

Developing a framework to enable small business enterprises to be sustainable

Kutlwano Dikgwatlhe

23269855

Mini-dissertation submitted in partial fulfilment of the requirements
for the degree *Masters of Business Administration* at the
Potchefstroom Campus of the North-West University

Supervisor: Mr J.C. Coetzee

NOVEMBER 2014

Declaration

I, Kutlwano Dikgwatlhe, declare herewith that the dissertation that I herewith submit to the North-West University as partial completion of the requirements set for the MBA degree is the result of my investigation and research and have not been submitted to any other university.

Kutlwano Dikgwatlhe

Date

Acknowledgements

I wish to thank God, if it were not for Him this research study would have remained a dream. It is with immense gratitude that I acknowledge the following:

- My fiancé, Tebogo and children, Phemelo, Thapelo, Pheny and Tsholo for their contribution, prayers and support;
- My supervisor, Mr Johannes Coetzee, for taking time to provide guidance and share his knowledge;
- My brother, Pule, for his time, resources, undivided support and understanding;
- The North-West University Potchefstroom and Vaal Campus library staff members for their patience and assistance;
- Dr Suria Ellis from Statistical Consultation Services at the North-West University Potchefstroom Campus for her assistance in the statistical analysis of the empirical study;
- The small businesses in the City of Matlosana area (KOSH), for their participation in the study;
- My syndicate group, it has been a long journey and your dedication, support, sharing of knowledge and hard work are highly appreciated.

Abstract

The South African government, in its attempt to curb unemployment, continues to promote and facilitate the establishment of small businesses. The promotion of businesses is evident through the development of policies, establishment of supporting agencies and the formation of the new ministry, Department of Small Business Development. The government acknowledges the contribution of small businesses in relation to job creation, poverty alleviation and having an inclusive economy.

There are different types of businesses in the South African context, such as registered and unregistered businesses, operating in both informal and formal sectors. This study focuses on registered businesses in the main economic sectors such as retail, mining, agriculture, manufacturing, services, construction and transport. Its main objective is to develop a framework that will enable small businesses to operate sustainably irrespective of the challenges experienced in these economic sectors.

Areas of focus in the research study are in the City of Matlosana that falls within the Dr Kenneth Kaunda District in the North West province. The City of Matlosana comprises of Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (KOSH). The areas consist of many small businesses in different sectors of the economy. It is an area known to have been dependent mainly on mining activities for its economic sustainability. However, the mining activities have declined due to depletion of mining reserves and the focus is mainly on alternative potential economic sectors such as manufacturing, services, retail, agriculture and construction.

A quantitative research approach was applied for the study. Data analysis and interpretation were conducted by using statistical methods such as frequencies, reliability with reference to the mean, standard deviation and Cronbach's Alpha coefficient as well as Spearman's Rank Order Correlations.

Internal and external factors such as management skills, inability to access funding, the lack of proper business planning, economic conditions and industry changes influence the failure rate of businesses. The study investigates the extent of such

factors that influence sustainability opportunity. Previous research on this topic indicates that most businesses fail within three years of their start-up. Some newly formed businesses are a result of the reasons such as unemployment or inability to be employable, that result into survival type of small business. Businesses operating in a survival mode do not employ as many people as possible and are easily susceptible to challenges due to changes in economic conditions. They typically have a small impact on the economic growth of the area.

Conclusions of the study show that most owners do not necessarily empower themselves by short training courses or study business as a career choice to enhance their knowledge and skills. The level of education is as low as below matriculation (grade 12) with three to five years of experience in a particular business sector. There is a low level of prior knowledge of business but a high level of prior working experience in the same sector of the economy. Small business owners are mostly involved at operational and management level in their businesses indicating that administration and strategic planning are lacking which affects long-term plans of most businesses.

The framework developed focused on many different aspects that influence the success and failure of small businesses. It is evident that there are factors that are influential to any business operating in a particular sector. There are instances where some factors have a major bearing on particular businesses as compared to others. In cases where the owner is strategic, experienced, qualified and skilled, the businesses have all-important competitive advantage to stand the challenges. Business characteristics such as location, years of operation, its responsiveness to its customer needs and business planning contributes advantageously to its sustainability. In various economic conditions, some sectors are affected in different ways depending on its financial strength. There is no single aspect that is identified as a stand-alone factor to enable a small business to be sustainable.

KEY WORDS: Small Business (SBE); Entrepreneurship; Entrepreneurial Concepts; Small, Medium, Micro s (SMMES); Sustainability, Economic sectors; Customer service; Competitive advantage; Leadership; Competencies; Characteristics; Experience; Ownership.

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CHAPTER 1

ORIENTATION AND PROBLEM STATEMENT

1.1. INTRODUCTION

The Small Medium Micro's (SMMEs) are the catchwords of the present South African government in ensuring its focus on nurturing the emerging entrepreneurs of this country. The government has placed small businesses' development high on its agenda by mandating various departments, particularly the Department of Trade and Industry (DTI) to facilitate issues relating to development and sustainability of SMMEs. The purpose of this study is to develop a conceptual framework that will enable small businesses to be sustainable. The small businesses emerge; however, it remains a challenge when coming to planning, organising, leading and operating its entrepreneurial activities successfully in order to continue to maintain its services and products in different markets.

In placing development of small businesses as a priority, the government focuses on creating jobs, poverty alleviation and to involve citizens in the main-stream economy of the country. Broad Based Black Economic Empowerment (BBBEE) policy is but one of the policies that seek to create opportunities for the majority of the economic role-players. The other government-promoted legislation provides for the establishment of small business support agencies, such as Small Enterprise Development Agency (SEDA) and guidelines for all organs of state to promote small businesses when executing its functions. The aim is to create a conducive environment for small businesses to operate successfully and sustainably through government support irrespective of prevailing economic challenges (DTI, 2013).

The government's promotion of entrepreneurship and creation of employment opportunities is evident through its simplification of formation of companies and reduction of costs of registering a business with the Companies and Intellectual Property Commission (CIPC, previously CIPRO). The introduction of the New Companies Act No. 71 of 2008 (SA, 2008) is to focus on the promotion of growth,

employment, innovation, stability, good governance and confidence, and ensuring that South African businesses are competitive in the global markets. The government has further established the department of small business development solely to focus on enhancement of small businesses.

Small business, in terms of the legislation, means a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operatives, managed by one owner or more, predominately carried on in any sector or subsector of the economy and classified as a micro, a very small, a small or a medium. The study will focus on an entity or a small business as defined, managed by one owner or more and operating in any sector of the economy. These types of small businesses employ less than fifty (50) persons for its services or operations and conducts its entrepreneurial activities. (National Small Business Amendment Act 26 of 2003) (SA, 2003).

The issues relating to economic empowerment, growth, job creation and sustainability are important in order to achieve a developing economy through the participation of small businesses in different economic sectors. The small business is the relevant vehicle to absorb labour, penetrate both local and international markets, and expansion of economies in creative and innovative ways (Government Notice, 213 of 1995) (SA, 1995). Hence, promotion, support and sustainability of small businesses are critical for a significant contribution to the growth and sustainability of the economy. The small business does not only create employment but competition that benefits customers, but few innovate and grow to become large corporations that play even a more vital role.

According to Brink and Cant (2003:1), the estimate of the failure rate of small businesses in the Gauteng area is about 70% to 80%. The causes of failure are mostly associated with lack of business management skills, including issues relating to environment and financials. The Gauteng area is a highly economically developed area with opulent opportunities, but it is not different from other areas in terms of challenges faced by small businesses. The factors identified as problematic and influential in the small business's sustainability are economic factors, competitiveness, socio-economic problems and change.

Newly formed businesses fail to grow due to both internal and external factors that impact negatively on its sustainability. The highlighted factors include financials, economics, markets, management and resources (Fatoki & Garwe, 2010:1). The above assertions from the above authors indicate that there are common factors that cause the failure of small businesses. Therefore, it is important for the government to address issues such as financing and training of small business entrepreneurs in order to overcome the problem.

Beyene (2002:131) explains that countries that have shown economic improvement in Africa under fragile democracies, increasing populations, crushing external debts and declining income per capita are seen to be those that their governments acknowledge the need to provide conducive macro-economic conditions in which the private sector can operate successfully and sustainably. It is evident that the formation and emergence of small businesses is not a challenge, but the survival of formed businesses is hindered by the environment and finance. The gap between the formation of small businesses and its sustainable operations is eminent and there is a need for interventions and support measures relating to environment and finance.

According to Schell (cited by Beyene, 2002:131) the small business plays an important economic role even in developed countries like the USA, where big corporations exist. This is achieved through provision of jobs, innovations and other benefits such as market related pricing. The sector consists of 6 200 000 small businesses that employ 72 000 000 people. Therefore, the importance of promotion and supporting of small businesses is critical considering the impact associated with the labour absorption, income likely to be generated, capital-saving capacity, potential use of local resources and reliance on few imports. In the South African context, where there is a vast lack of innovation and skills the development of small businesses should be encouraged to be diverse through benchmarking with other countries.

1.2. IMPORTANCE OF THE STUDY

South Africa is experiencing high emergence of small businesses activity that are both registered and unregistered, operating in formal and informal sectors of the economy. It is evident that many small businesses in the city streets open and close each year due to a plethora of reasons that need to be explored.

The focus of the study is in the North West province particularly in the Dr Kenneth Kaunda District covering the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (KOSH) areas that consist of many small businesses in different sectors of the economy. The areas are predominantly dependent on the mining sector that has sharply declined due to the level of production and depleting mining reserves.

The main economic sectors are mining, agriculture, manufacturing trade, services, construction and transport. In terms of the demographics, the area has a population of about 398 676 with 120 442 households. The population growth is standing at 1.04% with an increasing unemployment rate of 32.7 % (Statistics South Africa, 2011).

City of Matlosana as a local municipality is experiencing a high youth unemployment rate of 43.10% that need to be curbed through economic growth by available operating economic sectors in order to provide job opportunities. However, the area has only about 28.2% of persons aged more than 20 years who have completed matriculation. It places the city in a bad position when it comes to skills resources or level of education of the youth that contributes to individuals' potential to contribute in the mainstream economy (Statistics South Africa, 2011).

Based on the highlighted challenges in the KOSH area there is a need for other sectors of the economy to be explored in order to maintain and sustain the economy of the area. The impact of the legislative support initiatives by government through the National Small Business Amendment Act (Act no. 29 of 2004) will also be assessed (SA, 2004). SEDA is also an agency of the Department of Trade and Industry mandated to implement government's small business strategy with its mission directly linked to the development, promotion and support of small businesses throughout the country, ensuring growth and sustainability. The agency

seems not to be reaching most of its intended customers due to its requirements and locations.

Other initiatives such as the establishment of the National Empowerment Fund (NEF), through the National Empowerment Fund Act (No. 105 of 1998) (SA, 1998) as a driver in terms of promoting and facilitating black economic participation through provision of both financial and non-financial support to black empowered businesses seem to be far from reaching aspiring entrepreneurs. The inability of the government to make sure that the services are accessible in all nine provinces in a form of satellite offices has not been realised irrespective of the public outcry that the services are not easily accessible. The KOSH areas comprise one of the largest towns such as Klerksdorp in the North West Province; however, the services of NEF are not available and the nearest office is located in Rustenburg.

The plan of Government is to ensure that youth also contribute in the economic mainstream, the formation of South African based agency, National Youth Development Agency (NYDA) was realised. The legislation aims at tackling the economic and social challenges faced by young people throughout the country with the National Youth Development Agency Act (Act 54 of 2008) (SA, 2008) as vehicle. In consideration of the large number of youth unemployment in the country, the agency is making little impact according to the perception of the public and youth at large. The challenge associated with NYDA is accessibility in many areas including KOSH. This results in failure of small businesses and young people are deprived to thrive as expected, sustain itself and grow in numerous business sectors due to lack of support. The establishment of the satellite offices in other areas where young aspiring entrepreneurs can easily access will improve access and utilisation of support services.

The importance of the study is to identify factors that need attention in order for a small business to be sustainable or survive in the KOSH area irrespective of the continuous changing economic conditions. The identified and formulated factors are integrated in a conceptual framework that will enable a small business to be sustainable.

1.3. FACTORS

The factors influencing this study were the following:

- High failure rate experienced by small businesses ;
- The importance of skills and type of training in small businesses' operations;
- The government promotion and support of small business entities;
- The structure of the small business and its systems to operate competitively;
- Different small business sectors such as markets, pricing and locations;
- Impact of technology and advantages that can be drawn and applied for the benefit of the small business;
- Legislative requirements such as the Companies Act No. 71 of 2008 for small formation and operation;
- Changing economic cycles and the market conditions impact on the socioeconomic issues; and
- Outsourcing unavailable skills within the small business and affordability thereof.

The factors that entrepreneurs should consider when venturing into a business and are likely to influence the success of the small business include characteristics of the small business , management and application of gained knowledge, products and services, the day-today operations, resources and finance and the external environment. These factors must be considered for the entire life of the business and be continually evaluated. All this relates to the resource of the business that has to grow the business from a start-up to a more mature business. It is noted that firms that do not manage their resources well at the early stage of the business are likely to fail (Sirmon, Hitt, Ireland & Gilbert, 2011:15).

1.4. OBJECTIVES OF THE STUDY

The objectives of this study are split between the primary and these secondary objectives.

- 1.4.1 Primary objective

The primary objective of the study is to develop a suitable conceptual framework for small businesses to operate sustainably in a competitive market. The exercise will gain knowledge from failed and successful intermediate (that is, between small and medium) businesses. These will assist emerging small businesses to gain knowledge from both successfully established medium businesses and failed small businesses. It will further guide policy makers to provide an acceptable and business growth oriented environment for small businesses.

- 1.4.2 Secondary objectives

The secondary objectives of the study is to identify both internal and external factors that are significant for small businesses to form, emerge, and sustain themselves under challenging and changing economic conditions. To achieve the primary objective of the study, the secondary objectives that had to be realised were as follows:

- Theory evaluation;
- Assess the structure and type of small business;
- Define a small business according to the legislation;
- Define sustainable small business operations and its benefits;
- Outline the characteristics of a small business;
- Outline the characteristics of an entrepreneur;
- Perform a literature study to research the characteristics of a small business;
- Research the influence of the environment and financials in the performance of a small business;
- Research the factors that have an impact on sustainability of small businesses;

- Research the business cycles of small businesses;
- Research the influence of the economic cycles in the performance of a small business; and
- To propose a conceptual framework that will assist small businesses to thrive beyond its formation.

The purpose of the literature study is to gain theoretical knowledge of all factors influencing the sustainability of small businesses considering the changing economic conditions. The knowledge gained from the literature is to develop a questionnaire for the empirical investigation.

- Empirical research:
 - Research the expected outcomes that affect the sustainability of small businesses;
 - Research the expected outcome relating to the small business operational environment and finance in relation to legislation;
 - Research the expected outcomes from the small business support agencies of government; and
 - Research the role of small business in terms of labour absorption, job creation and innovation.

