lower-class children work for more short-term goals, looking for immediate financial rewards. In that respect, the middle-class children are more prone to show the various characteristics of high *nAch* individuals. They have a capacity to plan, to be well organized and will take calculated risks.

Bridge et al. (1998:25) state that “the word ‘enterprise’ is also used to mean a unit of business, the processes of business start-up, and the process of being in business and of business growth and development. It is a form of behaviour devoted to the successful development of business.”

Table 1 Entrepreneurial or enterprising attributes

-
- Initiative
 - Strong persuasive powers
 - Moderate rather than high risk-taking
 - Flexibility
 - Creativity
 - Independence/ autonomy
 - Problem-solving ability
 - Need for achievement
 - Imagination
 - High belief in control of one’s own destiny
 - Leadership
 - Hard Work
-

Source: A. A. Gibb, ‘Enterprise Culture – Its Meaning and Implications for Education and Training’ (1987:6)²

² Cited by Bridge et al. (1998:27)

According to Drucker (1986), entrepreneurship is the effort to create purposeful, focused change in a firm's economic or social potential plus the application of distinct entrepreneurial strategies and management. It can be driven by the motivations of individuals, who are seeking to satisfy their personal goals (Fass & Scothorne, 1990).

One of the reasons put forward to explain why people enter into entrepreneurship is that such persons are in fact 'buying' personal independence and control through the process of new venture creation. In this respect, entrepreneurship may be seen as an aspect of the theory of choice (Raid and Jacobsen, 1988).

Personality theories of entrepreneurship focus on the personality of the individuals as the determinant of their actions. **McKenna** (1987)³ points out that traits can relate to motives, temperament, style and ability. Bridge et al. (1998:43) have argued that entrepreneurs are characterised by their ability and preference to take risks.

According to **Timmons** (1994), entrepreneurs are ambitious individuals with a strong passion to achieve. They are highly proactive and respond to challenges with enthusiasm, self-confidence and the determination that they have the potential to excel-to win. This motivation is driven by a need to achieve a combination of personal and economic goals. Thus, in addition to business profitability, many measure their success by the degree to which an inner sense of achievement has been satisfied. As businesspersons, entrepreneurs are both goal and result oriented, setting ambitions but realistically do-able goals.

The 'Social influences' model is considered to be useful in that it situates individual within their social contexts, working through personal transitions to satisfy their changing goals, needs and ambitions at particular points in the life cycle.

Table 4 Influences that are generally associated with the social development model of entrepreneurship behaviour.

Availability of appropriate role models
Career experience over life cycle
Deprived social upbringing
Family position
Inheritance of entrepreneurial tradition
Level of educational attainment
Positive/negative peer influence
Social marginality
Uncomfortable with large bureaucratic organizations

Sources: Collins & Moore (1964), Chell et al. (1991), Timmons (1994), Deakins (1996)

³ McKenna E. F. M., 1987, London, Psychology in Business. Lawrence Erlbaum. Cited in Bridge et al. (1998:42)

4.2 Studies on SMEs in Mauritius

Small and medium enterprises, small entrepreneurs and entrepreneurship in Mauritius, have not been the subject of much research. Studies on motivation barely exist except for three studies namely, **Anita Ramgutty-Wong** (1991), **Jenders** (2000) and **Wignaraja & O'Neil** (1999).

Anita Ramgutty-Wong (1991) did a focused study on the “haute couture” enterprises in Mauritius where she brought out the salient features of the entrepreneurs involved in those operations, their motivations, levels of competence and innovation. The study reinforced the view that entrepreneurship in that industry was beyond the level needed to ensure competitiveness and rapid growth. According to her, “A general dullness was seen to prevail in this industry, characterised by a total lack of competitiveness within existing firms, of marketing effort, of management and of dynamism.”⁴(). The author continues by highlighting the fact that lack of competition and abundant demands has eroded the competitive spirit of the entrepreneurs, stating that “Therefore, the full-capacity situation has made couturiers into a self-satisfied, dull lot...”⁵ ().

One of the most comprehensive descriptions of the entrepreneurs and SMEs of Mauritius is the study by **Jenders** (2000) where he discusses the background and the operational aspect of small and medium enterprises.

Jenders notes that “SMEs in Mauritius are mainly family businesses, meant to provide long term security and income to the family. They are often run jointly by 2 brothers or managed by one family member on behalf of the others. Partnerships outside the family are very rare. In general, the owners are satisfied the way the business has been going.” The same author goes on to add that “... little has happened in enterprise creation during the last ten years, and that the interest of young Mauritians in starting their own enterprise is too little accentuated.”⁶

Regarding the motivational factors to entrepreneurs in Mauritius, he points to the fact that “An entrepreneur enjoys an increasingly high social status in Mauritius, a formidable encouragement for others to become self-employed and join the sector”⁷. Jenders adds that “**Profit is not the main motivation of Mauritian entrepreneurs, but a high level of achievement in the field they have chosen.**”⁸ and that “Mauritian entrepreneurs in SME see themselves as flexible to satisfy customer needs and as being creative. They point out the high professional level they have achieved, and the quality of the products and service they offer. They are self-confident, good negotiators and good leaders, able to motivate their staff. “ Still according to the same author, “The mottoes of SMEs are mainly about quality, customer satisfaction and a passion for being the best ones in the field.”⁹

According to **Wignaraja & O'Neil** (1999), the lack of a competitive business spirit in the Mauritian SMEs is caused by the relative isolation of the country and the *absence of a global mindset* among the entrepreneurs. The owner-managers are unwilling to adapt to new ideas, to innovate and to take risks – all of these being in themselves prerequisites in the changing global business scenario. Thus, “Mauritius’ small size,

⁴ Ramgutty-Wong, A. 1991 p 53

⁵ Ramgutty-Wong, A., 1991:55

⁶ Jenders, 2000 p. 2

⁷ Jenders, 2000 p. 7

⁸ Jenders, 2000 p. 10

⁹ Jenders, 2000 p.10

together with its geographical and cultural limitations, make it difficult for people who have rarely left the island to develop this mindset (global mindset). .. exposure to international influences is a significant factor in developing differentiated propositions. We contend that where the owner-manager has had extensive contact with other societies, he or she is better able to develop a successful exporting business. Of the companies we observed those with the highest level of exports, owner-managers had lived abroad, studied in Europe or the US, or, in one case, travelled extensively.”¹⁰

Surprisingly, there has been no important research on motivational aspects that could correlate motivation, innovation and social factors, apart from the assertion of Wignaraja & O’Neil that those having spent many years abroad had an edge over the entrepreneurs having stayed in Mauritius only.

4.3 Other Studies

Most of the other available literature focuses on the business environment of small business and on the roles of supporting organisations as well as their performance in meeting their goals. In the past few years, the changing business environment has prompted the government to amplify its attention on the SMEs and has consequently led to more interest on these issues from the academia.

A recent study by **De Chazal Du Mée & SMIDO** (1998) focused on the operational aspects of the SMEs and placed more emphasis on recommendations to improve their functioning. **Subirsen Ramburrun** (1991), on the other hand, has explored the issues of motivation, need for achievement and entrepreneurship but has not placed them in a Mauritian context.

Dubois (1996) has elaborated on the level of technology employed in Mauritian SMEs, the attitude of the entrepreneurs to technological change and innovation. He notes that the existing technology awareness among business owner/ managers is not sufficient to enable the economy to adapt to current developments in the international scene.

Lall & Wignaraja (1998) have studied the export competitiveness and potential of the Mauritian economy and have included the SMEs in their study. Their observations about the general level of competence in the economy applies to the SMEs as well. One of the most relevant areas of their discussions, the training level of labour, is an indication of the outcome of entrepreneurial endeavours. The authors underline that “the base of literate and trainable manpower that drove its (of Mauritius) early expansion is not adequate to cope with the needs of technologically sophisticated, flexible and design-intensive export activities in the future. Many of the modern information skills needed are not provided by the training system.” and that “SMEs spend the least on human capital.”¹¹ (Lall & Wignaraja 1998:152).