To establish the abovementioned aspects, the empirical study targets owners and directors directly involved with the activities of small businesses to ensure its success and information from the database of small business support agencies of government.

1.5. SCOPE AND DEMARCATION OF STUDY

This study focuses on the development of a conceptual framework that will enable small businesses to operate sustainably in the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein area (KOSH) in among other sectors such as:

- Retail;

- Manufacturing;
- Mining;
- Construction;
- Transportation;
- Agriculture; and
- Tourism.

The KOSH area has previously predominantly depended on the mining sector that has declined over a period leaving many people jobless. It has been significant for the area to have an economic shift in terms of its economic sectors in order to keep the local economy vibrant irrespective of the decline in the mining sector production and depletion of mining reserves. The loss of jobs experienced over a period has put a strain on the local economy and new jobs in other forms are to be created, including to skill people in order to be able to be absorbed in other sectors.

The research study is limited to small businesses within the KOSH area and the South African legislation will serve as a guide in terms of regulations governing business formation and operations. The sources of information on small businesses will be both local and global in order to establish how other successful countries are performing in the small business economy.

1.6. RESEARCH METHODOLOGY

The methodology followed in this study consists of two parts, namely an extensive literature study and an empirical study.

An in-depth analysis, evaluation and integration of the different aspects relating to factors influencing small business sustainability is required to establish a sound theoretical background to the problem formulated above. A thorough theoretical study of factors that influences sustainability of small businesses was conducted.

The aim of the literature is to gain theoretical knowledge of a conceptual framework that will ensure the sustainability of small businesses. The knowledge gained used to identify the factors that affect the small business's sustainability and the ability to thrive under changing economic conditions. It was also imperative to develop a questionnaire as measuring instrument for the empirical investigation. Where it is possible, only recent literature in the field of small businesses were utilised. The literature consisted of relevant textbooks, technical journals, magazine articles, publications on the internet, and business documentation on small businesses.

The empirical study aims at small businesses in different business sectors. Questionnaires filled by the sample determined the shortcomings between the actual typical framework of small businesses in terms of its operations and the ideal set up, as established during the literature study. The questionnaires were used to study the relative importance of each factor identified in the preceding literature study. The responses obtained in the questionnaires were captured in a Microsoft Excel spreadsheet. Conclusions from these responses to identify the factors influencing sustainability of small businesses were made. The information gathered during the literature study was used for the development of the questionnaire.

The questionnaires', distribution via e-mail and through personal contact sessions worked well. The responses to the questionnaires received constant follow-up work using e-mail, telephone calls, and contact sessions to ensure a high return rate. All questionnaires remained confidential to maintain the integrity of the questionnaire.

The target population for the study is the owners or directors of small businesses, local chambers of business, local economic development agencies, government SMME support agencies such as SEDDA, NYDA, DTI and NEF. The owners or directors have a management role in the small business while the agencies have a supporting and co-ordination role including keeping of databases of small businesses, including statistics of small businesses within the KOSH area. The anticipated, estimate number of participants is two hundred for both small businesses and SMMEs' support agencies and small business advisors and mentors.

The results were statistically analysed using an appropriate statistical methodology. The analysed results drew conclusions, and recommendations were regarding the

ideal small business conceptual framework that will ensure sustainability, success and potential for growth.

The study attempted to develop a conceptual framework that is ideal for small businesses to be sustainable and identify factors that have an influence on sustainability. The study is limited to only small businesses that employ about 50 people or less, and not micro, very small or medium businesses. The anticipated problems were the unavailability of business owners and reluctance to give information since the exercise might have been considered non-beneficial in their case or operations.

1.7. DIVISION OF CHAPTERS

In order to achieve the objectives of the study, the study comprised four phases. The four chapters of the applied dissertation coincide with each of the phases of the study.

- **Chapter 1**

Chapter one provides an overview of the study. The chapter includes an introduction into the study, the problem definition, the study objectives, the scope of the study, and the methodology followed in the study.

- **Chapter 2**

Chapter two consists of a literature study on a framework of small businesses that ensures that the business becomes sustainable and thrive irrespective of changing economic conditions. The literature focuses on the factors influencing the sustainability of small businesses, both internally and externally. The literature study portrays the ideal set-up of a small business in relation to its operations in order to be sustainable and to thrive.

- **Chapter 3**

Chapter three outlines the methodology used during the empirical study. A questionnaire took care of the empirical investigation. A detailed analysis of

the feedback obtained from the questionnaire was taken care of in this chapter and the elements or components of sustainable small businesses are evaluated using a statistical analysis of the results. The results were analysed together with the literature study's outcome.

- **Chapter 4**

Chapter four presents the conclusions from the study. Recommendations address the shortcomings identified in the previous chapters. Final recommendations are made to assist in crafting or developing a conceptual framework for sustainable small business operations.

1.8. CONCLUSION

The research objectives confirmed the research methods applied. Small business, in terms of the legislation, means a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operatives managed by one owner or more, predominately carried on in any sector or subsector of the economy and classified as a micro, a very small, a small or a medium (National Small Business Amendment Act No. 26 of 2003) (SA, 2003).

It is relatively easy to start a small business considering the initial investment needed. The government has also introduced legislation that simplifies the registration process in terms of costs. However, the challenges experienced by formed small business owners are associated with the ability to strive and grow that lead to closure of many businesses. It is evident that there is a risk involved and the smaller the enterprise the bigger the chances of failure. About two-thirds of small businesses' closure takes place within three years of start-up. The time spent and invested capital gets lost in the process when the business cannot make money (Bannok, 2005:1).

The promotion and support of small businesses is important in view of its economic contribution such as labour absorption, generated income, use of local resources and competition. South Africa has a vast lack of innovation and skills and small businesses can play an even more important role.

1.9. CHAPTER SUMMARY

The focus of the study is limited to the small business sector within the KOSH area and South African legislation will serve as a guide in terms of regulations governing business formation and operations. The KOSH area has previously predominantly depended on the mining sector that has declined over the period leaving many people jobless. The area need to diversify in terms of its economic activities in order to address high rate of unemployment and sustain its economy. Other sectors of the economy have shown substantial progress through large corporations and little contribution of small businesses are seen.

The study aims to develop a conceptual framework for small businesses to obtain sustainability under challenging economic conditions. There are both internal and external factors that influence successful operations of a small businesses. These factors range from the character of an entrepreneur, application and knowledge gained, types of products and services offered, day-to-day operations, resources, financial and external environment. There are more challenges for small businesses, especially at the start of the business since the little resources must support the business objectives. Some businesses require financial start-up, hiring and training of staff in order to operate successfully (Sirmon et al., 2011:14).

CHAPTER 2

LITERATURE STUDY

2.1. INTRODUCTION

The chapter focuses on existing literature that focus on small businesses' operating framework that will sustain entrepreneurial activities of an emerging small business. The literature deals with critical factors influencing the sustainability of a small business after its formation. It dwells into establishing an ideal set-up that will enable it to operate successfully and continue to exist beyond its formation in any sector of the economy.

The definition of a small business is having fewer than 100 employees. The annual turnover as a defining quality ranges from less than R3 million in the agriculture sector to less than R32 million in the wholesale trade. A small business in the transport, storage or communications sector is classified as a small business if its turnover is less than R13 million a year. The maximums for some other sectors are R6 million for construction, R19 million for the retail and motor trade, and R13 million for the manufacturing sector as classified by the National Small Business Act No. 26 of 2003 (SA, 2003).

According to Bannock, (2005:2) characteristics such as having a small market share can identify a small business. A type that will not influence the national prices even though the customers are willing to pay additional amounts for convenience especially where businesses are far from the markets. Small businesses consist of personalised management and operate independently. The owners participate actively in all the operations of the business and takes responsibilities for their decisions in terms of loss or gains.

Policy makers know that small businesses play an important role in the development and well-being of the society. An entrepreneurial activity undertaken is viewed as any attempt at a new business or new venture creation involving self-employment, new business or expansion of an existing business.

These entrepreneurial activities affect the local economy in terms of enhancing transaction movements between and among existing micro businesses, small businesses, and large corporation. In turn, creation of income opportunities for these firms eventually spills into individuals or potential customers resulting into improved living standards and buying power (Bosma, Wennekers & Amoros, 2012:12; Herrington, Kew & Kew, 2010:10-11).

Small business initiative is a most important driver of job creation, innovation and development in any economy. It is crucial for the development of vibrant and formal small to medium businesses (UNCTAD, 2012). Furthermore, entrepreneurship enhances economic productivity and as such it is a vital and intrinsic component for economic growth and development (Bosma & Levie, 2009:25).

2.2. ENTREPRENEURIAL CONCEPTS

According to Scarborough (2011:20), globally the concept of entrepreneurship is well known and many people continue to realize their dreams of owning and operating own business. In the world today, one adult (1) out of eleven (11) is involved in a certain form of entrepreneurial activity. These activities play an important role in the economic development and shaping of the business world through the introduction of innovative products and services, new technology, new jobs while on the other hand entrepreneurs are doing what pleases them.

Sirolli (2012:1) further purports that successful aspiring entrepreneurs are motivated by passion for their trade. The word passion originates from Latin, defined as 'suffer'. Entrepreneurs go through difficult times and passion keeps them going. There are factors such as education, training, money and publicity or status that contribute as well since no single aspect rules. It is all about the calculated risk taking in order to be eventually successful.

Entrepreneur is a French word with its origin dating back to the 1700s, and since then has evolved to mean someone who "undertakes a venture". Jean-Baptise Say, a French economist of the 1800s, stated that an entrepreneur shifts economic

resources out of an area of low productivity into an area of higher productivity and reaches a greater yield (Herrington et al., 2010:11).

Joseph Schumpeter introduced the modern definition of entrepreneurship in 1934. According to Schumpeter, entrepreneurship is the carrying out of a new combination of products, processes, organisations, and markets. Schumpeter called the new combinations “enterprises” and the individuals whose function it is to carry the combinations out ‘entrepreneur’. This type of entrepreneurship shows up in many electronic products such as DVDs, that is a combination of the audio and video cassette. This type of entrepreneurship requires one to have technical knowledge of the two elements to combine. The lack of sound educational background in terms of most township (emerging) entrepreneurs would exclude them from becoming such an entrepreneur (Van der Veen, M. and Wakkee, I.A.M. 2004:2).

Table 2.1: Definitions of entrepreneurship

Authors	Definitions
Schumpeter (1934)	Entrepreneurship is new combinations, including the doing of new things that are already being done in a new way. Combinations include: <ul style="list-style-type: none"> A. Introduction of new goods B. New method of production C. Opening of new markets D. New source of supply E. New organisations
Kirzner (1973)	Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to “correct” the market and bring it back to equilibrium.
Drucker (1985)	Entrepreneurship is the act of innovation that involves endowing existing resources with new wealth capacity.
Stevenson, Roberts & Grousbeck (1985)	Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.

Rumelt (1987)	Entrepreneurship is the creation of new business: new business meaning that they do not exactly duplicate existing business but have some element of novelty.
Low & MacMillan (1988)	Entrepreneurship is the creation of new enterprise.
Gartner (1988)	Entrepreneurship is the creation of organisations: the process by which new organisations come into existence.
Timmons (1997)	Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach, and leadership balanced.
Venkataraman (1997)	Entrepreneurship research seeks to understand how opportunities bring into existence future goods and services, are discovered, created, and exploited by whom and with what consequences.
Morris (1998)	Entrepreneurship is the process through which individual and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organisational context and result in a variety of possible outcomes, including new ventures, products, services, processes, markets and technologies.
Sharma & Chrisman (1999)	Entrepreneurship encompasses acts of organisational creation, renewal or innovation that occurs within or outside an existing organisation.

Source: (Van der Veen et al., 2004:2)

For the purpose of this study the relevant definition of an entrepreneur will be someone who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them. Anyone can have a great business idea but not act on it. The entrepreneur defined is a person who acts on the idea to create a business, in turn contributing in the society by bringing change and

development. This implies creating new and better ways of serving the need of the people and improving the quality and standard of lives. It is not the same as throwing darts and hoping for the best outcome. It involves planning and taking calculated risks in relation to knowledge of the market, the available resources, or products, including prior evaluation of the chances for success (Scarborough, 2011:22).

Researchers have taken time in the last few decades in an attempt to identify several characteristics or entrepreneurial personality types that represent an ideal entrepreneur as follows:

Table 2.2: Entrepreneurial personality profile

Personality	Explanation
1. Desire for responsibility	<ul style="list-style-type: none"> • They feel a deep sense of personal responsibility for the business to succeed • Prefer control of own resources as well as application in order to achieve set goals
2. Preference for moderate risk	<ul style="list-style-type: none"> • They are not wild risk takers but instead take calculated risks and rarely gamble. • Goals may look high or impossible in others' eyes but they see things in their own perspective and believe that the set goals are realistic and attainable. • Good at spotting opportunity in areas that they have knowledge and background thus increasing their chances to succeed.
3. Confidence in their abilities	<ul style="list-style-type: none"> • They believe in themselves and trust that they have made the right career choice. • High level of optimism indicates the rate of failed businesses and yet great eventuality of success after several attempts.
4. Desire for immediate feedback	<ul style="list-style-type: none"> • They enjoy to run the business and to know how it is performing. • The challenges stimulate their creativity.

5. High level of energy	<ul style="list-style-type: none"> • They are more energetic than an average person that assists and empowers the entrepreneur to match the business demands. • They are hard-working people, doing about 10 hours a day over six days of a week.
6. Future oriented	<ul style="list-style-type: none"> • They have a well-defined sense of searching for opportunities. • They look ahead and are less interested in what happened yesterday than what will happen tomorrow. • Entrepreneurs are not satisfied to sit back and revel in their success but they focus on the future. • They are able to see opportunity where others see only problems or nothing at all. • Compared to managers who focus on the management of available resources, they focus on spotting and capitalising on opportunities.
7. Organising skills	<ul style="list-style-type: none"> • They know where and how to use people to perform tasks. • They are able to merge people with tasks in order to achieve their dreams.
8. Value over money	<ul style="list-style-type: none"> • They are not wholly driven by money-making. • Their primary motivation is achievement and money is a symbol of that achievement. • They have a will to conquer, the impulse to fight and prove oneself superior to others rather than wealth creation. • They experience joy in creating, getting things done as well as simply applying energy.

Source: Scarborough (2011:22)

Gartner (2001:30) has criticized the entrepreneurship definition explaining that it is not specific but too broad to allow an encompassing theory. He further notes that there is no difference between entrepreneurs and non-entrepreneurs or within different types; entrepreneurs can be classified according to different levels of experience. This is necessary because different types of entrepreneurs face different types of skills and knowledge.