¹⁰ Wignaraja & O’Neil, 1999 p 54

¹¹ Lall & Wignaraja 1998 p. 152

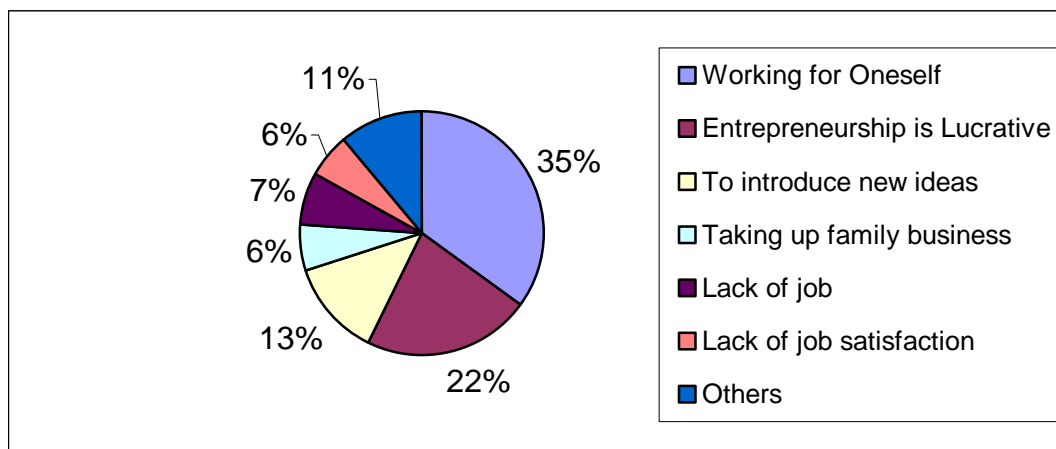
5. WHY DO PEOPLE BECOME ENTREPRENEURS?

The factors that lead people to become entrepreneurs can be quite varied. While some are driven by their need for achievement or the wish to fully benefit from the fruits of their labour, others are thrown into it by circumstances, namely when they have to take up family business, or as a last resort option because they cannot find a job that gives them the satisfaction they are looking for. A survey carried out by the Japan Small Business Research Institute in 1995 revealed that 16% went into entrepreneurship because of 'disagreement with managers in former company', and 8% acted on suggestion of a client or an employer. Another study entitled 'Risk Entrepreneurship and Human Capital Accumulation' done in July 1997 by Murat F. lyigun and Ann L. Owen for the Federal Reserve System in the U.S, demonstrate that as an economy develops, individuals tend to invest more into the development of professional skills than entrepreneur human capital.

5.1 Initial Motivation Of Mauritian Entrepreneurs

The majority of respondents, 69.8%, took a determined decision to become entrepreneurs, only a minority of 12.8% opted for that path as a resort from difficulty to finding a job or lack of satisfaction from a previous job.

Table 2 -



- 34.9% of the respondents decided to set up their own enterprise, as they preferred working for themselves.
- 22.1% of the respondents found the idea of setting their own enterprise as lucrative.
- 12.8% wanted to introduce a new idea.
- 7% was due to lack of job,
- 6% had to take up the family business, and
- 5.8% opted to set up their own business because of lack of incentives in previous jobs.

A closer look at the results of the survey reveals that the business philosophies of the entrepreneurs may be characterised as follows:

A high degree of Self-esteem and Need for achievement - hard work and the need to achieve what they want has been expressed by **82.6%** of the respondents. They do not give up easily even if things do not go their way. They persevere in their enterprise. **69.8%** argue that they would not give up even if things were not going the way they would like.

However, **43%** of respondents confessed that they are very disappointed if they do not achieve something they wanted to while only **30.2%** would not be affected if they were unable to achieve one of their set targets.

As mentioned before also, **75.9%** of the entrepreneurs would prefer working for themselves than for someone else as it gives them personal satisfaction.

Furthermore, even if the enterprise is not doing so well to pay them an adequate salary, the entrepreneurs indicated they would not be too worried.

48.8 % of those interviewed believe that an adequate salary for them is not a priority. Only **23.3%** think that it is a problem if they cannot ensure getting a good salary.

Moderate risk takers: **44.2%** of the entrepreneurs interviewed are moderate risk takers. On the other end **37.2%** can be considered as high-risk takers. The moderate risk takers are willing to introduce a new product on the market but are nonetheless apprehensive. However, they are willing to take risks as far as their ideas and products are concerned in order to be competitive and acquire a market first before someone else comes up with a new product.

Opinion is divided over undertaking risky ventures: **33.7%** would avoid doing things that are risky while **31.4%** are not afraid of risks. The remaining **34.9%** would not always take risks but are sometimes prepared to do so.

65.2% of interviewees evaluate the future risks involved before getting themselves into other activities.

Moreover, there is further evidence that they are not willing to undertake risks as far as payments from clients are concerned. **55.8%** of entrepreneurs believe that they will only take an order if they know that the client will be able to pay regardless of the size of the order.

Belief in the control of one's destiny – **43%** of the entrepreneurs interviewed believe that they are in control of their destiny. They do not believe that their life is controlled by accidental happenings. They take their own decisions by calculating the risks involved. **37.2%** believe that in some cases they do not have total control on the way things go.

5.2 Choice Of Field Of Activity

The choice of field of activity in which the entrepreneurs would launch themselves is mainly determined (**41.8%** of respondents) by prior knowledge they have of the activity through exposure or training. As such, they thought that less know-how was required to run the business as confirmed by **38.5%** of the answers.

Small entrepreneurs will start a business activity in a specific field as they feel strongly for and like what they produce (**32.5%** of the respondents). The types and

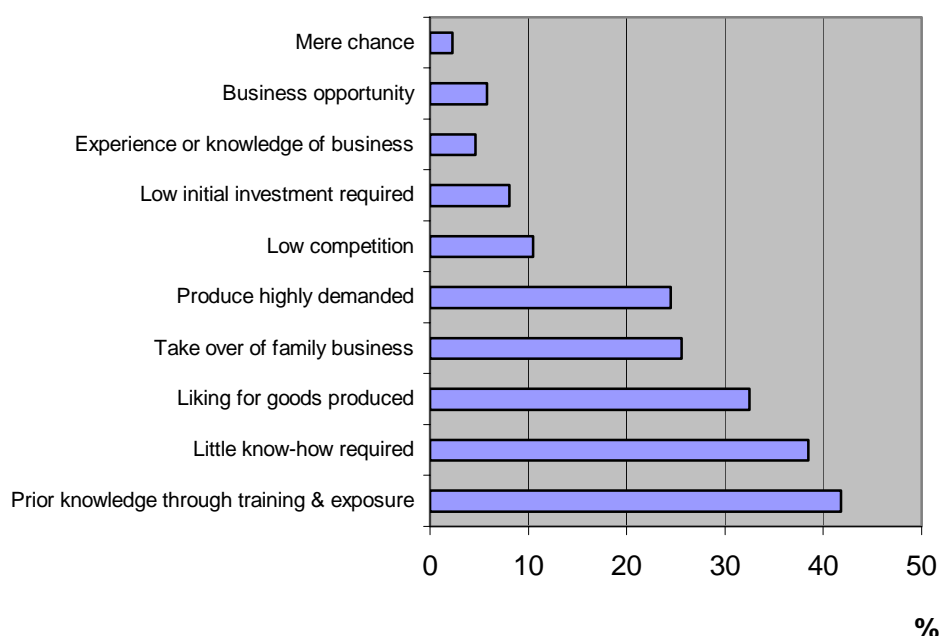
varieties of goods manufactured that we came across during our survey differentiates a lot to what bigger enterprise manufacture in originality and satisfaction gained.

The field of activity in which the entrepreneur engages was not always determined by the latter, it was only about taking over the family business. Out of the 86 SMEs that we interviewed more than a quarter of them (25.6%) were in this case. Sometimes they would say that they were in some way not “true entrepreneurs” as they have inherited the enterprises. Other entrepreneurs (1.2%) would talk of parental advice.

For 24.5% of the entrepreneurs, the choice was primarily market driven. They believed, but rarely tested whether there was really a high demand for their products or the type of goods that they manufactured. Some (3.5%) would talk of launching a new product on the market.

Table 3

Reasons to choose field of activity



10.5% of them said that they choose their field of activity on the basis that there was little competition for their type of goods they manufactured.

Low initial investment was the determining factor that motivated 8.1% of the entrepreneurs to choose their particular field of activity.

For 4.6% of the interviewees, their motivation to choose their field of activity can be attributed to experience or knowledge, 1.2% had knowledge in exports and contacts. These factors facilitate the entrepreneur to undertake a particular field of activity, thus explaining their motivation drive.

5.8% of the respondents admitted that the opportunity to launch themselves in the field of activity that they chose was there, while 2.3% said that they launched themselves by mere chance.

5.3 Managerial Attributes

During the course of our survey, entrepreneurs have revealed various characteristics which are related to those put forward by Mc McClelland that determine the motivation and performance of entrepreneurs. These characteristics can be summarized as follows:

Hard work emerges as an important characteristic that entrepreneurs have given. Indeed **82.6%** of them believe that their motivation drives them to work hard. They do not hesitate to dedicate themselves or toil in their own enterprise.

However, it is also noticed that the number of entrepreneurs who agree that perseverance is an important characteristic is relatively less to those who voted for hard work.

A consequent number of entrepreneurs are quite versatile. They have the ability to adapt to changes in their environment- external and internal. Thus, they tend to diverge from what they have initially set out to do.

Ego - Entrepreneurs like to boost their ego. **79.1%** feel that it is important for them to know that their employees like to work for them. Besides, they even try to amend their ways and improve employer v/s employees' relationships. This philosophy is considered to be very common in small business where the business is viewed as a family like organization.

Customer centered - **94.2%** of entrepreneurs place great emphasis on customer care and service - which is an important attribute for success and performance, especially in cutthroat competition. The fact of learning whether the customer is satisfied with the products enables the entrepreneur to improve the quality and service; and after sales services, and so on. Indeed with close contacts with customers and their high degree of flexibility provide small enterprises greater capacity to respond to changing needs.

5.3.1 Leadership – team work

77.9% of entrepreneurs think they should never lose control on their business so as to ascertain that the tasks are being accomplished the way they want.

37.2 % of entrepreneurs prefer to be on their own from time to time while **30.2 %** do not like to be left alone and prefer to work as a team.

Besides, when problems crop up, most entrepreneurs prefer dealing with them themselves instead of having others deal with them. **72.1%** of them attend to the problems themselves while only **3.5%** would let others deal with the problems.

Entrepreneurs also show that while they were undertaking the role of a leader, they do not hesitate to delegate certain responsibilities to others. **45.3%** of them believe in delegation of work while only **23%** are reluctant to delegate. The remaining **26.7%** are willing to delegate at times.

5.3.2 Knowledge of results of actions- forecasting- planning

Only **66.3%** of entrepreneurs try to forecast problems before they occur. The other **33.7%** navigate at sight and rely on their flair and strong beliefs in their intrinsic competence to solve problems when they occur.

When it comes to managerial skills and to planning capacity of entrepreneurs, it can be argued that entrepreneurs are quite divided about how they deal with uncertainties. Only **29.1%** of those interviewed completely disagree with the statement that “it is rarely wise to plan too far ahead because there are so many uncertainties in life.” **37.2%** agree that at times this statement can prove to be true.

23.3% of the respondents say that they move forward with their projects despite the uncertainties. However, **41.9%** are not totally convinced that they would not pay attention to uncertainties before taking a decision.

The attitude whereby entrepreneurs puts a high value to their personal attributes rather than real management capabilities in the conduct of the affairs of their enterprise is reflected also in the fact that 59.4% indicated that the factor behind the good performance of their enterprise was ‘their personal qualities’.

6. PROFILE OF ENTREPRENEURS SHOWING PERFORMANCE PROGRESS

44% of the enterprises surveyed showed progress in performance as measured by growing turnover over the past three years. Indeed, one could note that while the number of enterprises achieving a turnover between Rs 0.5 – 1.0 million remained stable over the three years, and similarly forty achieved Rs 1.0 – 10.0 million over the same period, the number reaching above Rs 10.0 million increased from 8 to 12.

Sector wise, the survey brought out that the garment and leather sector recorded the lowest level of growth (28%), while 70% of enterprises in the chemical sector showed growth in turnover over last three years, followed by enterprises in Food and Beverages sector (58%) and those of the Jewellery sector (57%).

There was no marked gender difference among the performing entrepreneurs – 47% were male and 35% female entrepreneurs.

Initial investment also did not appear to be a determining factor. While it is true that 60% of the performing enterprises had an initial investment of Rs 1.0 million, it is notable that 54% of cases having less than Rs 10,000 initial investment were recording growth in turnover.

Neither did professional background appear to be a meaningful indicator for good performance. Indeed, only 19% of the entrepreneurs coming from a Senior Official or managerial background had performing enterprises, a figure that put them almost at par with entrepreneurs having previously been craft and related trade workers or those who had been service sector workers. Highest percentage of well performing enterprises was from entrepreneurs classified as of professionals and of clerical categories.

Markedly, those well performing enterprises were driven by entrepreneurs who had indicated as motivation desire “to work for self” and who saw entrepreneurship as “lucrative”, who had made personal decision to become entrepreneurs rather than being driven by family or friends, and who’s expectations were for “self satisfaction” and for “prosperity”.

It is here notable that the lowest percentage of good performance entrepreneurs are those who indicated that their initial motivation were “lack of job” (5%) or “lack of incentives from previous employment” (16%).

7. IMPORTANT FACTORS BEHIND THE GROWTH OF THE ENTERPRISE

This was an open-ended question requiring the entrepreneur to say what have been the most important factors behind the good performance of his or her enterprise.

59.4% of respondents attribute the growth of their respective enterprises to their personal qualities as entrepreneurs. 32.7% talked about good marketing and customer relationships. 16.5% of them pinpoint the managerial and technical competence in running their business. 8.2% of them point out the fact that market factors had a beneficial effect on the growth of their enterprises. This can be linked to the prevailing macro-economic conditions, in which case, it was given as an answer by 7.0% of the respondents. 9.4% of them attribute it to family support and 7.0% to a greater and more intelligent use of factors of production. 1.2% talked about luck and the right timing in launching their business.

The most frequent combination of growth factors that is given by the entrepreneurs are:

- Personal qualities (57.0%),
- Good marketing and customer relationships (12.8%),
- Good management (5.9%),
- Market factors (4.7%),
- Macro-economic conditions (3.5%),
- Family support (1.2%),
- Factors of production (3.5%).

The factor whose frequency singularly stays high is personal qualities of the entrepreneur.

8. ENTREPRENEURS AND RESOURCE PROVIDING INSTITUTIONS

Resource Providing Institutions were surveyed with a view to determine:

- Their perception and understanding of their customers
- How they rate the services provided to SMEs by Resource Providers in general
- What they believe are the necessary measures that must be taken to boost strengthen entrepreneurship and the SME sector.

8.1 Varied Definitions of SMEs by Resource Providers

There is some lack of homogeneity in the definition of SMEs applied by the different resource providers.

According to Mr. R. Seebaluck, Assistant Manager SMIDO's definition for an SME is

"A manufacturing enterprise using production equipment with an aggregate CIF value not exceeding Rs 10 million. SMEs in Tourism, Information Technology and Service Sector are not registered by SMIDO but benefit from various services provided that the enterprises do not employ more than 150 employees, and is not a member of a large group of companies."

The DBM on the other hand defines SME as "an enterprise or business engaged in an economic activity where total financial assistance does not exceed Rs. 3.0 million"

The Export Processing Zone Development Authority defines small enterprises as having less than 100 employees, while medium enterprises as having 100 to 500 employees. However, organizations with less than 100 employees but with a turnover of Rs. 10 million are classified as medium.

For the Industrial and Vocational Training Board SMEs are enterprises "which contribute Rs. 2,000 up to Rs. 10,000 annually" to the Levy.

The Mauritius Export Processing Zone Association defines an SME as a "company holding a SMIDO certificate or else less than 100 employees."

For the Hong Kong and Shanghai Bank, an SME is "any sole trader or partnership engaged in manufacturing and service."

MEDIA, MEF, MCCI and MCB do not have a specific definition for SMEs.