Table 2.3: Classification of entrepreneurs

NO.	Type of entrepreneur	
1	Novice	An individual with no prior business ownership experience as a founder; an inheritor; or a purchaser of a business.
2	Nascent	An individual considering the establishment of a new business
3	Habitual	An individual with prior business ownership experience
4	Serial	An individual who has closed or sold their original business but at a later date have inherited, established, or purchased another business

Source: Dellabarca (2002:14)

Using this type of classification may not be helpful in terms of the objectives of the study, because the different categories exist in both camps of entrepreneurs.

In South Africa, entrepreneurs can be defined in terms of the communities they operate in: the disadvantaged or township communities (mostly survivalists). The latter is township entrepreneurs, whereas the former are first-world entrepreneurs. This classification is necessary because the challenges faced by the two types of entrepreneurs are different (Herrington et al., 2002:10).

Another classification of entrepreneurs that might be relevant in terms of this study could be the classification of entrepreneurs either as opportunity driven entrepreneurs or as necessity driven entrepreneurs. Opportunity driven entrepreneurs focus on identifying opportunities and make the choice voluntary,

whereas necessity driven entrepreneurs are forced into the situation and they have no option (Herrington et al., 2002:14).

Starting a small business is risky due to the size. The smaller and younger the business, there are more chances of failure. Most of the small businesses close shop within three years of start-up. Entrepreneurs invest money to start and only to find out that the idea was not a good idea from the start. The lack of experience contributes to this failure including people starting a business after dropping out of employment. However, the main motivating factors of small business formation are independence that is associated with the freedom to express an own personality, to create money and a secured future. The other aspects relate to the owner's desire to earn respect or status within the community while in some instances it is a history of family tradition (Bannock, 2005:9).

According to Shepherd (2005:12) there are pro's and con's in the small business environment that makes entrepreneurs more vulnerable. They cannot afford to make too many mistakes due to limited resources and competition faced that can cause the business to fail and difficult to recover from potential loss. There is also a general reluctance of small businesses to prepare clear business plans and acquire training in order to operate with measurable and defined targets and adequate skill. On the other hand, the growth of the business links to the economic perspective. The owners allure to the motivation of making money to grow the business. The business planning will have a positive impact on growing the business through maximisation of profits.

2.3. SUSTAINABILITY

2.3.1. Business planning

Scarborough (2011:88) notes that in most cases planning is overlooked by most entrepreneurs due to the tendency of wanting to have a business set and running irrespective of a clear strategic plan. The approach of small businesses turn to be on a trial and error basis where attempting several business ideas are followed. At any point where a certain concept seems to succeed in its initial stages is viewed automatically as a winning idea.

However, either a large or a small business without clear vision turns to hit the rock as soon as the competition and changes in the market prevail due to the lack of planning. Small businesses face challenges, especially competition due to a changing political environment and technological advances that continue to put more strain on the business's limited resources. Factors such as competition, suppliers, increasingly scarce resources, government agencies and their strict regulations, and changing preferences of consumers need clear strategies to keep the business sustainable. Therefore, small businesses that have clear strategies in place turn to capitalise on changes and succeed (Pearce & Robinson, 2013:3).

2.3.2. Customer service based strategy

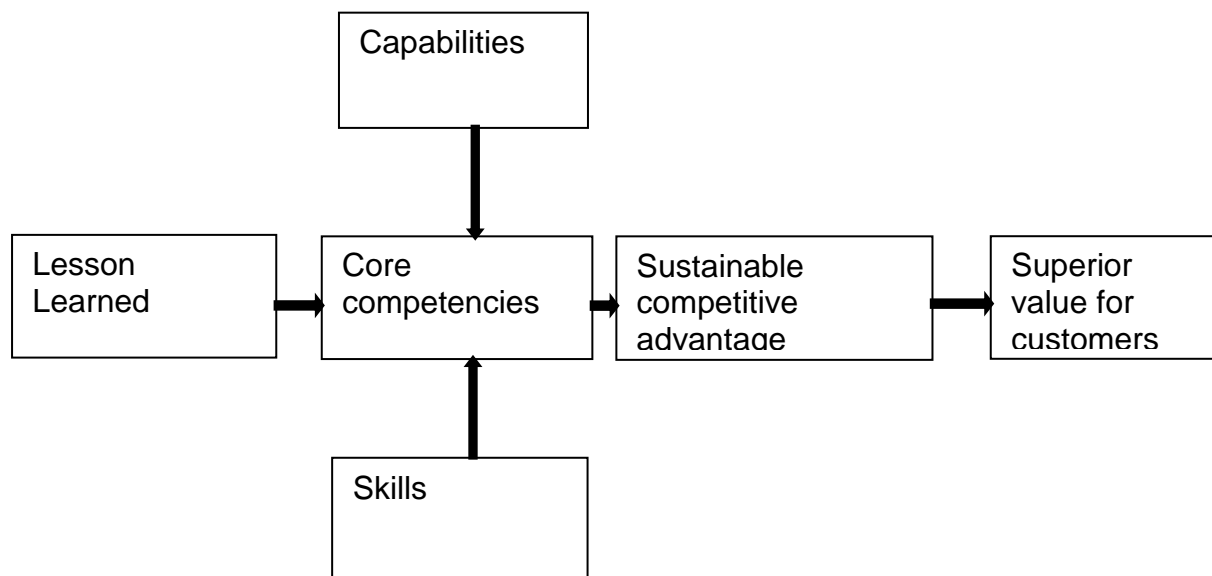
Hill and Jones (2013:C17) explain that large corporations are known to have a trend in terms of strategies chosen like differentiation or low pricing strategy. The reasons to follow a certain strategy differ from one company to the other including the type of industry. The research shows that in order to move from a low price strategy associated with a compensation structure for sales to service oriented strategy changes must be undertaken. The issues such as training of sales personnel to know products better and assist customers well are important to be competitive. There are issues that can put a strain on a strategy such as competition, economic downturn and technological advances that involve frequent introduction of products in the markets that can affect small businesses negatively. It is important for a small business to decide on a suitable path to improve in its strategy in order to have innovative products, competent employees and excellent customer service irrespective of competition and operating costs.

Scarborough (2011:90) explains that it is important to build a competitive advantage but sustaining it is even more important. The ability of the company to develop a set of core competencies that make it achieve its goals and serve its intended customers builds over a long period. Small businesses differ from one to the other but set of capabilities such as responsiveness, flexibility, team-building, innovation, customer service and superior quality can become core competencies of a small business. The research shows that core competencies are built within less than five (5) years of the company formation. The changes in the market, customers and competitors

are said to have no influence on the core competencies even if they change over time since the company should provide the customer with perceived benefits.

The most important aspect for small businesses is to build the company's strategy on its core competencies and in return use the core competencies to provide excellent service to its intended customers. The process to build sustainable competitive advantage is shown through the figure 2.1 below.

Figure 2.1: Building a sustainable competitive advantage



Source: Scarborough (2011:90)

The United States of America based company, *Best Buy*, with its mission to make technology deliver on its promises to customers, has applied a sustainable customer centric model. Its focus is to help customers maximise their exposure to technological use and changes in order to improve their lives. The need to continue to provide tools to support customers is key to retain Best Buy's customer base in a sustainable manner. A review of strategy to focus on customer satisfaction and desires plays an important role and it affects extensive product offering. Highly trained staff with knowledge of the product in order to convince the customers to buy is a competitive advantage. The staff must be in a position to explain the product or service on how the customers can get the most out of the product also knowing that the customers are different. The small business should also gear up for improving its strategies based on the changes experienced (Hill & Jones, 2013:C18).

2.4. SMALL BUSINESS STATUS

According to Audretsch (2003:45), the success of small businesses (SB) in foreign markets is not feasible but is meant only for large corporations. This perception leaves SB's with only two options: one is to give up trying to enter the international market or struggle with the frustrations of the domestic markets. The other option is to give up its independence and form an alliance with large corporations in order to become an international player. This indicates that leaders of SB's turn to become less interested in the global arena and wish to take their small business across the globe but cannot do so except if they form a partnership or get help from large corporations. In the study of the United States (US) foreign investing firms that reported their activities in the US Commerce Department, it is reported that small businesses (SB's) are not for the traditional perception that they cannot enter the international arena. However, the small businesses (SB's) are capable to invest abroad depending on the type of industry. Large firms involved in the international trade in certain industries require substantial financial and managerial resources, that limit the potential of SB's due to their financial strength. The US foreign investing SB's are seen to invest mostly in Canada, where the costs of doing business abroad is minimised as compared to large corporations that operate diverse as they are able to incur costs.

The Global Entrepreneurship Monitor (GEM) primarily measure total early-stage entrepreneurial activity (TEA), showing that South Africa's rate in 2011 of 9.1% has not increased from 8.9% in 2010. On the other hand, South Africa's TEA rate is far below the average in comparison with the countries of similar economy size in the world. It remains a concern to establish reasons behind poor early-stage entrepreneurial activity in South Africa.

According to the Global Entrepreneurship Monitor Report (Herrington et al., 2010:13), the level of early-stage entrepreneurial activity is linked to income per capita. In 2010, among the evaluated 54 countries that participated, South Africa ranked number 35 with consideration to ranges of income levels and areas. In terms of the total entrepreneurial activity, South Africa was far below average for all the countries that took part. The research shows that irrespective of high income per capita and its strong relation with early-stage entrepreneurial activity, South Africa

has performed poorly and below countries such as Zambia, Ghana, Brazil and Chile in terms of its ability to provide a suitable environment for a new small business to operate successfully.

Nine Sub-Saharan countries took part in the youth entrepreneurship GEM survey in 2013, namely Angola, Botswana, Ethiopia, Ghana, Malawi, Namibia, Nigeria, Uganda, and Zambia. South Africa's perceived opportunity for its youth is 39% substantially below the average of Sub-Saharan Africa of 70% (Herrington, Kew & Kew, 2013). The pool of potential youth entrepreneurial perceived opportunity in South Africa is 20% versus an average of 60% in Sub-Saharan Africa. This indicates that with our economic developmental level, South African youth are not able to perceive opportunities. The level of education attained, a lack of role-models to the youth and prevalence of survivalist business in communities decrease the desirability of entrepreneurship as a career choice for youth.

Corman and Lussie (2001:1) explain that small businesses have more challenges as compared to large corporations such as the inability to employ qualified personnel, inability to access funding needed to grow the business, limited credit disposal with suppliers, poor advertising and marketing due to high costs and the inability to match the market competition. The findings can be associated with poor planning, lack of commitment and inappropriate use of business funds. The other challenges, that cause failure, relate to lacking business management skills, a lack of financial management and the inability to catch up with change and beat the competitors.

Fatoki, (2010:3) explains that lack of access to finance is one of the major reasons for the failure of new small businesses in South Africa. About 75% of all applications for bank credit by new SMEs do not become successful. The major challenge that small businesses face is access to finance that clearly limits its ability when compared to large corporations.

Gitman (2003) defines collateral as assets that are pledged by a borrower to a bank as a form of security for the servicing of debt. This put businesses that do not have assets in a bad position since they are viewed to be having higher risk of borrowing. Large corporations have advantage over small businesses, especially where

capacity is concerned. The capacity limitations of small businesses such as limited capacity to distribute products, the inability to access credit and inability to produce a variety of products or provide a variety of services is a common cause of failure. The GEM Report of 2008 also affirms that South Africa is performing relatively poor in terms of growth and development of small businesses (Herrington, Herrington & Kew, 2008).

De Groot et al. (2004:107) purport that large corporations unlike small businesses operate with a complete structure responsible for respective divisions like human resource development and training, finance and marketing to support the operations. Thong (2001:38-39) share the same sentiments that generally internal resource constraints are prevalent in the small business sector. Small businesses, with less than 50 personnel, tend to employ generalists rather than specialists which limit the business potential in relation to human resource. In most cases there are no written operating procedures or standardized. This type of businesses have a distinctive characteristics which include reliance on short-term planning rather than long-term strategic plans, In turn, this impact badly when there is a need to grow the business, to explore the market in terms of new product introduction or existing product improvement. The limited resources spill into limitations on the skilling of personnel as well, resulting into poor performance of personnel and bad image of the business.

In turn, technology has taken its space in terms of organisational processes such as recruitments. Job seekers use new ways to acquire information of employment opportunities such as on-line that some small businesses cannot afford. The internet technologies are the best for both job search and recruitment in order to access the bigger market and in turn acquire the best talent for the organisation. It is vital that small businesses reshape their business processes in order to take advantage of the latest technologies and benefit (Douglas et al., 2009:3).

In view of the organisational behaviour perspective primary objectives includes job performance and organisational commitment. These factors affect small businesses in terms of recruitment and retaining of staff. Small businesses have to ensure that people perform their duties and remain in their positions for a longer period since they have taken time to train them. On the other hand, employees have to define

what makes them performers and take factors into account that encourage them to stay in the positions they presently occupy. It is therefore a challenge to retain employees for small businesses due to the limitation of resources (Colquitt et al., 2010:25).

2.5. ECONOMIC SECTORS AND ITS IMPACT ON LOCAL ECONOMIC DEVELOPMENT

Africa is one of the fastest growing economies in the world, with South Africa being the best in Africa in terms of the economy. Entrepreneurs flock to Africa and South Africa in particular because of investment opportunities and the need for development. South Africa's economic dominance in Africa and in the Southern African region is an accepted fact but its role on the continent has long been contested. An expansion of output potential of the economy in the long-run is key and refers to increased productive capabilities of an economy by either increasing the resource base or technological advances. This should place South Africa in a better position to develop small business and provide an environment to operate sustainably and in turn provide jobs for its population (Carbaugh, 2007:14).

In the economic field, microeconomics focuses on the choices made by households and firms as well as the effects the choices have on certain markets. The choices are guided by many factors such as level of income, environment, level of education and the individual's personal taste and interest. In the local environment, the role of new and small business is appreciated due to the relationship that exists between small business and development.

The economic growth has a direct link or benefits that are associated with an increase in real income per head of population and the economic growth stimulates more jobs to help new people as they enter the labour market (Carbaugh, 2007:16). Wiklund and Shepherd (2003:43) state that there is a link between growth and entrepreneurship. The small business entering the markets further engage in new markets in different forms with an intention to generate more income while remaining relevant. There are two forms that involve new entry and that can be a source of a new product such as technology to produce certain goods in a market in a more

efficient manner and to the satisfaction of the customer. The other form can be the introduction or a new entry such as new products either in the existing business or through formation of another segment. It is preferred to expand by forming a new business or unit of the same business where it will become more complex in terms of operations, especially the number of personnel.

The need for small businesses to remain relevant to its customers involves new entry in terms of opposite's discovery and exploitation. An entrepreneur has different options to achieve that are developed in two streams named internal and external entrepreneurship. The form of the internal stream is based on the improvement of the activities of the existing small business while the external stream is based on the entrepreneurial activity of a new independent small business (Wiklud, 2003: 51).