8.2 What Resource Providers Believe are Causes of Failures of SMEs.

Respondents from the resource providing institutions interviewed believe that there are a number of different reasons behind the failure of SMEs:

8.2.1 *Start up weaknesses*

- Absence of feasibility studies

8.2.2 *Management problems*

- There is a lack of strategic planning, too much working on a day-to-day basis.
- Lack of management expertise in the critical fields of Accountancy, Marketing, Resource Management and Strategic Development.
- Wrong assessment of marketing potential
- Only one person takes all responsibilities (one man show)
- Small entrepreneurs are often not motivated to expand, being contented with their enterprise being profitable enough to earn them a fair level of income.
- Inadequate investment in training

8.2.3 *Labour problems*

- Rate of turnover of labour is high
- High cost of labour
- Lack of skilled labour

8.2.4 *Market & products problems*

- Lack of competitiveness vis-à-vis imported products
- Production without consideration of changing trends of the market
- Limited size of market
- Lack of industrial method
- Lack of information concerning the markets
- Poor quality of products

8.2.5 *Financial problems*

- Inadequate gearing ratio (low borrowing to expand capital)
- Unable to properly estimate financial needs over the first few years of operation (working capital)
- Difficulty in raising capital from banks owing to size and working capital
- Lack of collateral security
- Problems in recording financial accounts

8.3 Evaluation of Services of Resource Providing Institutions

Resource providers interviewed were asked to rate several services provided by institutions on a qualitative scale ranging from "poor", "fair", "good" or "excellent".

A summary of their answer is given in Table 6 below:

Table 4

	Poor	Fair	Good	Excellent	No response
Counselling and advice	Nil	40%	50%	None	10%
Logistic support provided (a)	20%	30%	30%	None	20%
Duty free facilities	10%	40%	10%	None	40%
The support given to SMEs by SMIDO	Nil	40%	50%	None	10%
Extension services	20%	40%	10%	None	30%
Technical and vocational training	10%	20%	40%	None	30%
Concessionnal finance	20%	20%	30%	None	30%

(a) SMEs are particularly concerned and affected by the availability of reasonably priced, adequate and adequately situated building infrastructure for their activities.

Almost all Resource Providers rate as fair or good the services provided by SMIDO, they also rate highly the advisory services provided by them. They however are relatively mitigated about the strength of extension services. Business Development Services (BDS), here referred to as extension services is an often ignored, yet essential service required by SMEs. In the Mauritian context, such extension service exists since decades with respect to the agricultural sector, and has proved to be an indispensable component of success of that sector.

It is most interesting to note that resource providers consider as doubtful the adequacy of concessional finance available to SMEs.

It is noteworthy that none of the RPIs ever thought it necessary to carry out a customer satisfaction and a customer needs survey.

Invited to offer free comments about improvement of the support services provided to SMEs, resource providers pointed to the need for:

- A clear-cut plan needs to be developed by the government with the support of stakeholders.
- Quality of services given by service providers to be improved.
- Information campaign to be carried out towards SMEs on the facilities.
- DBM should play a more active role in helping SMEs.

According to the resource providers' entrepreneurs should be made to focus on the following remedies for the organic problems of SMEs.

1. There need to be more assistance in terms of professional expertise, technical assistance and support. Provision of more professional advisory services by relevant institutions
2. SMEs should be brought to make more use of technology and information technology to cut cost.
3. Some believed that there should be less spoon-feeding by institutions.
4. Reduce cost of capital through Guarantee Schemes and Insurance Schemes
5. Carry out market surveys in regional market for products of SMEs
6. Provide assistance in view of improving productivity in manufacturing enterprises.
7. Poor Gearing ratio & Collateral Security to be addressed by Funds for Equity Participation and Loan Guarantee Fund.
8. SMEs should make provision in their budget for marketing expenses.
9. SMEs should take more advantage of the consultancy service facilities.
10. SMEs should provide training to their staff.

The respondent from the IVTB also believes that an information campaign should be launched to incite entrepreneurs to train themselves and their labour force. *Some are not even aware that they pay a levy to IVTB.*

Eight of the ten Resource Providers **believe that SMEs in Mauritius are not well organised enough**, and therefore cannot articulate their interests in a coherent manner in public – private sector dialogue.

9. RESOURCE ACQUISITION

How entrepreneurs acquire the required resources, whether it is information or financial depends on their awareness of the availability of such resources, the trust they have as to how readily they can procure the resources from the RPIs.

Almost all entrepreneurs are aware of DBM and SMIDO as resource providers. However serious information or credibility gap exist between the institutions and the entrepreneurs.

Only a minority of entrepreneurs are aware of what MEPZA, EPZDA and MCCI have to offer to them. Most small entrepreneurs do not consider MCCI as an institution 'for them'.

When it comes to procuring information for business set up, there is total confusion. Entrepreneurs run to a range of institution, indicating clearly the absence of a road map, and that they do not identify any specific institution as a critical starting point.

It is also noteworthy that in spite of the large awareness DBM benefits among entrepreneurs, and the concessionary nature of its financing, almost 60% of those who seek financing do so from commercial banks!

9.1 Awareness of Industry Organisations & RPIs

Table 5

	% of Entrepreneurs aware of what institutions offers financial or other support	Not aware
SMIDO	90.7	9.3
DBM	96.5	3.5
MCCI	46.5	52.3
MEPZA	38.4	60.5
MEDIA	51.2	47.7
EPZDA	38.4	60.5
MEF	53.5	43.0
IVTB	79.1	16.3

- 89.5% sought to acquire resources and approached at least one of the above organizations and 10.5% did not.
- Only 7% did not approach the above organizations, as they believed that none would provide any support.
- 4.7% of the SMEs did not know how to approach them.
- 3.5% did not approach the organization because the procedure is time-consuming.
- 2.3% believe that it was not necessary.

Of those who approached the institutions,

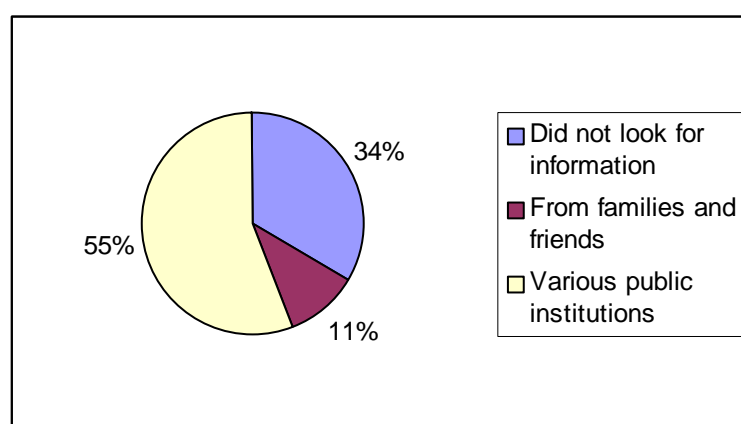
- 46.6% of the respondents requested and obtained duty-free facilities.
- 39.5% received advisory services
- 23.3% received financial support
- 22.2% of the entrepreneurs were offered training courses.
- 9.4% did not or were not able to benefit from any of the services and facilities offered by the organizations they approached.
- 9.6% of the entrepreneurs were able to increase their knowledge of marketing and products while attending trade fairs and expositions, doing foreign visits, or receiving information from the above-named institutions.

9.2 How Entrepreneurs Procure Information For Business Set Up

33.7% of the interviewees did not look for information about business set up procedures as they felt they had prior knowledge in the field of activity in which they started operating.

10.5% of them procured information from families and friends.

Table 6



55.8% contacted a government agency, an industry organisation or some other institutions, however *the results shows that the efforts put by the entrepreneurs are disorganized and not properly channelled, and insufficient. This may in fact reflect the confusion resulting from a plethora of institutions, yet the absence of one clear desk for the provision of an A to Z guidance of "How to go about setting up your own Business".*

For example,

- 14.2% of the interviewees contacted a government institution or parastatal body directly linked to industrial development. (for e.g. EPZDA, Min. of Industry and Commerce, MEPZA)
- 12.9% of them approached a consultancy firm in their quest for information.
- 10.5% obtained some information about business set up procedures from a supplier of raw materials or machineries
- 9.8% of them said they contacted their respective district councils or municipality for instructions.
- Only 7.1% of the respondents said they contacted SMIDO, indicating that either they were unaware or did not perceive SMIDO as an appropriate institution for obtaining such guidance.

9.3 Source Of Initial Financing

It is a healthy sign to note that 72.1% of entrepreneurs derived their initial financing to launch their enterprise from their own funds. The use of own funds is indicative of how determined the entrepreneurs are to venture in entrepreneurship.

It is also noteworthy that of those seeking institutional financing more go to commercial banks rather than to DBM in spite of the concessionary facilities provided by that institution.

- 59.3% of the entrepreneurs financed their enterprise from personal savings,
- 12.8% of them got their source of finance from commercial bank loans,
- 11.6% got financial help from family,
- 9.3% got help from Development Bank of Mauritius,
- 1.2% of entrepreneurs financed their enterprise by lump sums, and
- 1.2% of entrepreneurs obtained external grants.

9.4 Need For Additional Financing And Where Funds Obtained

80.2% needed additional financing after the start up and 17.4% did not.

However, contrary to the perception of Resource Providers, only 16.1% needed additional financing, because of bad forecast of requirements. 65.1% needed such financing for expansion of the enterprise.

9.4.1 Sources of funding

- 47.7% satisfied their need for additional funds by taking a loan from a commercial bank.
- 17.4% looked for funds from the DBM.
- 13% obtained additional finance from other sources namely, insurance and leasing companies, cooperatives, or private firms.
- 12.9% of them did not look outside the organization for additional funding. In some cases shareholders contributed a greater amount of money to the capital of the business. In other cases the entrepreneur injected previous year's profit or the entrepreneur used his own funds.
- Only 3.5% of the respondents turned back to families and/or friends to satisfy this need.

10. PROFILE OF ENTREPRENEURS AND ENTERPRISES SURVEYED

Eighty-six entrepreneurs were surveyed. The sampling was based on the 1997 census on SMEs carried out by the Central Statistical Office. The actual names of enterprises that were contacted were based on an official list of the SMIDO, complemented by lists obtained through various other sources.

All SMEs interviewed were in operation since at least three years.

Table 7

Number of Years of Operation	Number of Enterprises
3 – 6 Years	13
7 – 10	24
11 – 14	18
15 – 19	8
More than 30	23

- 77.9% of the SMEs were registered as companies and 22.1% were not.
- 86% of the enterprises were registered with the SMIDO.

Workforce

- 61.6% of the 86 SMEs had one or two working proprietors.
- 22.1% had three to seven working proprietors.

Unpaid or paid family members

- 86% of the SMEs interviewed did not respond when asked about the number of unpaid family members working in the enterprise.
- 10.5% had one unpaid family member working with the entrepreneur.
- 66.3% of the SMEs interviewed did not respond when asked about the number of employed family members in the enterprise.
- 33.7% had one to five employed family members.

Work force distribution

- The table showing the total number of employees is grouped by tens of employees for enterprises having 1 to 100 employees.
- The workforce includes working proprietors as well as paid or unpaid family members.
- There were 187 working proprietors for the 86 enterprises interviewed.
- The total number of persons engaged amounted to 2,293.

Table 8

Workforce	% of Enterprises
Less than 10	41.9
11 – 20	19.8
21 – 30	16.3
31 – 40	5.8
41 – 90	0
91 – 100	1.2
101 – 200	7.0
Not mentioned	8.0

- The majority of enterprises, 78% had less than 30 employees.
- No enterprises contacted had a work force of 40 to 90 people.
- The leather and garments sector employed more people by far (1,080). The leather and garments sector had the highest proportion of family members engaged in the business, followed by food and beverage and wood and furniture.
- The chemical, rubber and plastic enterprises had the highest number of working proprietors engaged in the business, followed by enterprises in the food and beverage sector.

10.1 Initial Investment

Table 9

Initial Investment Rs	% of Enterprises
Less than 10,000	15.1
10,000 – 99,000	31.4
100,000 – 249,000	18.6
250,000 – 499,000	12.8
500,000 – 749,000	2.3
750,000 – 1,000,000	5.8
Over 1,000,000	11.6

10.2 Distribution Of Entrepreneurs By Age And Gender

- 11.6% were aged between 21 and 34 years.
- 23.3% were aged between 35 and 39 years,
- 26.7% were aged between 40 and 44 years,
- 16.3% were aged between 45 and 49 years.
- 17.4% were aged between 50 and 64 years.
- 3.5% were over 64.
- No Response: 1.2%

80.2% of the respondents were male and 19.8% were female.

10.3 Education Level

31.4% of the entrepreneurs were diploma or degree holders.
29.1% had completed their upper secondary (S.C.),
15.1% had completed their lower secondary but not SC,
12.8% had completed primary schooling only and
9.3% entrepreneurs had completed upper secondary (HSC).
NOT STATED: 2.3%

10.4 Family Background

39.5% of the respondents' father occupied jobs as senior officials/Planters,
18.6% of their fathers occupied elementary jobs,
9.3% were machine/plant operators,
8.1% were service workers,
5.8% were engaged in agriculture/fishing,
3.5% were professionals,
2.3% were technicians,
2.3% were clerks and
4.7% were retired.
NOT STATED: 5.9%

The general trend that emerge from the results of the survey for each main activity is as follows:

It was observed that fathers' occupation of entrepreneurs from **Food & Beverages, Leather & Garments, Paper Products & Printing**, and **Jewellery** sectors could be classified as Senior Officials and Managers, Businessmen, Shopkeepers and Planters, Professionals, and Technicians & Associate Professionals.

On the hand, fathers of entrepreneurs from the **Wood and Furniture, Fabricated Metals, Rubber & Plastic**, and **Others** sectors occupied posts as Service workers and shop sales workers, Skilled Agricultural and Fishery Workers, Craft & Related Trade Workers, Elementary Occupations, Plant and Machine Operators & Assemblers.

The survey depicts that for 42 of the 86 entrepreneurs, their mothers' occupation belonged to the category Housewife. The highest proportion of entrepreneurs per main activity whose mothers were housewives, was in the category **Wood and Furniture** where 9 out of the total 12 entrepreneurs' were housewives.

The second highest category for the mothers' occupation was **Senior Officials and Managers, Businessmen, Shopkeepers and Planters** (15). It is noted that while comparing the main activities with the mothers' occupation, entrepreneurs engaged in **Food & Beverages** have the highest score where 7 entrepreneurs' mothers were **Senior Officials and Managers, Businessmen, Shopkeepers and Planters**.

10.5 Previous Occupation

24.4% of the interviewees occupied jobs as senior officials /Managers,
17.4% were technicians,
12.8% were Craft and Trade workers,

10.5% were clerks,
9.3% were professionals,
8.1% were service workers and
1.2% was machine/Plant Operators.
Not Stated: 16.3%

10.6 Number Of Years Occupied In Previous Occupation

23.4% of the entrepreneurs had worked between zero and four years.
18.6% of the respondents occupied their last job for about five to nine years.
19.7% of the interviewees worked in their last job for 10 to 14 years.
4.7 % of the SMEs occupied their last post for 15 to 19 years,
15.2% had worked for 20 years onwards.

10.7 Who Advised Them

60.5% of the respondents say that it was their own personal decision to set up their own enterprise.
The immediate social relations had an influence over the decision of 40% of the respondents to become entrepreneurs.

The advice of their parents had an influence on the decision of 20.9%.
11.6% of the interviewees got advice from their friends,
2.3% of them obtained advice from their relatives,
3.5% of the interviewees were advised by their spouse.
In the case of 3.5% of the respondents, advice did not have a major role to play as they inherited the family business. The CPPE (Centre pour la promotion des petites entreprises) advised one entrepreneur. An established company advised one of the entrepreneurs to set up his enterprise.

10.8 Expectations

73.3% of the entrepreneurs expected to gain self-satisfaction while launching themselves in their own enterprise.
48.8% of the respondents expected to achieve prosperity and
26.7% of the interviewees expected to have fame and recognition by setting up their own enterprise.
There was no marked gender difference in the expectations of the entrepreneurs.
There are other expectations that explain the motivation behind the setting up of enterprises.
2.4% of the respondents wanted to have a brand name, another 2.4 % wanted to become a market reference.
2.4% of the entrepreneurs expected to achieve self-development. Another 2.4% wanted to innovate or launch a new product.