The factors that influence entrepreneurs to discover and exploit opportunities within the organisation or through the new business vary as follows:

Table 2.4: Factors that influence entrepreneurs

No.	Item	Description
1.	First	Opportunity for discovery and exploitation can be internal and external.
2.	Second	Exchange between business streams that may be approached.
3.	Third	The choice of a small business either internally or externally may be based on the best option for growth.
4.	Fourth	Habitual entrepreneur may perform multiple new business entities through different models.

Source: Wiklud (2003: 51)

2.6. IMPACT OF MALLS AND LARGE CORPORATIONS

Elgar (2007:211) explains that large corporations have been dominating in most countries making the importance of small businesses invisible. It is further explained that in both the political and social context small businesses are encouraged but only few make it when it comes to economic efficiency. This is clear that the business

environment previously favoured large corporations. However, due to economic conditions leading to long-term serving employees being laid-off during downsizing seasons, things have changed. The generation of today, born between 1982 and 1995 in the United States no longer see starting an own business as a hassle in order to secure own future since dependency on employment has disappointed the earlier generations. The pace of change and acceleration gives a small business a competitive advantage as compared to large corporations.

Small businesses can move faster to exploit opportunities and use modern technology to create products and services in a short space of time while large corporations are busy investigating the outcome of their intended move. It is important for small businesses to create a unique image and position that is superior to its rivals. The image should be attractive, give value for money and should not be easily duplicable. The emphasis of small businesses on superior customer service, product quality and specialisation can be used as a competitive advantage as compared to large corporations that have many product lines and many employees to manage. The size can assist in keeping the business focused in its main goals and objectives (Scarborough, 2011:89).

The competitive advantage can be built based on the four (4) aspects below:

Table 2.5: Aspects of competitive advantage

Aspect	Description
Products sold	Uniqueness Reliability Saving of money, energy and time
Provided service	Superior Close to the customers Small and friendly
Offered price	Low price
Way of selling	Extended hours Customer convenience

Source: Scarborough (2011:89)

2.7. GOVERNMENT POLICIES

2.7.1. Business establishment regulations

The Companies Act of 2008, Amendment Act (No. 3 of 2011) and Companies Regulations of 2011 replaces the Companies Act of 1973 (No. 61 of 1973) completely indicating a law reform over a long period in the South African business regulations environment (SA, 1973; SA, 2008; SA, 2011). The Act allows for only two categories of companies, namely for profit and not for profit companies. The first category is state owned companies, private companies, personal liability companies and public companies while not for profit was previously known as Section 21 companies such as schools. Now, Company names shall no longer be descriptive in terms of the activities performed by an entity.

It is aimed at promotion of competitiveness and development of the economy. This is to be achieved by encouraging entrepreneurship, creating employment opportunities by simplifying the procedures for forming companies, including reduction of costs of registering. The Act also promotes compliance with the Bill of Rights as provided for in the Constitution Act 108 of 2006. The companies are regulated to conduct its operations transparently with clear balance between rights and obligations of owners or shareholders.

2.7.2. Business operating regulations

The attitude of entrepreneurs to government policies is acceptable and good. They are obedient of the law and support policies such as competition law assisting them when coming to competitions. However, such businesses are also resistant to taxation and often form of regulations and reference. Small businesses perceive government to be oppressive and only interested in the rights of employees.

The SB's serving communities contribute in terms of providing service and jobs. The contribution is done out of own will, time and effort but regulations can be viewed as reference of government with no power to belong to trade unions to defend own interest. Generally, policy makers are not clean and have no practical experience of

day-to-day operation of a The Act also promotes compliance with the Bill of Rights as provided for in the Constitution Act 108 of 2006. The companies are regulated to conducts its operations transparently with clear balance between rights and obligations of owners or SB, therefore it is vital for policies to be supportive and conducive for the SBE to operate successfully (Bannock, 2005:63).

2.8. TRAINING AND SUPPORT

Government can provide entrepreneurs with special loans, subsidies, funds, business centres, entrepreneurship awards, counselling, training, advisory support, information products and web portals (Verheul et al., 2004:14). Winn (2004:151) argued that we need to understand and address the factors that are critical for entrepreneurs to succeed in independent businesses and to present a more realistic picture of what starting a new business entails.

According to Minniti et al. (2003:24) as well as Kock (2008:116), governments should address factors such as education, training and family work reconciliation. Policies should thus create and guarantee the existence of underlying conditions favourable to an entrepreneurial environment rather than be active promoters of start-up activities.

2.9. SUCCESS FACTORS OF A SMALL BUSINESS (SB)

According to Kotler, P. & Armstrong G. (2008:119) there has been interest in terms of research on the small business recently aligned to challenges or failure in this sector of business. The applied policies have not proved to be efficient in terms of providing success. The success need to be guided by policies that will stimulate the efficiency of the sector.

The role of small business is acknowledged in relation to its role in the overall economy. It is known that small businesses have benefits such as promotion of private ownership, encouragement of entrepreneur skills, flexibility, adaptation of changing markets, demand and supply situations have great potential of employment

generation including diversity of economic activities' contribution of exports and trade (UNECE, 2003:33).

Success in business is regarded as achievement of goals and objectives in the particular sector. It is normally associated with business management; however, theory shows that business success is related to financial performance. The success of business pops up in many forms such as survival, profit, return on investment, sales growth, number of employees, happiness, reputation and many other characteristics.

The existing literature and empirical studies show that both survey and case studies used in evaluation of factors are associated with successful business set-up. Kotler et al. (2008:67) explains the characteristics that impact on the success of the small business. Characteristics of small business includes, management and expertise, products and services, and the way of doing business; furthermore, co-operation, resources and finances, external environments, customers and markets.

The strategies that are adopted with a view of willingness to adapt to changes, to create change as well as to explore new models of doing business is seen to be very important in today's markets. It is suggested that it is not the strongest business that survive but those that are willing to quickly adapt to changes. The major economic changes experienced today are the shift from financial to intellectual capital. Knowledge turns out to be the driver of success and works to the advantage of a small business. The elements of intellectual capital comprising human, structural and customer capital form the basis for the sustainability and success of the small business. The human capital contributes to talents, skills, creativity, innovation, plans and processes that the businesses need. The structural capital reflects the knowledge base and experience composition of the small business's staff. Lastly, the customer capital relates to established customer base retention, reputation in the market, established networks as well as relationship history of the small business and the customers (Scarborough, 2011:89).

Spinelli and Adams (2012:87) purport that business opportunities in the free market are a result of chaos, confusion, inconsistencies, knowledge and information gaps and a variety of vacuums in the market. Business opportunities are situational and differ from industries. Entrepreneurship is dominated by the ability to recognise the

opportunity in a certain market prior to competitors doing that and being able to action the identified concept successfully. The identified concept may be a result of needs, wants, problems, challenges or improvement through innovation of the existing concept to perform better.

Furthermore Shane, Locke and Collins (2003:133) said since opportunities define how the entrepreneurs behave and what kinds of entrepreneurships manifested, entrepreneurial opportunity discovery and exploration are two integral parts of the entrepreneurial process. A person who portrays entrepreneurial characteristics is the one who get involved, able to formulate business ideas and execute them.

According to Herrington et al. (2012:34) a country's micro-economic stability institutions, infrastructure health and primary education is the basic environment for a well-functioned business environment in factor-driven economies. As these types of economies improve to efficient driven economies as it becomes established, we need to put more funding and develop and should seek to enhance efficiency. The factors associated with efficient drive economy includes higher education and training, goods and labour markets efficiency, financial markets satisfaction, technological readiness and market size. The factors encourage and support innovation and the entrepreneur or per the table below:

Table 2.6: The GEM empowerment framework conditions

Activities	Explanation
Entrepreneurial Finance	The availability of financial resources, equity and debt, for new and growing firms including grants and subsidies.
Government Policy	The extent to which government policies such as taxes or regulations encourage new and growing firms.
Government Entrepreneurship Programmes	The extent to which taxes or regulation encourages new and growing firms.
Entrepreneurial Education	The extent to which training in creating/ managing new, small and growing business entries is incorporated within the education and training system at all levels. There are two sub-divisions – primary and secondary school entrepreneurship education and training; and post school entrepreneurship education and training.

R&D Transfer	The extent to which national research and development will lead to new commercial opportunities, and whether or not these are available for new, small and growing firms.
Commercial and Legal Infrastructure	The presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities.
Entry Regulations	There are two sub-divisions: market dynamics (that is the extent to which markets change dramatically from year to year) and market openness (that is the extent to which new firms are free to enter existing markets).
Physical Infrastructure	Ease of access to available physical resources (communication, utilities, transportation, land or space) at a price that does not discriminate against new, small or growing business.
Cultural and Social Norms	The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities that might, in turn, lead to greater dispersion in personal wealth and income.

Source: Herrington et al. (2012:35).

2.10. CHAPTER SUMMARY

A small business is defined as an entity with characters such as number of employees and range of its annual turnover (Small Business Act No. 26 of 2003) (SA, 2003). The small business is not influential in the overall markets in terms of price determination. However, the role is visible and small businesses contribute to factors such as improvement of living standards through new products or renewal of existing products, innovation and job creation (Bosma et al., 2012:12).

The Entrepreneurship concept is viewed as an old concept that many researchers have defined differently but with similar points of view such as doing new things, improving existing things, ability to perceive opportunities, an act of innovation and so on. The concepts are generally a driver of the economy that involves planning and taking calculated risks to achieve an objective with available capital and resources (Scarborough, 2011:22).

According to Bannock (2005:89) entrepreneurs are like elephants and easy to pin point than to explain. There is also a view about the type of personality that is seen to be more suitable such as willingness to take responsibility, future oriented, high level of energy, preference for moderate risk and confidence on own ability as an entrepreneur. The emerging entrepreneurs operate mostly in the domestic markets though they export to customers in other markets depending on the type of industry.

The existing literature and empirical studies show that both survey and case studies were used in the evaluation factors associated with successful business set-up. Kotler et al. (2008:67) explains the characteristics that impact on the success of the small business characteristics are management and know-how, products and services, the way of doing business cooperation, resources and finances, external environments, customers and markets.

According to Barrow (2008:184) most small businesses start without business planning since there is limited time and focus is on finding customers in order to sell products and services. The research carried out by Cranfield School of Management show that high performing businesses do not have a business plan. It is also indicated that whether the business is high performing or low potential if it has a clear business it has 30% growth potential. There are businesses that succeed without planning prior to starting but it is advisable to have one to avoid miscalculations (Burke, 2014:2).

CHAPTER 3

EMPIRICAL STUDY

3.1. INTRODUCTION

This chapter outlines the methodology and research design used to conduct the research study. The target population, sampling technique, validity and reliability of data are up for discussion. It will further discuss the sample, research questions, data collection instruments and data analysis. A survey questionnaire distributed to targeted participants is analysed and elements or components of sustainable small businesses were evaluated using statistical analysis of the results. The research study utilises collected data to develop a conceptual framework to enable small businesses to be sustainable.

3.2. Purpose of study

The main objective of this study is to develop a suitable conceptual framework for small businesses to operate sustainably in a competitive market and changing economic conditions. The study looks into both internal and external factors affecting the success and failure rate of small businesses in the KOSH area, that are operating in industries such as retail, construction, manufacturing, mining, transportation and services.

A research study will contribute towards understanding the factors that will enable small businesses to be sustainable including factors that negatively affect sustainability. Unemployment rate in KOSH is about 30% (Statistics South Africa, 2011). The high unemployment rate experienced in the area is an indication of the need for government policies to promote development of small businesses in order to create job opportunities and alleviate pressure on the government.

3.3. RESEARCH DESIGN AND METHODOLOGY

This study used a quantitative research method and a large number of respondents were involved. A survey questionnaire was compiled and distributed to participants in

the targeted areas of the North-West Province in the Republic of South Africa. Data was collected from a geographically dispersed and diverse population within the KOSH (Klerksdorp, Orkney, Stilfontein, and Hartbeesfontein) areas of Matlosana Local Municipality. The survey targeted small businesses.

The questionnaire was randomly administered to a sample of 200 people within the KOSH areas. A questionnaire was distributed personally and via email. Participants were chosen randomly and equal opportunity given to complete the questionnaire in order to eliminate bias. The survey questionnaire was the main instrument of data collection and questions were simple, clear and unambiguous. It was split into three sections: personal characteristics, organisational characteristics and sustainability of the business.

- A. Section A (personal characteristics) collected personal information such as level of involvement in the business, total number of years of experience in the business, past employment experience in the business, management level in the last organisation or employment prior to starting the business, age, gender, business ownership experience prior to starting the business, times when the same or different business was restarted, highest level of qualifications, areas of expertise, computer training skills, attendance of short training courses to improve business management skills and reasons for starting the business.

- B. Section B (organisational characteristics) collected organisational information such as legal status, organisations' geographical location and office premises, location of business to its main customers, source of initial capital investment, government agencies or incubation programmes that supported and promoted small business , approximate annual turnover, number of employees, type of business or industrial sector, number of years of operation of the business, business association or membership, source of businesses' innovation or operation, view of main core competencies to provide excellent service to customers, international business role in future, business' clear vision and five-year plan.

C. Section C (sustainability of the business) collected business sustainability information such as drivers for the business' success, main factors that drive competition in the industry, business' competitive advantage, main constraints and challenges of the business, impacts of business operation, importance of funding, business plan, credit suppliers, changing economic conditions, operations costs and budgeting to the business and importance of traits and qualities such as desire for responsibility, preference to moderate risk, confidence in your abilities, desire for immediate feedback, high level of energy, future oriented and desirability of entrepreneurship as a career to the business.

The number of questionnaires distributed to participants in the KOSH areas were 200 and 150 returned. Out of 150 questionnaires only 120 were valid and usable. The other 30 questionnaires were not fully completed especially the last section on the sustainability of the business. Some participants were uncomfortable to answer questions related to their age and approximate annual turnover of the organisation.

3.4. DATA ANALYSIS

Completed and useable quantitative responses were analysed by using the Statistical Consultation Services (SCS) of the North-West University. The statistical package SPSS (Version 22) carried out the statistical analysis. Measuring tools used in the statistical analysis include descriptive statistics, exploratory factor analysis and regression analysis (SPSS, 2013).

Statistical and analytical methods were used to assess quality, validity and reliability of the data. Generally, a Cronbach alpha coefficient of greater than 0.7 is reliable (Levine et al., 2011:114).

In the statistical analysis the collection of data is the methods used to process data and report overall trends in the operations of small businesses . In order to make sense of the data, data must be organised and coded so that it can be analysed (Welman, Kruger & Mitchell, 2010:227).

The techniques such as the following have been employed in this study:

- Frequency
- Reliability (including the mean, standard deviation & Cronbach's Alpha coefficient)
- Spearman Rank Order Correlations

Frequency

The frequency distribution summarises numerical values by totalling them into a set of numerically ordered classes in line with the data analysis. The classes are grouped together to form a range of values called a class interval. The value in a class can only belong to one class. In terms of the frequency distribution, it is evident that it allows for the reaching of conclusions and for the major characteristics of the data (Levine et al., 2011:54-55).