10.9 Expectations Fulfilled

74.4% of the interviewees considered that their expectations were partly fulfilled.
15.1% of the entrepreneurs felt that their expectations were fully fulfilled, whereas for 9.3% entrepreneurs, the expectations were still unfulfilled.

10.10 Feasibility Study

The results here confirm the opinion of RPIs that the majority of SMEs are launched without a proper feasibility study. Indeed 65.1% of the respondents did not carry out a feasibility study, while only 33.7% did.

Apart from Wood and Furniture and Jewellery sectors, nearly half of all entrepreneurs in each of the other sectors carried a feasibility study before launching their business.

The survey indicates that the more educated entrepreneurs are the ones that invest into preparing a feasibility of their project. Among the 29 entrepreneurs who had carried a feasibility study:

13 had an upper secondary level of schooling, which is equivalent to the School Certificate, and 11 had either a diploma or degree qualification.

As a feasibility study is a complex exercise, requiring specific skills, and that the responses of entrepreneurs on this aspect were not much convincing, we think that there is a need to research on the level of business knowledge entrepreneurs have when they launch their enterprise and to what extent they make use of feasibility studies as a tool to calculate their success.

10.11 Previous Training

52.3% of the entrepreneurs had some form of training before setting up their enterprise and 45.3% did not.

The survey indicated that entrepreneurs did follow some training courses related to their field of activity.

10.12 Business Environment

Competitive environment - 39 out of the 86 enterprises (45.35%) had difficulties in the competitive environment during the first 3 years of operations.

8 out of 11 enterprises (72.7%) of enterprises from the Food and Beverages sector faced difficulties in the competitive environment. These were closely followed by enterprises from the Wood and Furniture (66.67%), Leather and Garments (50%) and Others (44.44%), respectively.

Labour availability - 37 out of the 86 SMEs (43.02%) experienced some difficulties regarding the availability of labour.

Enterprises from the **Rubber and Plastic** sector (60%) faced difficulties in recruiting labour during their first 3 years of operations. **Leather and Garments** (55.56%) and **Food and Beverages** (54.55%) almost equally.

Paper Products & Printing (44.44%), **Fabricated Metals** (41.67%), **Wood and Furniture** (25%), **Others** (22.22%) and **Jewellery and Related Items** (20%) respectively.

Public administration - 29 out of 86 (33.72%) enterprises faced difficulties in their dealings with public administration.

Textiles enterprises in the **Leather and Garments** sector reported most facing such problems.

The enterprises from the category **others** (Signage, flower production, Recording, Electronic, etc) were the second most important group to report similarly.

Legal environment – only a minority of 14 out of 86 enterprises (16.28%) indicated they faced difficulties in the Legal environment.

The majority of those were from the **Food and Beverages** sector.

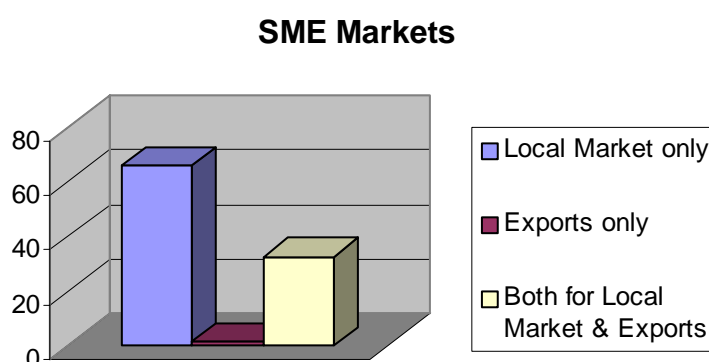
Technology change – only 17 out of 86 (20%) SMEs faced difficulties due to technological change. The jewellery sector considered they had no problem with technological evolution.

Enterprises from the **Rubber & Plastic** (30%) sector were the main group expressing difficulty relating to technological change. They were closely followed by enterprises from the **Leather and Garments** (27.78%), **Food and Beverages** (27.27%), **Fabricated Metals** (25%), **Paper Products and Printing** (22.22%), and **Wood and Furniture** (8.3%).

10.13 THE MARKETS OF SMEs

66.3% of the SME's produced solely for the local market. Only 1.2% of them produced exclusively for the foreign market. 32.6% of the SME's sold their products on the local as well as foreign markets.

Table 10



Most of the small entrepreneurs (67.4%) who sold on both local and foreign markets were not aware of the exact amount of their produce that they sold on the local market.

When asked if they considered exporting their products in the future 38.4% of the small entrepreneurs replied positively, whereas 29.1% did not. Furthermore, 30.2% of them had not given any thought to it.

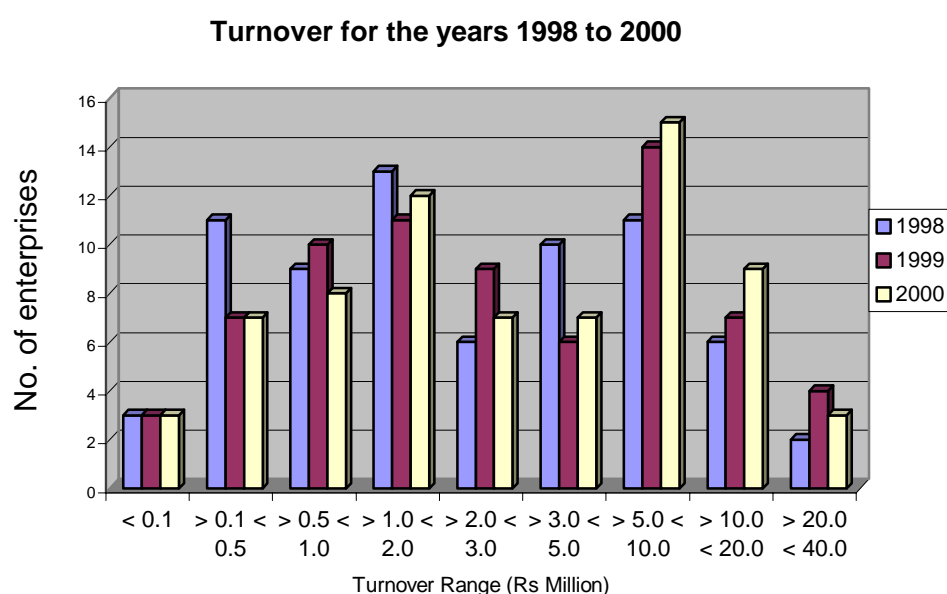
10.14 Performance of Enterprises - Turnover and Profit

73 out of 86 entrepreneurs agreed to state their turnover. 82 out of 86 stated they made a profit, although only 56 indicated the quantum.

13 of them had a turnover in the range of Rs1 million and Rs2 million in 1998. This marks a dividing line between the SME's interviewed.

1999 and 2000 confirmed the same trend as for the year 1998, with however the number of SMEs making a turnover of less than Rs1 million decreasing from 25 to 21 in 1999 and further down to 19 in 2000.

Table 11



The number of enterprises making a profit in 1999 went down by one from 1998.

The number of enterprises showing a profit for the year 2000 goes further down to 75 with respect to 1999.

6 of the SME's incurred profits ranging from Rs1 thousand to Rs49 thousand. 14 of the SME have made a profit between Rs100, 000 and Rs249, 000. It is to be noted that 6 SME'S made a profit ranging between Rs1 million and Rs2 million.

The result of the study shows that SMEs in the **Food and Beverage** sector were making a turnover above Rs800 000. Three of them had an average turnover of Rs10 million to Rs15 million.

15 out of the 18 enterprises in the **Leather and Garment** industry contacted stated their turnover. Two of them were in a very bad shape with an average turnover of less than Rs100 000. Demarcating from this very low figure the next average turnover reached was between Rs600 000 and Rs900 000. Half of the enterprises

were making an average turnover in the range of Rs1 million to Rs5 million. Compared to the other sectors of activity the average turnover of firms in the Leather and garment industry is much higher.

Two thirds of SMEs in the **Wood and Furniture** sector were making a turnover above Rs1 million. The lowest figure recorded was in the range of Rs200 000 to Rs300 000.

7 out of the 9 entrepreneurs in the **Paper Products and Printing** had a turnover above Rs1 million.