Reliability and Cronbach Alpha Coefficient

In terms of the mean of the data, it is the most common measure of central tendency and the only common measure where all the values play an equal role. The mean is in essence the "balance point" in a set of data (Levine et al., 2011:114).

The reliability in statistical data, it describes the overall consistency of a measure. Cronbach's Alpha coefficient provides for a measure of the internal consistency of a test or scale and expressed as a number between 0 and 1. A "high" value of alpha coefficient is often used as evidence that the items measure an underlying construct. Cronbach's Alpha coefficient is not a statistical test but rather a coefficient of reliability or consistency of the interrelatedness of a sample of test items (Tavakol & Dennick, 2011:53-55).

3.4.1. Section A - Personal characteristics

This is section A of the questionnaire consisting of thirteen different questions. Business owners are involved at different levels in the business such as operational,

management and strategic levels. The number of years of experience of owners in the business sector is important for the small business.

Percentage proportions for the level of involvement in the business according to respondents are operational (42%), management (48.3%), strategic (7.5%) and other (1.7%) (See table 3.1). Most of the respondents are involved at operational and management level of their businesses. Strategic planning is lacking in the small business and it is important for business growth and sustainability.

Table 3.1: Level of involvement in the business

Level of involvement in the business	Frequency	Percent (%)
Operational	50	42
Management	58	48.3
Strategic	9	7.5
Other	2	1.7

The total number of years of experience in the business sector is indicated as < 3 years (27.1%), 3 -5 years (35.6%), 6-10 years (18.6%), 11-15 years (10.2%) and > 20 years (8.5%) (See table 3.2). Many of the respondents have 3-5 years of experience in the business sector followed by less than 3 years. Few respondents (8.5%) have more than 20 years of experience in the business sector.

Table 3.2: The total number of years of experience in the business sector

No. of years of experience in the sector	Frequency	Percent (%)
< 3 years	32	27.1
3 - 5 years	42	35.6
6 - 10 years	22	18.6
11 - 15 years	12	10.2
> 20 years	10	8.5

Past employment experience in the type of business being operated is important and respondents' percentage proportions indicated a Yes (64.7%) and a No (35.3%). There were only 42 persons without past employment experience in the type of

business they were operating. There is a higher percentage of persons with no past employment experience and contributes to the failure of small businesses.

Table 3.3: Indicating past employment experience in the type of business in operation

Past employment experience in the business	Frequency	Percent (%)
Yes	77	64.7
No	42	35.3

The percentage proportions of respondents' management level in their last organisation or employment prior to starting the business are junior management (54%), middle management (33.6%), senior management (9.7%), and executive management (2.7%). Most respondents were in the junior and middle management levels in their last organisation before starting their business. Few people in the executive and senior management levels in their last organisations started a small business.

Table 3.4: Indicating management level in the last organisation/employment prior to starting the business

Management level in the last organisation before starting business	Frequency	Percent (%)
Junior management	61	54
Middle management	38	33.6
Senior management	11	9.7
Executive management	3	2.7

The issue of gender is important in the research study. Percentage proportions of respondents with regard to gender are male (69.2%) and female (30.8%). It is clear that most respondents in the small business sector s are males.

Table 3.5: Indicating gender

Gender	Frequency	Percent (%)
Male	83	69.2
Female	37	30.8

Business ownership experience prior to starting a business is an advantage to enable a small business to be sustainable. The 42 persons with no experience (see table 3.3) are less advantageous and will contribute towards the failure of small businesses. Percentage proportions from respondents with regard to ownership experience prior to starting the business are no experience (36.8%), less than 1 year (21.4%), 3 – 5 years (25.6%), and 6 – 10 years (16.2%). The study indicates that most people started their business without prior business ownership experience. Few respondents had 6 -10 years business ownership experience before starting their business. It will contribute towards failure of small businesses' success and sustainability.

Table 3.6: Indicating business ownership experience prior to starting the business

Ownership experience prior to starting the business	Frequency	Percent (%)
No experience	43	36.8
< 1 year	25	21.4
3 - 5 years	30	25.6
6 - 10 years	19	16.2

Most small business experience challenges and fail along the way. Respondents' percentage proportions for the number of times they have restarted the same or different type of business are zero (25.4%), once (31.4%), twice (26.3%), three times (11.9%), more than three times (5.1%). Most respondents re-started the same or different type of business once. Few respondents re-started the same or different type of business more than three times. Thirty respondents never restarted the same or different type of business and thirty-one respondents restarted the same or different type of business twice. This means that there are equal chances of success compared to restarting the business.

Table 3.7: The number of times a respondent has restarted same or different type of business

No. of times the business was restarted	Frequency	Percent (%)
0	30	25.4
1	37	31.4
2	31	26.3
3	14	11.9
More	6	5.1

Qualifications will enable small business owners to succeed. Percentage proportions of respondents with regard to their highest level of qualifications are less than grade 12 (13.3%), grade 12 (32.5%), certificate (11.7), diploma (29.2%), degree (4.2%), postgraduate (3.3 %) and other (5.8%). The highest qualification of the respondents is grade 12. Few people in the small business environment have postgraduate qualifications. Persons with less academic qualifications start small businesses and this will contribute towards failure of the business due to limited knowledge.

Table 3.8: Highest level of qualifications achieved

Highest level of qualifications	Frequency	Percent (%)
< Grade 12	16	13.3
Grade 12	39	32.5
Certificate	14	11.7
Diploma	35	29.2
Degree	5	4.2
Postgraduate	4	3.3
Other	7	5.8

The area of expertise in a particular trade is an important determinant in terms of identifying an industry based on the background knowledge. Percentage proportions of respondents with regard to the area of expertise are highest in engineering (26.7%), finance (21.6%), education (14.7%), marketing (12.1%), other (8.6%) and law (7.8%). The engineering industry oriented people are mostly taking advantage of their area of expertise to start their own business.

Table 3.9: Indicating area of expertise acquired

Area of expertise	Frequency	Percent (%)
Finance	25	21.6
Law	9	7.8
Engineering	31	26.7
Health Sciences	6	5.2
Economics	4	3.4
Education	17	14.7
Marketing	14	12.1
Other	10	8.6

The basic computer training skills possessed by small business owners indicate that about 77% are knowledgeable in the use of computers while about 23% is not. The internet and email use seems to be the ones mostly used whilst PowerPoint is the least in use.

Table 3.10: Indicating basic computer training skills acquired

No. of years of experience	Frequency		Percent (%)	
	Yes	No	Yes	No
Microsoft Word	95	25	79.2	20.8
Microsoft Excel	93	27	77.5	22.5
Microsoft Outlook	92	28	76.7	23.3
Microsoft Power-point	91	29	75.8	24.2
Internet and email	96	24	80.0	20.0

The need for small business owners to attend short training courses to improve management skills indicates that most of them attend once to three (48.7%), four to six (14.3%), more than seven times (7.6%) training courses per year. There is an indication that 29.4% of owners do not attend courses at all. This is a high number just below those that attend once to three times a year that indicates that owners do not value the short training courses. The trend shows that the more the number of courses attended the lesser the number of owners participate.

Table 3.11: Indicating the number of times short training courses were attended to improve business management skills

Times attended short training courses	Frequency	Percent (%)
0	35	29.4
1-3	58	48.7
4 -6	17	14.3
>7	9	7.6

There are many reasons for starting a business with the percentage proportions of respondents stating that opportunity (37.5%), own boss (20.0%), unemployment (16.7%), money (15.0%) were the main reasons for starting. The family tradition rated low with about 6.7% of respondents influenced by their families. None of the respondents started the business because of status.

Table 3.12: Indicating the reason for starting the business

Reason for starting a business	Frequency	Percent (%)
Opportunity	45	37.5
Money	18	15.0
Unemployment	20	16.7
Family tradition	8	6.7
Own boss	24	20.0
Status	0	0
Other	5	4.2

3.4.2. Section B - Organisational characteristics

This section of the questionnaire comprises 15 different questions. Its main objective is to understand business characteristics such as legal status, location, capital investment injected, turnover, employee size, business sector type, membership of associations, and number of years of operation, business innovation, core competencies, international role participation and clear vision for the small business.

The registration of a business with the Companies and Intellectual Property Commission (CIPC) is a legal requirement. The percentage proportions of

respondents legally registered shows that a number of close corporations and sole proprietor (31.7%) are equal, followed by private companies (31.7%) and public companies and joint ventures shows low percentage of 3.3%. This indicates the swift shift from close corporations to private companies since no close corporations are being registered since the introduction of the Companies Amendment Act No. 3 of 2011 (SA, 2011).

Table 3.13: Legal status of the organisation

Legal status of the organisation	Frequency	Percent (%)
Public Pty (Ltd)	4	3,3
Private Pty (Ltd)	38	31,7
Joint venture	4	3,3
Close corporation	36	30,0
Sole proprietor	38	31,7

The areas of the survey were KOSH covering the four towns of the Matlosana Local Municipality within the Dr Kenneth Kaunda District Municipality in the North West Province. The larger town is Klerksdorp and a sample of 42 respondents compared to the smaller towns. The percentage proportions of respondents of the small businesses operating in Klerksdorp is higher (35%), Orkney (27.5%), (20%) and Hartbeesfontein (17.5%). The high percentage for Klerksdorp emanate from the large number of businesses that operate in the area due to the demographics.

Table 3.14: Organisation's geographical location

Location	Frequency	Percent (%)
Klerksdorp	42	35,0
Orkney	33	27,5
Stilfontein	24	20,0
Hartbeesfontein	21	17,5

The percentage proportions of respondents operating from the Central Business District (CBD) are higher (46.7%) compared to home (25.8%), industrial site (15.0%), office park (8.3%) and other (4.2%). The CBD indicates attractiveness due to different types of businesses found as well as the population that access the area.

The industrial area and office park are mostly found in the outskirts of towns and costly to rent and are seen to be having a lesser number of small businesses having premises there.

Table 3.15: Organisation's office premises

Organisation's office premises	Frequency	Percent (%)
Central Business District	56	46,7
Office park	10	8,3
Industrial site	18	15,0
Home	31	25,8
Other	5	4,2

The percentage proportions of respondents concerning the location of most businesses indicate that 93.9% of the small businesses are located closer to their customers. There is only a small number of businesses (6.1%), that operates in areas that customers cannot easily access. This is due to the type of business that is either regulated to operate in a specific area or hindered by costs of operating in the area with more accessibility.

Table 3.16: Business situated closer to its main customers

Business situated closer to customers	Frequency	Percent (%)
Yes	107	93.9
No	7	6.1

The small business establishment requires start-up funding to provide for its operational costs such as wages, purchasing of stock and renting of the premises. The percentage proportions of respondents with regards to source of initial funding is higher for savings (52.6%) as compared to a bank loan (17.5%), pension fund (13.2%), friends (8.8%) and other (7.9%). The results show that friends as a source rates low meaning that mostly entrepreneurs prefer to utilise own savings or own pensions from previous employ for start-up.

Table 3.17: Source of the initial capital investment of the business

Initial capital investment	Frequency	Percent (%)
Savings	60	52,6
Friends/relatives	10	8,8
Pension/provident fund	15	13,2
Bank loan	20	17,5
Other	9	7,9

The government support and incubation programmes in government policies with agencies established in order to provide support is good support. However, the percentage proportions of respondents indicating lack of support from government is about 88% with only about 12% having received support. The above clearly gives a picture that requires a different approach from government in terms of the support provided, the accessibility of incubation programmes and whether the programmes match the capacity and skills of the targeted small business.

Table 3.18: Government agencies and incubation programmes

Government agency	Frequency		Percent (%)	
	Yes	No	Yes	No
SEDA	23	97	19.2	80.8
NSBC	7	113	5.8	94.2
DTI	9	111	7.5	92.5
NEF	7	103	14.2	85.8
NYDA	9	111	7.5	92.5

The percentage proportions of respondents with regard to annual turnover less than R 100, 000 and R 200, 000 rates higher with 38.3% and 34.2% respectively. The higher the annual turnover, the lesser the percentage proportions of the organisations that fall within that annual turnover bracket. The average results (see table 3.19) show that most of the small businesses fall below the approximate annual turnover threshold of R 500, 000.

Table 3.19: Approximate annual turnover of the organisation

Annual turnover of the organisation	Frequency	Percent (%)
< R 100, 000	46	38,3
R 101, 000 – R 200, 000	41	34,2
R 201,000 – R 500, 000	26	21,7
R 501,000 – R 1,000, 000	1	0,8
R 1,000, 001 – R 3, 000, 000	2	1,7
> R 3, 000, 001	4	3,3

Small businesses serve as drivers of employment in any economy. The percentage proportions of respondents with regards to size of employees is higher for employees less than 10, followed by the ranges between 11 and 30 (26.7%), 31 and 60 (4.2%) and about 5% for businesses employing more than 100 employees. The trend shows that a large number of small businesses analysed do not employ a large number of people but only about less than ten in most cases.

Table 3.20: Number of employees in the organisation

Number of the employees	Frequency	Percent (%)
< 10	75	62,5
11 – 30	32	26,7
31 – 60	5	4,2
61 – 100	2	1,7
> 101	6	5,0

The small businesses operate in different sectors and the percentage proportions of respondents in that regard show that most businesses are in tourism (34.7%), retail (19.5%), manufacturing (18.6%), construction (11.0%), transport (8.5%) and other (8.5%). The tourism industry includes guest housing or accommodation, hotels, lodging, restaurants and points of tourist attraction. Retail follows indicating a large market share as well since it is a vast industry with many sub-sectors.

Table 3.21: Type of business or industrial sector

Industrial sector	Frequency	Percent (%)
Transport	10	8.5
Retail	23	19.5
Construction	13	11.0
Manufacturing	22	18.6
Agriculture	6	5.1
Tourism	0	0
Services	41	34.7
Other	3	2.5

The percentage proportions of respondents regarding the number of years of operation of the current business indicates a higher percentage for businesses that has existed between a periods of one to three years at about 28.3%. The other higher bracket is the businesses operating for the period between three and five years (27.5%) as well as more than five years (21.7%). The businesses that existed for a period less than a year (11.7%) are scant.

Table 3.22: Number of years of operations of the current business

Length of operations	Frequency	Percent (%)
< 3 months	13	10,8
3 months – 1 year	14	11,7
2 year – 3 years	34	28,3
4 years – 5 years	33	27,5
> 5 years	26	21,7

The percentage proportions of respondents regarding the affiliation with the associations (11.7%) or professional organisations (18.3%) are far lower for organisations not affiliated to any association. The results show that most small businesses operate in silos (that is, no sharing of information) and do not meet and share views with each other regarding their industry performance.