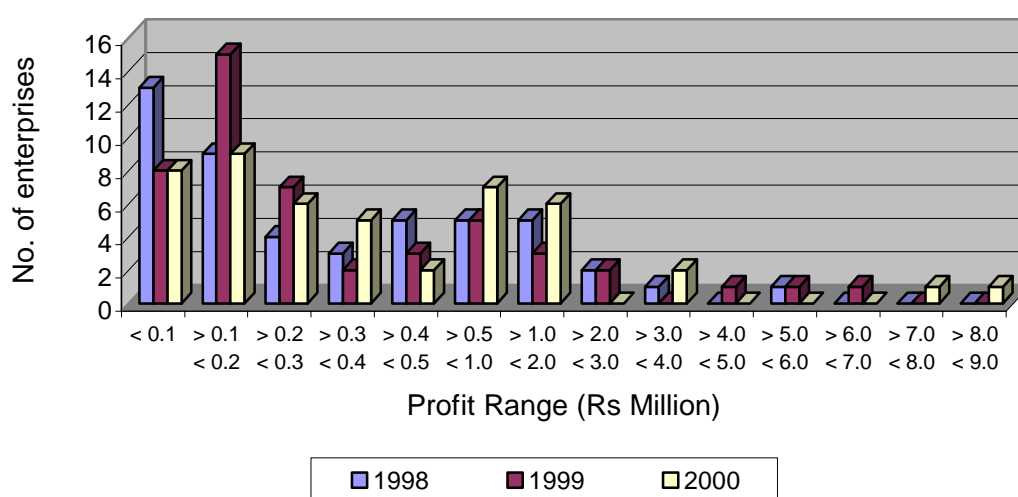
Depending on the size of the firms contacted in the **Chemical, Rubber & Plastic** sector, the average turnovers were two times or eight fold as great. Hence, we recorded average turnovers of Rs500 000, Rs1 million, Rs2 million and Rs8 million.

In the **Jewellery and Related items** sector 4 out of the 5 entrepreneurs interviewed stated turnovers above Rs800 000.

More than half of the SME's in the **Fabricated Metal** sector were making a turnover above Rs1 million. We also recorded figures in the range of Rs500 000 to Rs600 000 as well as less than Rs100 000. It was noted that SME's in this sector as well as those in the Wood and Furniture sector is much varied in their sizes, structure, and production capacities and that some of them has recently evolved from the state of micro-enterprises.

Table 12

Profit for the years 1998 to 2000



View Of The Future

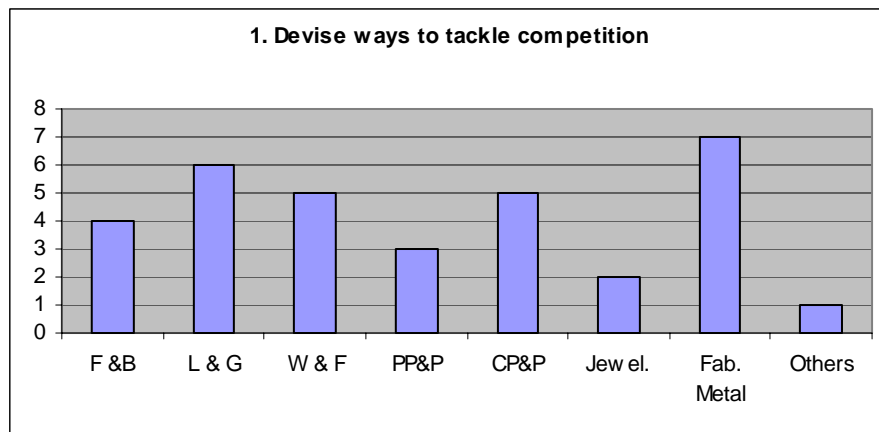
Even entrepreneurs whose enterprise were showing growing turnover and increasing profits did not show complacency and considered they would take measures to make their business better. This applies mostly for those whose enterprises were not doing quite well. Only a minority were fully contented with their state of affairs or said they were seriously discouraged.

When asked as to what measures they were contemplating, interestingly the majority of entrepreneurs focussed on management objectives to enhance their capacity to reach their expectations.

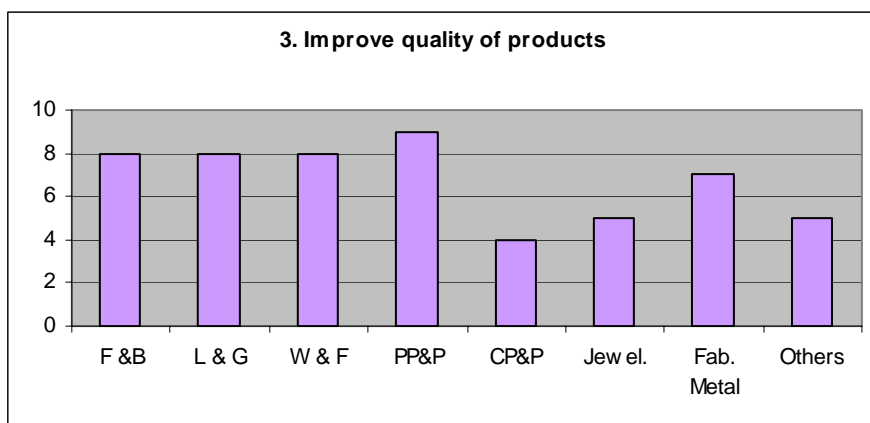
38.4% of the interviewees indicated they would investigate new ways and methods of organising their business. (Re-engineering)

37.2% considered developing new marketing strategies (Marketing)

31.0% considered they needed to devise solutions to tackle competition (Strategic management)



- 25.7% of the entrepreneurs are prepared to diversify their goods that they produce. (Product diversification)
- 14% believe they need to develop greater adaptability in a rapidly changing business environment.
- 10.5% will seek to establish more understanding and tolerance in their quest to fulfil their expectations.
- 9.4% will focus on what they produce, looking at improving the quality of their product, making their product more sophisticated, doing product differentiation, establish a brand name, or else develop a new product.



Only 2.4% answered that they would change the line of business in which they operate.

Entrepreneurs also looked at improving, owning and/or increasing the factors of production of their enterprises (11.8%). They talked about importing foreign labour, to have their own building and land, to buy new machines, to use information technology, diversifying their source of raw materials, and to consolidate the capital structure of their enterprises by going into partnership.

Unfortunately only 8.2% of the respondents considered training their workforce as an objective.

Plan For Expansion

- 61.6% of the small entrepreneurs interviewed said they planned to expand their activities, whereas 34.9% did not.
- 61.2% of the small entrepreneurs interviewed said they planned to acquire additional machines.
- 57.0% of the respondents had no intention to employ more people. Nonetheless, 39.5% had planned to do so, even if it wasn't in a near future.

11. CONCLUSIONS

To advance the search for growth-promoting policies, this study has turned to the micro-sources of economic growth in actions of individual agents, and to look for ways of enhancing such sources by more subtle policies with less negative side effects. It is these steps that put entrepreneurs and institutions in the center: entrepreneurs are the key agents whose actions (or inaction) are of particular importance for how the growth potential of any economy will actually be exploited, and institutions are the main factors that both strongly influence the actions of entrepreneurs and can themselves be strongly influenced by policy.

Without denying that entrepreneurs may fail to do the right things because of the wrong incentives, it only adds that they may also do the wrong things because of insufficient abilities. The two are even more interestingly connected, as social efficiency will turn out to require the incentives to be substantially stronger when entrepreneurial abilities are scarce than if they were abundant.

The study undertaken indicates that Mauritian entrepreneurs are strongly motivated, relatively weak in management and that there is serious dysfunction between entrepreneurs and resource providing institutions.

Profit is not the main motivation for Mauritians to become entrepreneurs, but a high degree of self esteem and need for achievement in the field they have chosen. The majority became entrepreneurs not because they were driven by external circumstances, but as a result of their own determination. They are driven by the spirit of hard work, and are even not deterred by a situation where they are not able to draw an adequate salary for themselves. This spirit of sacrifice and the consciousness that entrepreneurship is not equivalent of quick immediate gains is a very good basis for further growth. It shows that SMEs are **eager** to absorb the support extended to them and translate it into higher performance, however the study has clearly brought out serious shortcomings in management capabilities, hence in the capacity of entrepreneurs to maximise the use of available resources.

Entrepreneurs indeed tend to over emphasise their personal qualities as explanation for the success of their enterprises, and under estimate managerial capabilities requirements.

Respondents were remarkably honest in rating their own strengths and weaknesses. On the positive side, Mauritian entrepreneurs in SME see themselves as being customer centered and flexible to satisfy customer needs, they are eager to know that their customers are satisfied with the quality of the products and services they offer. They are good leaders by the example of their hard work and commitment even during difficult times. They place equal emphasis on their relationship with their employees, it is important for them to know that the employees like to work for them and are prepared to amend their ways to ensure good employee/employer relationship. The contradiction is here again highlighted when one notes that few among them pay any attention to training, many do not even realise that they are contributing a training levy, and when considering plans for the future, only 8.2% considered training as an objective.

Serious management capability shortcomings can further be noted when it comes to systematic planning. Use of adequate tools for financial management is clearly weak as is proper management methods generally. They are more production oriented,

and less sales oriented. This more than the intrinsic competitiveness of their products might explain why 66% sell only on the local market and when asked whether they were considering exporting, only 38% responded positively.

However, entrepreneurs are not complacent, they have set their objectives quite high. About 60% want to expand their business. Only 75% of those surveyed felt that their expectations had been only partly fulfilled, and were therefore looking at ways and means to enhance the future of their enterprises. Interestingly the majority focussed on management objectives, with 38% considering a re-engineering of their business, 31% looking into strategies to enhance competitiveness and 25% at diversification of the existing product range.

The study points to need for action in four directions, namely:

RPIs should undertake a sustained effort to inform and by so doing incite young persons in schools, clubs etc to think in terms of entrepreneurship.

Need to invest in enhancing management capabilities of entrepreneurs. It may even be contemplated that RPIs could make it conditionality that entrepreneurs are made to take up training in management (financed by the RPI) before resources are allocated to them.

Business Development Services must be developed to provide kind of “extension service”, a business advisory service to new enterprises particularly in their first three years.

The services provided by RPIs need serious rationalisation and should be rendered more fluid to ensure real accessibility.

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Annex A

List of Resource Providing Institutions Contacted

1. Small and Medium Industries Development Organisation (SMIDO)
2. Industrial and Vocational Training Board (IVTB)
3. Mauritius Export Development and Investment Authority (MEDIA)
4. Export Processing Zones Development Authority (EPZDA)
5. Mauritius Export Processing Zone Association (MEPZA)
6. Mauritius Employer's Federation (MEF)
7. Mauritius Chamber of Commerce and Industry (MCCI)
8. Mauritius Leasing Co. Ltd.
9. Mauritius Venture Capital Fund
10. Development Bank of Mauritius Ltd (DBM)
11. Hong Kong and Shanghai Banking Corporation Ltd (HSBC)
12. Banque Nationale De Paris Intercontinentale (BNPI)
13. Mauritius Commercial Bank (MCB)
14. State Bank Of Mauritius
15. South East Asian Bank Ltd

The following contacts have answered our questions:

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1. SMIDO
 2. DBM
 3. EPZDA
 4. MEPZA
 5. IVTB
 6. MCCI
 7. MEDIA
 8. MEF
 9. HSBC
 10. MCB
 11. Mauritius Leasing Co. Ltd.
 12. Mauritius Venture Capital Fund
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Annex B

List of SMEs Contacted

Name	Company
Mr. Maurel	A.J.M Manufacturing Ltd
Mr. Maunapen	A.M Fencing & Contractors Ltd
Mr. Noorez	A.P Jewellery Ltd
Mr. Lan Hew Wah	Act Industrial Ltd
Mr. Lam Kee Shaw	Amazing Flower
Mr. Kwok Choon	ANGEROS LTEE
Mr. Pang	ARC BAGS
Mr. Cervello	Arplex Ltee
Mr. Arsenius	Arsenius Printing & Stationary Ltd
Mrs. Cowaloosur	ARVANI LTD
Mr. Ram	B & Ram & Sons Ltd
Mr. Narainsamy	Best furniture Co LTD
Mr. Chooramun	Bijouterie Balmick
Mr. Dahoo	Bijouterie N. Dahoo & sons
Mr. Soomoogayah	Bijouterie Souverain
Mr. Goorapa	Capra Co. Ltd
Mr. Codoychurn	Caxton Printing
Mr. Purmessur	Chemlog Ltd
Mrs. Bulloram	Chez Choume
Mr. Priviraz	Chutoo Priviraz
Mr. Khodabocus	Codex Silencer Workshop
Mr. Kon Kam King	Convenience Food Ltd
Mr. Koenig	COTTON CLUB LTD
Mr. Kamudu	Craft & Enterprises Co Ltd
Mr. Seeparsand	Craft Woodshop
Mrs. Wohedally	Dhuha Aluminium Co. Ltd
Mr. Etwarooah	Dido Plastic Ltd
Mr. Rohit	Dodo Printing
Mr. Min Fa	Dragon Printing
Mrs. Boodiah	Ebenisterie C4
Ms. Hardy	Euro Stamp

Mr. Lai Cheong	FAUCON PRODUCTS LTD.
Mr. Locknauth	File Products Manufacturing Ltd.
Mr. Deerpalsing	Furniture City
Mr. Chan Kin	G&T ACTION WEAR LTD
Mr. Baron	G.I.T.L
Mr. Haronia	Glory Plastic Industry
Mr. Goopee	Meeshy Plastics
Mr. Deschezeaux	High Precision Works Co Ltd
Mr. Ng	HR Jewellers Ltd
Mr. Joymungul	Interdecor Ltd
Mr. Moothy	J.W Enterprise
Mrs. Poonith	Jewellery Arts &crafts
Mr. Philippe	Joseph Philippe
Mr. Kistnen	Kistnen Enterprise Co Ltd
Mr. Chunng	L & C Print Supplies Ltd
Mrs. Antelme	LA CHANCE LTD.
Mr. Ahmod	Le Fournil Ltee
Mrs. Parbhunath	LE TEXUMA CIE LTEE
Mr. Li Loong	Li loong Ltd
Mr. Lim	LKS FOOD STUFF SOCIETY
Mr. Govinden	L'Oiseau du Paradis Fleuriste
Mr. Lotun	Lotun Abdool Cader
Mrs. Lin Sin Cho	LSC TEXTILES LTD
Mr. Matikola	MASTER'S CONTINUOUS STAT. LTD.
Ms Hau Wing	Mijadis Enterprise Ltd
Mr. Ramjatan	MILLAC TRADING CO. LTD
Mr. Lattes	MILLE PATES LTEE
Mr. Hansrod	Moeller & Sons Ltd
Mr. Li Hin Kam	N.exe Ltd.
Mr. Jeewa	Neel Industries Ltd
Mr. Foo Fat	NEPTUNE AUDIO CO. LTD
Mr. Nobeebux	Nobee Ltd
Mr. Yeung	PAPER PLUS LTD.
Mr. How	Paradise Crafts Ltd
Mr. Lebrasse	Paul Creations

Mr. SansfaÇon	Pere Laval Enterprise
Mrs. Rama	Rama Dicken Rao
Mrs. Lee Yau	ROMA
Mrs. Venpin	SAM YUN HAN
Mr. Ramdenee	Shamrock Plastic Industry Ltd
Mr. Lalloo	Silver Printing
Miss Rose	SISSI CREATIONS
Mr. Gunnoo	Societe Luximon Gunoo
Mr. Tsang Man Kin	TAMAK LIMITED
Mr. Gungah	Ustad Furniture Co. Ltd.
Mrs. Pesnato	VETRO DEVELOPMENT LTD
Mr. Yow Chok Nee	Vogue Alley Ltd
Mrs. Cervello	WAVE LINE LTD
Mr. Murday	WinpasWin
Mr. Nu Nam Young	YOUNG BROS LTD
Mrs. J.Chuichui	Young King Co.Ltd
Mr. Sheng Chun	YSC ENTERPRISES LTD
Mr. Frontain	
Mrs. Gladys	Fiesta Snack
Mr. Corentin	Corentin Enterprise