Table 3.23: Business association or membership

Association or membership	Frequency	Percent (%)
Chamber or forum	14	11,7
Professional	22	18,3
None	83	69,2
Other	1	0,8

The source of the business idea plays an important role on the character of the business and impact also on the sustainability. The percentage proportions of respondents regarding the source of the business idea are high for process needs (41.5%) followed by demographics (19.5%), new knowledge (18.6%) and industry changes. The source of business idea influenced by perceptions shows a smaller margin of 3.4%.

Table 3.24: The source of your business idea/innovation or operation

Source of business idea	Frequency	Percent (%)
Industry changes	20	16,9
Demographics	23	19,5
Perceptions	4	3,4
New knowledge	22	18,6
Process needs	49	41,5

The percentage proportions of respondents in view of core competencies shows that customer service is rated high (38.1%), followed by responsiveness (17.8%), flexibility (12.7%), superior quality (12.7%), team building (11.0%) and innovation. A large number of small businesses indicated that customer service is their core competency meaning that they highly put value on their customers.

Table 3.25: Main core competencies to provide excellent service

Core competencies	Frequency	Percent (%)
Responsiveness	21	17,8
Flexibility	15	12,7
Team-building	13	11,0
Innovation	9	7,6
Customer service	45	38,1
Superior quality	15	12,7

The percentage proportions of respondents with regards to aspiring to trade internationally by small businesses is very low with 65.8% indicating that there is no potential to enter the international market.

Table 3.26: International player in future

View of becoming an international player	Frequency	Percent (%)
Yes	41	34.2
No	79	65.8

The business planning guides the vision and mission of the business in terms of its strategic targets. The percentage proportions of respondents with regards the vision indicates that about 95.8% responded by agreeing to having a future picture of the business. Only 4.2% indicated that there is no clear vision that is likely to affect the direction of the organisation.

Table 3.27: Clear vision in terms of what it intends to become

Vision of the business	Frequency	Percent (%)
Yes	115	95.8
No	5	4.2

3.4.3. Section C - Sustainability of the business

Section C of the questionnaire consists of seven questions with a minimum of five sub-questions each. A 5-point Likert-type scale, ranging from (1) to (5), where (1) is

strongly disagree, (2) is disagree, (3) is neither agree or disagree, (4) is agree and (5) is strongly agree is used to investigate and evaluate the sustainability of the business. Its main objective is to understand drivers of success for the business, factors that drive business competition, competitive advantage, constraints and challenges, business impact, importance of business related aspects and important traits or qualities to the business.

The aspects that serve as drivers for the success of the business are split into internal and external factors from the questionnaire. Internal factors are questions 1.1; 1.3; 1.5; 1.6 and 1.7 (Table 3.28). Respondents indicated that internal factors are the main drivers for their business. The mean ranges from 3.8 – 4.3 (agree to strongly agree). Personnel skills and training were rated higher at a mean of 4.31 and standard deviation of 0.68, where 40.8% respondents strongly agreed and 50.8% agreed that it is the main driver for business success. External factors may be considered as questions 1.2; 1.4 and 1.8 (Table 3.28). Respondents indicated that external factors are also driving factors for the business though slightly less than internal factors. The mean ranges from 3.07 – 3.69.

Table 3.28: Indicating the drivers of success for the business

Q1	Drivers for business success	Rating level	1	2	3	4	5	Mean	Std Deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
1.1	Personnel skills and training	Frequency	1	0	9	61	49	4.31	0.68
		Percentage	0.8	0	7.5	50.8	40.8		
1.2	Government promotion and support of small business	Frequency	14	31	24	35	16	3.07	1.25
		Percentage	11.7	25.8	20	29.2	13.3		
1.3	Quality of customer service	Frequency	0	4	15	57	44	4.18	0.77
		Percentage	0	3.3	12.5	47.5	36.7		
1.4	Industry changes (booming, dormant, etc)	Frequency	5	3	44	48	20	3.63	0.94
		Percentage	4.2	2.5	36.7	40	16.7		
1.5	Quality of products and services	Frequency	0	0	23	54	42	4.16	0.72
		Percentage	0	0	19.3	45.4	35.3		
1.6	Advertising	Frequency	1	13	35	37	33	3.74	1.01
		Percentage	0.8	10.9	29.4	31.1	27.7		
1.7	Networking	Frequency	1	10	34	38	35	3.81	0.99
		Percentage	0.8	8.5	28.8	32.2	29.7		

1.8	Technology	Frequency	5	10	37	33	35	3.69	1.11
		Percentage	4.2	8.3	30.8	27.5	29.2		

All industries face competition during their time of operation and small businesses should be competitive to become sustainable. Understanding of threats of new entrants and substitute of products or services, bargaining power of suppliers and buyers, and rivalry among existing business are important factors that can drive competition in the industry. The threat of new entrants in the market is rated with a mean of 3.72 and standard deviation of 1.05, bargaining power of buyers (mean = 3.55 & standard deviation of 0.86), rivalry among existing businesses (mean = 3.53 and standard deviation of 0.92) (see table 3.29) are some of the factors that drive competition in their industry.

Table 3.29: Indicating the main factors that drive competition in the industry

Q2	Main factor that drives industry competition	Rating level	1	2	3	4	5	Mean	Std Deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
2.1	Threat of new entrants in the market	Frequency	5	8	33	44	30	3.72	1.05
		Percentage	4.2	6.7	27.5	36.7	25		
2.2	Threats of substitute products or services	Frequency	5	11	39	50	15	3.49	0.97
		Percentage	4.2	9.2	32.5	41.7	12.5		
2.3	Bargaining power of suppliers	Frequency	4	13	41	48	14	3.46	0.95
		Percentage	3.3	10.8	34.2	40	11.7		
2.4	Bargaining power of buyers	Frequency	3	6	47	50	14	3.55	0.86
		Percentage	2.5	5	39.2	41.7	11.7		
2.5	Rivalry among existing businesses	Frequency	3	11	40	51	15	3.53	0.92
		Percentage	2.5	9.2	33.3	42.5	12.5		

The five P's (product, place, promotion, price and profit) were used to rate the competitive advantage in the industry. Price is rated higher with a mean of 4.61 and standard deviation of 0.71 as the factor that gives more competitive advantage in the industry followed by place (mean = 3.94 & standard deviation = 0.83) and product

(mean = 3.92 & standard deviation = 0.93) (Table 3.30). Promotion and profit have the same mean (3.59) with a standard deviation of 0.97 and 1.02 respectively.

Table 3.30: Indicating the main factors that give competitive advantage in the industry

Q3	Competitive advantage in the industry	Rating level	1	2	3	4	5	Mean	Std Deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
3.1	Product	Frequency	1	11	17	58	33	3.92	0.93
		Percentage	0.8	9.2	14.2	48.3	27.5		
3.2	Place	Frequency	2	5	18	68	27	3.94	0.83
		Percentage	1.7	4.2	15	56.7	22.5		
3.3	Promotion	Frequency	4	7	45	42	22	3.59	0.97
		Percentage	3.3	5.8	37.5	35	18.3		
3.4	Price	Frequency	1	2	10	71	36	4.16	0.71
		Percentage	0.8	1.7	8.3	59.2	30		
3.5	Profit	Frequency	2	16	37	39	26	3.59	1.02
		Percentage	1.7	13.3	30.8	32.5	21.7		

Some of the main constraints and challenges identified that were used in the research study are the inability to access finance, limited capacity to distribute products, inability to access credit, inability to produce variety of products or services and inability to hire qualified staff. Few people strongly disagree that the above-mentioned factors are the main constraints for the small business. Respondents rated inability to access finance and credit higher as main constraints or challenges to the small business (Table 3.31).

Table 3.31: The main constraints or challenges of the business

Q4	Main constraints or challenges of the business	Rating level	1	2	3	4	5	Mean	Std Deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
4.1	Inability to access finance	Frequency	10	7	20	48	35	3.76	1.18
		Percentage	8.3	5.8	16.7	40	29.2		

		tage							
4.2	Limited capacity to distribute products	Freque ncy	3	15	36	51	14	3.49	0.95
		Perce ntag e	2.5	12.6	30.3	42.9	11.8		
4.3	Inability to access credit	Freque ncy	5	8	26	58	23	3.72	0.99
		Perce ntag e	4.2	6.7	21.7	48.3	19.2		
4.4	Inability to produce variety of products or services	Freque ncy	4	14	32	51	18	3.55	1.00
		Perce ntag e	3.4	11.8	26.9	42.9	15.1		
4.5	Inability to hire qualified staff	Freque ncy	9	2	39	55	13	3.52	0.98
		Perce ntag e	7.6	1.7	33.1	46.6	11		

The impacts of compliance with regulation (safety, labour laws, and more), pricing, malls and large corporations, systems, competition and operational costs were used to evaluate operation and sustainability of the small business. Operational costs (mean = 3.77), pricing (mean = 3.74) and compliance with regulation (mean = 3.71) are rated as higher impacts to the operation and sustainability of the business.

Table 3.32: Levels at that Issues impact business operation

Q5	Impacts in the business operation	Rating level	1	2	3	4	5	Me an	Std Deviatio n
			Strongly Disagree	Disag ree	Neu tral	Agr ee	Strongly Agree		
5.1	Compliance with regulations (safety, labour laws, and more)	Frequen cy	7	15	17	48	33	3.7 1	1.17
		Perce ntag e	5.8	12.5	14.2	40	27.5		
5.2	Pricing	Frequen cy	3	11	26	54	26	3.7 4	0.98
		Perce ntag e	2.5	9.2	21.7	45	21.7		
5.3	Malls and large corporations	Frequen cy	8	14	44	37	16	3.3 3	1.07
		Perce ntag e	6.7	11.8	37	31. 1	13.4		
5.4	Systems	Frequen cy	7	11	33	47	21	3.5 4	1.07
		Perce ntag e	5.9	9.2	27.7	39. 5	17.6		
5.5	Competition	Frequen cy	6	5	42	50	17	3.5 6	0.96
		Perce ntag e	5	4.2	35	41. 7	14.2		
5.6	Operational costs	Frequen cy	7	3	30	51	29	3.7 7	1.03
		Perce ntag e	5.8	2.5	25	42. 5	24.2		

The study sought to understand the level of current importance of funding, business plan, credit from suppliers, changing economic conditions, operational costs and budgeting to the sustainability of the business. Most people agree that budgeting, operational costs, credit from suppliers and business plan are rated higher as issues of current importance to the business (Table 3.33).

Table 3.33: Issues of current importance to the business

Q6	Issues of current importance to the business	Rating level	1	2	3	4	5	Mean	Std Deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
6.1	Funding	Frequency	7	16	16	54	27	3.65	1.14
		Percentage	5.8	13.3	13.3	45	22.5		
6.2	Business plan	Frequency	5	11	20	59	25	3.73	1.03
		Percentage	4.2	9.2	16.7	49.2	20.8		
6.3	Credit from suppliers	Frequency	4	6	31	56	23	3.73	0.94
		Percentage	3.3	5	25.8	46.7	19.2		
6.4	Changing economic conditions	Frequency	5	8	41	40	26	3.62	1.03
		Percentage	4.2	6.7	34.2	33.2	21.7		
6.5	Operational costs	Frequency	5	6	30	53	26	3.74	0.99
		Percentage	4.2	5	25	44.2	27.1		
6.6	Budgeting	Frequency	5	8	20	55	32	3.84	1.03
		Percentage	4.2	6.7	16.7	45.8	26.7		

The level of importance of traits and qualities such as desire for responsibility, preference for moderate risk, and confidence in your abilities, desire for immediate feedback, high level of energy, future orientation and desirability of entrepreneurship as a career were evaluated for sustainability of the business. The higher means were observed for confidence in abilities, high level of energy, future orientation and desirability of entrepreneurship as a career as important qualities and traits to enable small businesses to be sustainable.

Table 3.34: Important traits or qualities to the business

Q.7	Important traits or qualities to the business	Rating level	1	2	3	4	5	Mean	Std Deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
7.1	Desire for responsibility	Frequency	5	3	27	48	37	3.91	1.00
		Percentage	4.2	2.5	22.5	40	30.8		
7.2	Preference for moderate risk	Frequency	1	7	20	65	26	3.91	0.83
		Percentage	0.8	5.9	16.8	54.6	21.8		
7.3	Confidence in your abilities	Frequency	1	6	15	51	47	4.14	0.88
		Percentage	0.8	5	12.5	42.5	39.2		
7.4	Desire for immediate feedback	Frequency	3	10	24	48	35	3.85	1.02
		Percentage	2.5	8.3	20	40	29.2		
7.5	High level of energy	Frequency	1	2	23	54	39	4.08	0.81
		Percentage	0.8	1.7	19.3	45.4	32.8		
7.6	Future oriented	Frequency	2	5	20	50	43	4.06	0.92
		Percentage	1.7	4.2	16.7	41.7	35.8		
7.7	Desirability of entrepreneurship as a career	Frequency	1	0	28	54	36	4.02	0.83
		Percentage	1.7	0	23.3	45	30		

3.5.4 Section D – Effect sizes

The owners who had past employment experience rated internal factors high with the mean of 4.25 according to table 3.35 below. These factors include the importance of skills and training, quality of customer service, quality of products and services provided by them as the driver of business success. This indicates a correlation between having past experience as drivers of the business's success. It is evident that owners with past experience suggest that internal factors are important based on their experience.

Table 3.35: Effect sizes and respondents' ratings on drivers for the business's success such as personnel skills and training, quality of customer service, products and services and networking

Past employment experience	Mean	Effect sizes
Yes	4.25	0.54
No	3.89	

Both the owners who had past employment experience and who did not have, rated external factors almost similar with the mean of 3.71 and 3.48 respectively. These factors include the importance of government support, industry changes, advertising and technology as drivers of business success as per table 3.36 below. These indicates a correlation between past employment experience and external factors as being important at almost the same rate. It is evident that both types of owners suggests that external factors are important irrespective of having past employment experience or not.

Table 3.36: Effect sizes and respondents' ratings on drivers for the business's success such as government support, industry changes, advertising and technology

Past employment experience	Mean	Effect sizes
Yes	3.71	0.28
No	3.48	

The factors that drive competition were listed as new entrants in a particular industry, substitute's products or services, bargaining power of suppliers and buyers as well as rivalry among existing businesses. The owners with past employment experience rated the drivers of competition higher. These indicates a correlation between owners with past employment experience suggesting that these factors are the drivers of competition in their industry or sector, according to table 3.37 below.

Table 3.37: Effect sizes and respondents' ratings on the main factors that drive competition such as threats of new entrants, bargaining power of suppliers and buyers as well as rivalry among existing businesses

Past employment experience	Mean	Effect sizes
Yes	3.67	0.48
No	3.35	

The constraints such as inability to access finance and credit including to produce variety of products and services were listed as challenges facing small businesses . The owners with past employment rated these factors high with a mean of 3.71 as compared to owners without past employment experience with a mean of 3.48 as per table 3.38 below. These indicate the difference between the two groups of owners in terms of how they view the constraints related to finance accessibility. The owners with past employment experience suggests that there are challenges with external factors associated with finance more than owners without past employment experience.

Table 3.38: Effect sizes and respondents' ratings on challenges of inability to access finance, credit and to produce variety of products or services

Past employment experience	Mean	Effect sizes
Yes	3.71	0.52
No	3.48	

In table 3.39 below, the impact of compliance with applicable regulations such as safety and labour laws including price was rated high by owners with past employment experience. These factors are external and businesses have a limited control over except the price. However, in other industries prices are regulated. The owners with past employment experience rated the impact of compliance high with a mean of 3.87 as compared to owners without past employment experience with a mean of 3.47. However, the two types of owners both suggest that compliance have an impact in their business operations.

Table 3.39: Effect sizes and respondents' ratings on the impact of compliance with regulations and pricing

Past employment experience	Mean	Effect sizes
Yes	3.87	0.42
No	3.47	

The businesses that had no intention to become international players had a higher rating with a mean of 4.03 as compared to the ones that were aspiring to trade internationally with a mean of 3.43. The listed factors that serve as the drivers of success include government support, industry changes, advertising and technology.

The businesses that are not interested in international trading rated these factors as drivers of success in their businesses. Therefore, according to table 3.40 below, a correlation is that non-aspiring international traders still regard external factors as important drivers in their businesses.

Table 3.40: Effect sizes and respondents' ratings on the drivers for the business success such as government support, industry changes, advertising and technology

An international player in the future	Mean	Effect sizes
Yes	3.43	0.83
No	4.03	

According to table 3.41 below, businesses that had no intention to become international players had a higher rating with a mean of 3.84 as compared to the ones that were aspiring to trade internationally with a mean of 3.34 in respect of external factors. The listed and rated factors that are regarded as challenges or constraint include the inability to access finance, credit and produce variety of products and services. The businesses that are not interested in international trading rated these factors as challenges in their businesses. Therefore, there is a correlation that suggests that non-aspiring international traders still regard financial matters as a problem in their businesses.

Table 3.41: Effect sizes and respondents' ratings on the challenges of inability to access finance, credit and to produce variety of products or services

An international player in the future	Mean	Effect sizes
Yes	3.84	0.48
No	3.34	

The response is that the rating of the businesses that had a clear vision had a high rating with a mean of 3.87 as compared to businesses that did not have with a mean of 3.28 in line with table 3.42 below. The businesses that had clear vision in terms of what they intend to become in a period of five years regards factors such as products, place, promotion, price and profit as giving more competitive advantage in an industry.

Table 3.42: Effect sizes and respondents' ratings on the competitive advantage such as products, place, promotion, price and profit

Clear vision on the five year period	Mean	Effect sizes
Yes	3.87	1.01
No	3.28	

Table 3.43 shows that the respondents who are involved at the operational level in the business rated the challenges relating to inability to access finance, credit and to produce a variety of products high with a mean of 3.83. The respondents in the management level had a mean of 3.63 while the owners functioning at the strategic level rated these factors low. There is a correlation between strategic management level of operation and the external factors relating to accessibility of financial resources. The strategies regards rated these financial issues less as compared to operationally involved owners.

Table 3.43: Effect sizes and respondents' ratings on challenges of inability to access finance, credit and to produce variety of products or services

Level of involvement	Mean	Effect sizes
Strategic	3.18	0.79
Management	3.63	
Operational	3.83	

The respondents functioning at the operational level rated the economics and financial management relating to funding, business planning, economic conditions and operational costs as important in the business in table 3.44 below. There is a clear variance between the strategic and operational owners in view of the factors listed. The correlation indicates that the operationally involved owners regard the funding, business planning, economy and operating costs as an important factor in their operations.

Table 3.44: Effect sizes and respondents' ratings on levels of current importance of funding, business plan, changing economic conditions and operational costs to the business

Level of involvement	Mean	Effect sizes
Strategic	2.94	
Management	3.65	0.86
Operational	3.81	1.05

The respondents operated in different areas such as central business districts, industrial sites, office park and home according to the table below. The owners that operated from the office park rated external factors associated with government support, industry changes, advertising and technology as drivers of success in the businesses with a mean of 4.00 and 4.02 respectively. In the instance of the ones operating from the central business districts and industrial sites, the factors rated lower with the mean of 3.58 and 3.78 respectively.

Table 3.45: Effect sizes and respondents' ratings on government promotion and support, industry changes, advertising and technology that serve as drivers for business' success

Business office premises	Mean	Effect sizes
CBD	3.58	
Industrial site	3.78	
Office park	4.00	0.97
Home	4.02	1.00

The business locations are composed of four towns, Klerksdorp, Hartbeesfontein, Stilfontein and Orkney as per table 3.46 below. The respondents operating in Orkney and Stilfontein rated internal factors as the drivers of business success drivers higher with a mean of 4.55 and 4.07 respectively. Klerksdorp and Stilfontein followed these two towns. All the towns regard these factors as important considering that their mean is all above 3.5.

Table 3.46: Effect sizes and respondents' ratings on personnel skills, quality of customer service, products and services including networking that serve as drivers for business' success

Business geographical location	Mean	Effect sizes
Hartbeesfontein	3.75	1.43
Klerksdorp	3.99	1.01
Stilfontein	4.07	0.87
Orkney	4.55	

3.6 CONCLUSION

The respondents that are small business owners were asked questions relating to their personal characteristics. Other questions related to organisational characteristics and factors associated with sustainability of the business. It is evident

from the research that most owners were more functional at the operational and management level in their businesses rather than strategic. The level of operations affects the opportunity for the business to develop long-term goals and review strategies to cope with changes.

There is an outcry in terms of little support provided by government in terms of small business promotion. Owners who are involved at the operational level view factors such as inability to access funding, credit and purchasing of variety of products as a constraint due to limited financial resources. All areas where the survey were conducted view personnel skills, training, quality of customer services and quality of products and services as a driver of success in the business.

Most of the owners had past employment experience and prior business experience regarded compliance with regulations and pricing as a factor influencing their operations. However, there is a large number of new owners with experience less than three years. The level of position, that most owners held in a particular organisation prior to own business, was mostly junior and senior management. It is clear that most businesses have an average turnover of about R500 000 a year in the retail sector. The affiliation with forums or professional bodies was low, limiting the opportunity of networking among businesses.

3.7 CHAPTER SUMMARY

The respondents, that are small business owners, were asked questions related to their personal characteristics. Other questions related to organisational characteristics and factors associated with sustainability of the business. It is evident from the research that most owners were more functional at the operational and management level in their businesses rather than strategic. The level of operations affects the opportunity for the business to develop long-term goals and review strategies to cope with changes.

Most of the owners had an experience in the business sector operated in the type of business for a certain number of years. However, there is a large number of new owners with experience less than three years. The level of position, that most owners held in a particular organisation prior to own business, was mostly junior and

senior management. It is clear that most businesses have an average turnover of about R500 000 a year in the retail sector. The affiliation with forums or professional bodies was low, limiting the opportunity of networking among businesses.

CHAPTER 4

4. CONCLUSION AND RECOMMENDATIONS

4.1. INTRODUCTION

In the beginning, both primary and secondary objectives were outlined. Thus, the study seeks to develop a conceptual framework that will enable small businesses to operate sustainably and determine internal and external factors influencing the success and failure rate. This chapter focuses on the theoretical and empirical results, discussion and comparisons in order to establish whether the primary objective has been achieved. It also focuses on the secondary objective and establishes whether the results achieved the objectives. The outcome of the study will be the framework that will assist to guide the small business to operate sustainably. The factors that have to be noted by small businesses, that affect both negatively and positively, will be understood.

The study also highlights the limitations experienced and recommends areas, that can be studied for the future. The overall picture of the study indicates that small businesses are not doing that well as their turnover is low and the businesses employ far less employees to eliminate operational costs. There is a lack of support from government evident in terms of incubation programmes and policies that promote a conducive environment to operate.

The snapshot of the recommendations suggests that there is a need to change the perception about entrepreneurship among young people in the area. The results show high interest in starting a business or pursuing business as a career but fear of taking a risk is also high due to limited access to credit or funding, lack of skills, government regulations and business planning.

4.2 CONCLUSION

4.1.1. Personal characteristics

The level of involvement of owners in the business is mostly at a managerial and operational level. The lack of strategic planning is evident and impacts negatively on the clear vision of the business. Owners are more like managers and supervisors focused on servicing customers, cutting operational costs and increasing sales to keep the business going. The business owners tend to focus more on the actual work than on the administration due to lack of proper business offices. In some instances, especially in the industrial sector, wives do the administrative work for the business.

The average years of experience of owners in a certain business sector is between three to five years. The owners with experience less than three years are also high in number reflecting high number of businesses formed and starting to trade. There is a decreasing trend of owners that have lengthy experience, meaning only a few owners have extensive experience in their sector of operation. About 65% of the owners have had past exposure to the same type of business run. These show the importance of prior knowledge of the industry that gives competitive advantage. These owners know the challenges involved at all levels such as operations and the market.

In terms of the position last occupied by owners in their previous employ shows that most employees decide to venture into the business sector before acquiring higher position in organisations. The senior managers and executives lack initiative to start own businesses since they occupy demanding positions that needs their focus and attention. The possibility is that senior managers and executives focus on studies to improve themselves in order to gain promotions in their current organisations.

The percentage of men owning small businesses is about 70% which clearly reflects the demographics of the country. Most men historically have had exposure to work experience, skilling and economic activity access compared to women of all races.

The trend in terms of whether the owner have had prior business experience shows that most owners had no business experience at all accounting to 36.8%. This clearly reflects that a high level of business opportunities and a high unemployment

rate contributes to people establishing businesses irrespective of having owned one before. Most people, as indicated earlier, also apply only their employment experience to run their businesses. There are very few owners with high levels of experience prior to starting the current business. The trend supports literature that states that failure of small businesses is caused by a lack of experience and most people are driven by unemployment to venture into business as a means to survive (Bannock, 2005:9).

4.1.2. Organisational characteristics

The main economic sectors that drive the business in the KOSH areas are mining, agriculture, manufacturing trade, services, construction and transport. This is evident in terms of types of businesses such as dairy products firms as the end-product of agricultural activities as well as brick-making or manufacturing because of extracts of mining activities. Therefore, as a result the small business organisations mostly align to the economic sectors that drive the business. The legal status of most of the s is Private (Pty), Close Corporations (CC), Partnerships and Sole Proprietors with the business geographical location in Klerksdorp and Orkney.

Businesses' office premises contribute to proper administration, logistics and customer service. Business owners tend to focus more on the actual work than on the administration due to a lack of proper business offices. In some instances, especially in the industrial sector, most wives of the business owners do the administrative work for the small business. Small businesses in the KOSH areas mostly operate from the CBD (Central Business District), industrial site and home as office premises. The CBD consists mostly of retail shops such as food outlets, clothing shops, computer services, printing and the like. Foreign nationals in the CBD own other businesses and they did not co-operate during the research survey due to fear of robbery or ill treatment.

Customers prefer businesses that are closer to them to avoid transport costs and travelling time. More than 90% of the businesses are situated closer to its main customers. The source of the business's initial capital investment may be a challenge to small businesses. In this research study, the initial capital investment employed to start the business came from savings and followed by bank loans. Business owners were not assisted by financing institutions probably due to a lack of

information or they do not meet the requirements of business financiers. This is evident where more than 80% of the businesses were not supported or promoted by government agencies or incubation programmes. It is only less than 20% of the small businesses that were supported and promoted by the Small Enterprise Development Agency (SEDA).

Small business owners were reluctant to respond honestly about the approximate annual turnover of their organisations. The indicated approximate annual turnover by most businesses is less than the threshold of R500, 000 of the small business. Numbers of employees in the organisation affect the profit and annual turnover. More than 60% of the organisations employ less than ten employees while about 26% of the businesses employ ten to thirty employees.

There is a correlation between the type of business or industrial sector that business owners of small businesses are involved in, and main economic sectors that drive the business in the area. Business owners in KOSH areas are mostly involved in the services sector and followed by retail and manufacturing sectors. The number of years of operation of these businesses can be used to evaluate their success and sustainability. It is more than 20% of these small businesses that have been in operation for more than five years. There is lack of interest or knowledge among businesses about business associations and membership including benefits of joining a business forum or professional body. Most of the businesses (69.2%) reported no membership or association to professional body or business forum.

Businesses grow and stay sustainable because of new ideas and innovation. The source of most business ideas and innovation came from process or customer needs. Business owners identified the need and that became their source of ideas and innovation. Their main core competency to provide excellent service is customer service and product quality. There is mostly no view of trying to become an international player and a clear vision in terms of what businesses intend to become in future.

4.1.3. Sustainability of the business

There are internal drivers for the success of small businesses such as skills, customer service, quality of products and networking. The external factors include

government support, industry changes, advertising, and technology. The results indicate that the average mean is about four that means that most owners agree that both internal and external factors contribute as drivers. The standard deviation is about one reflecting that most owners agree with the importance of drivers.

The competition is driven by factors such as entry of new businesses in a particular market, substitutes of other products, bargaining power of both suppliers and buyers as well as rivalry of existing businesses. The mean is about 3.5 indicating that most owners agree that these factors have an impact in driving completion. These responses support the Porter's five forces of competitive advantage. According to the five Ps of marketing that entail product, place, promotion, price, and profit, it is clear that these factors give a competitive advantage. The mean is about four with a standard deviation of close to one reflecting that most owners agree that these factors give competitive advantage.

The literature affirms that the lack of collaterals affects small businesses' ability to access finance. Most suppliers do not give credit since small businesses do not have extensive financial records to prove their viability. The access to finance and credit provide capacity to distribute products, produce variety of products and services including hiring of qualified staff that assist in providing superior service. The average mean is about four indicating that most businesses agree that there are challenges or constraints relating to finance. The standard deviation is closer to one for all the constraints reflecting that most businesses agree and attest to the fact that access to finance affects their performance.

There are issues that influence the business operations such as government regulations, pricing, malls and large corporations, systems, competition and operational costs. Most respondents agree since the average mean is more than three. This is indicated by government requirements when starting a business such as cost and time associated with registering a company. Almost all the businesses operating in a particular sector are regulated. The regulatory bodies require an annual fee for the company to be active, that not all companies can afford. The malls and large corporations are not showing substantial influence in small businesses. It is an indication that small businesses have its own target markets that differ from malls and large corporations. The data in terms of the standard deviation is closer to

one supporting the idea that to a certain extent there is an influence of these aspects.

It is vital that certain small businesses are funded, have business plans, and have cash flow to provide for its operational costs. The factors such as the capacity to access credit, ability to prepare budgets and the changing economic conditions are important to small businesses. This is reflected by the average mean of about four affirming that most businesses agree that it is important to have all these factors catered for in order for the business to operate efficiently. The standard deviation is about one indicating that the data is normally distributed.

In order for the business to be successful certain traits or qualities are required, especially from the owner. Most respondents agree that traits such as desire for responsibility, preference for moderate risk, confidence in one's ability, desire for feedback and high level of energy keeps the business operational. The owners also support the view that they must be future oriented and take entrepreneurship as a career and not a part time job.

4.3 PROPOSED FRAMEWORK

Appendix A refers to the Small Business Sustainability framework that emanates from different aspects such as personal characteristics of owners, characteristics of the organisation and factors that influences the operations. There are issues such as capital investment, business sector, premises and drivers that are enablers of the enterprise to sustain its services or products. It is evident that the conceptual framework will be established on the basis of strengths, opportunities, weaknesses and threats facing the small business.

On the framework few aspects can be derived as the drivers of a sustainable business. The internal factors such as resource capacity, quality of products and customer service have an enormous impact. It is highlighted that qualities of the entrepreneur play an important role in ensuring that the successes is achieved due to its unique features such as high level of energy and desirability to take entrepreneurship as a career of choice. It is also evident that there are external factors that the business has no or little power over in order to operate sustainably.

These factors include operating laws, competition, technology and economic changes that have influence to a certain extent and needs proper management.

4.4 CHAPTER SUMMARY

The research focused on the small business owner's characteristics, business characteristics and factors that influence the rate of operating sustainably. Survey questionnaires were structured to evaluate the employment experience of owners including business ownership experience. Other issues investigated related to gender, qualifications, industries and level of involvement in the business. It transpired that most owners operate at either operations or management level that limits them to focus on strategic aspects of the business.

The structure of the organisation aspects such as legal status, location of the business, annual turnover, government support, core competencies and affiliations with business forums were investigated. It is evident that most business do not value the association with other businesses to share ideas and innovations or operate complementary types of business. There is a lack of collaboration that may assist in terms of outsourcing of unavailable skill in a business. Most businesses were located closer to their customers giving them a competitive advantage.

These are issues that were investigated relating to both internal and external factors. The skills, customer and product quality as well as networking can be clustered as internal factors since the business have control and can direct accordingly. The aspects such as government support, industry changes, advertising and technology are the external factors that affect the business. The respondents in all areas agreed that both types of factors influence the success and failure rate of the business.

Other issues relating to drivers of success and competition were raised as contributing to the business's success. These include product quality, promotion and price as well as threats of new businesses entering the same market. Substitute products likely to replace their offerings in the market were highlighted as the challenge to operate sustainably. Most owners indicated that access to funding, credit from suppliers and broadening of its product lines affect their business success.

4.5 RECOMMENDATIONS

Small businesses are presently highly promoted by government. It is evident that this is one of the priority areas of the South African government. There are initiatives to ensure provision of a conducive environment such as relaxation of laws governing the sector. Support provided for businesses to operate optimally, hence the formation of the Small Business Development Ministry is seen in the current government. These initiatives include the involvement of The Small Business Development Institute (SBDI), in partnership with the Department of Small Business Development to formulate a National SMME policy colloquium.

The policy's major aim is to develop a small, medium and micro enterprise (SMME) master plan linked to the National Development Plan (NDP) so as to build a robust and sustainable policy environment that places SMMEs at the epicentre of accelerated economic growth and development. It is evident that there is a form of approach or effort to address the challenges faced by small business in terms of formation and efficiency of businesses that will yield benefits such as job creation, promotion of competitiveness, alleviation of poverty as well as pressure from government to provide employment.

There is high interest among the owners to do well and sustain their ventures including to start new ventures. It is recommended that the following areas be looked at in order to enable small businesses to operate sustainably:

- It is important that the government introduce a simplified model to address financing and promote training of small businesses.
- The governments acknowledge the need to provide conducive macro-economic conditions in which the private sector can operate successfully and sustainably.
- Businesses adapt to the changing economy and customer needs putting priority on customer satisfaction;
- Development of programs to encourage and enhance business skills development among owners;
- Promotion of entrepreneurship as a career of choice, especially among younger generation from an early age;

- Relaxation of requirements to access credit and funding such as collateral including documentation such as business planning; and
- Provision of workshops on government programs about promotion of entrepreneurship and evaluation of success of such initiatives.

Most businesses, especially in the Central Business District were owned by foreign nationals in the retail sector. This may be because of limited options they have in terms of getting jobs as non-citizens. It is recommended that additional research is done to study the cause and the influence of their background in order to investigate the support they have, skills they possess and to gain better understanding of the difference between South African citizens and foreign nationals. There is a low drive to venture into among South Africans as compared to foreign nationals.

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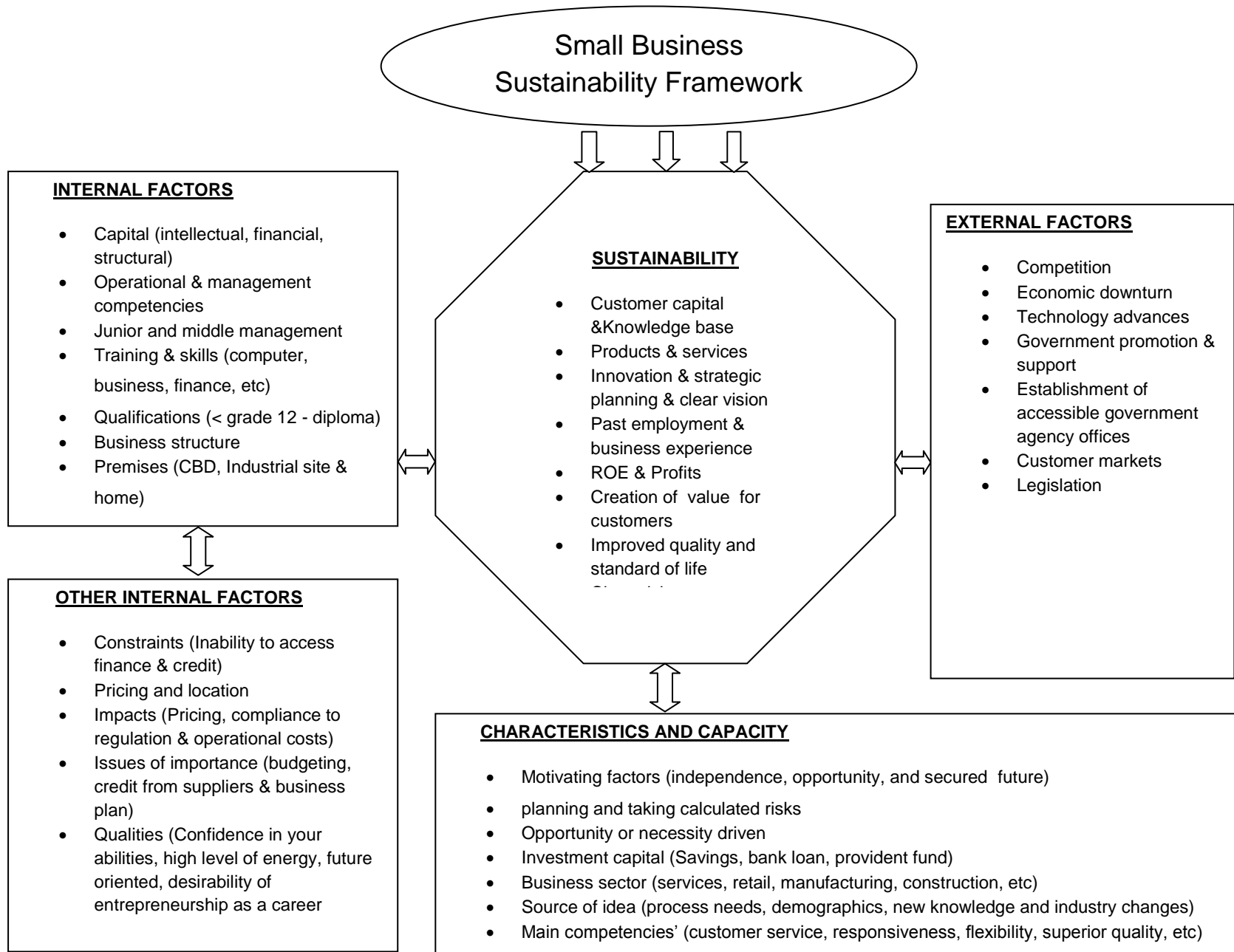
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Appendix A: Small business proposed sustainability framework



Appendix B: Survey questionnaire

Appendix A

QUANTITATIVE RESEARCH QUESTIONNAIRE

GENERAL INSTRUCTIONS:

This questionnaire has three sections, and you are requested to complete all sections.

Information will be kept confidential and utilised only for the purpose of this research.

SECTION A: PERSONAL CHARACTERISTICS

INSTRUCTIONS: Mark with a cross (x) next to your choice.

1. Indicate your **level of involvement** in the business.

Operational	Management	Strategic	Other
-------------	------------	-----------	-------

If other specify _____

2. Indicate your total number of **years of experience** in the business sector.

< 3 years	3 – 5 years	6 – 10 years	11 – 15 years	> 20 years
-----------	-------------	--------------	---------------	------------

3. Do you have past **employment experience** in the type of business you are operating?

Yes	No
-----	----

4. Indicate your **management level** in your last organisation/employment prior to starting this business.

Junior management	Middle Management	Senior Management	Executive Management
-------------------	-------------------	-------------------	----------------------

5. Indicate your **age**. _____

6. Indicate your **gender**.

Male	Female
------	--------

7. Indicate your business ownership **experience prior starting** this business.

No experience	< 1 year	3 – 5 years	6 – 10 years
---------------	----------	-------------	--------------

8. Indicate how many times you have **restarted** same or different type of business.

0	1	2	3	More
---	---	---	---	------

9. Indicate your highest level of **qualifications**.

< Grade 12	Grade 12	Certificate	Diploma	Degree	Post graduate	Other
------------	----------	-------------	---------	--------	---------------	-------

If other specify _____

10. Indicate your area of expertise.

Finance	Law	Engineering	Health sciences	Economics	Education	Marketing	Other
---------	-----	-------------	-----------------	-----------	-----------	-----------	-------

If other specify _____

11. Indicate basic computer training skills you possess.

Microsoft Word	Yes	No
Microsoft Excel	Yes	No
Microsoft Outlook	Yes	No
Microsoft Powerpoint	Yes	No
Internet and email	Yes	No

12. How many times do you attend short training courses to improve your business management skills per year?

0	1-3	4-6	> 7
---	-----	-----	-----

13. Indicate your reason for starting a business.

Opportunity	Money	Unemployment	Family tradition	Own boss	Status	Other
-------------	-------	--------------	------------------	----------	--------	-------

If other specify _____

SECTION B: ORGANISATIONAL CHARACTERISTICS

INSTRUCTIONS: Mark with a cross (x) next to your choice.

1. Indicate the legal status of your organisation.

Public Pty (Ltd)	Private Pty (Ltd)	Joint venture	Close corporation	Sole proprietor
------------------	-------------------	---------------	-------------------	-----------------

2. Indicate your business/organisation's geographical location.

Klerksdorp	Orkney	Stilfontein	Hartbeesfontein
------------	--------	-------------	-----------------

3. Indicate your business/organisation's office premises.

Central Business District	Office park	Industrial site	Home	Other
---------------------------	-------------	-----------------	------	-------

If other specify _____

4. Is your business situated closer to its main customers?

Yes	No
-----	----

5. Indicate the source of the business' initial capital investment.

Savings	Friends/relatives	Pension/provident fund	Bank loan	Other
---------	-------------------	------------------------	-----------	-------

If other specify _____

6. Indicate which of the following government agencies or incubation programmes have supported and promoted your small business enterprise.

Small Enterprise Development Agency (SEDA)	Yes	No
National Small Business Chamber (NSBC)	Yes	No
Department of Trade and Industry (DTI)	Yes	No
National Empowerment Fund (NEF)	Yes	No

National Youth Development Agency (NYDA)	Yes	No
--	-----	----

If other specify _____

7. Indicate the approximate annual turnover of your organization.

< R100 k	R101 – 200 k	201 k – 0.5 m	R0.501 m – R 1m	R1.01 m – R 3m	> R 3m
----------	--------------	---------------	--------------------	-------------------	--------

8. Indicate the number of employees in your organization.

< 10	11 – 30	31 – 60	61 – 100	> 100
------	---------	---------	----------	-------

9. Indicate the type of business or industrial sector.

Transport	Retail	Construction	Manufacturing	Agriculture	Tourism	Services	Other
-----------	--------	--------------	---------------	-------------	---------	----------	-------

If other specify _____

10. Indicate number of years of operation of this business.

< 3 months	3 months – 1 year	2 – 3 years	4 – 5 years	> 5 years
------------	-------------------	-------------	-------------	-----------

11. Indicate business association or membership.

Business chamber/forum	Professional body	None	Other
------------------------	-------------------	------	-------

If other specify _____

12. Indicate the source of your business idea/innovation or operation.

Industry changes	Demographics	Perceptions	New knowledge	Process needs
------------------	--------------	-------------	---------------	---------------

If other specify _____

13. Indicate what you view as your main core competencies in order to provide excellent service to your customers.

Responsiveness	Flexibility	Team-building	Innovation	Customer service	Superior quality
----------------	-------------	---------------	------------	------------------	------------------

If other specify _____

14. Do you see yourself becoming an international player in future?

No	Yes
----	-----

15. Does your business have a clear vision in terms of what it intends to become in a five year period?

Yes	No
-----	----

SECTION C: SUSTAINABILITY OF THE BUSINESS

INSTRUCTIONS: Mark with a cross (x) next to your choice. Where rating applies.

1 – Strongly disagree	2- Disagree	3- Neither disagree or agree	4- Agree	5- Strongly agree
------------------------------	--------------------	-------------------------------------	-----------------	--------------------------

1. Indicate the level at which the following serve as **drivers** for your business's **success** –

1.1	Personnel skills and training	1	2	3	4	5
1.2	Government promotion and support of small business enterprises	1	2	3	4	5
1.3	Quality of customer service	1	2	3	4	5
1.4	Industry changes (booming, dormant, etc)	1	2	3	4	5
1.5	Quality of products and services	1	2	3	4	5
1.6	Advertising	1	2	3	4	5
1.7	Networking	1	2	3	4	5
1.8	Technology	1	2	3	4	5

2. Indicate the main factor that **drives competition** in your industry-

2.1	Threat of new entrants in the market	1	2	3	4	5
2.2	Threats of substitute products or services	1	2	3	4	5
2.3	Bargaining power of suppliers	1	2	3	4	5
2.4	Bargaining power of buyers	1	2	3	4	5
2.5	Rivalry among existing businesses	1	2	3	4	5

3. Indicate what gives your more **competitive advantage** in your industry.

3.1	Product	1	2	3	4	5
3.2	Place	1	2	3	4	5
3.3	Promotion	1	2	3	4	5
3.4	Price	1	2	3	4	5
3.5	Profit	1	2	3	4	5

4. Indicate the main **constraints or challenges** of the business.

4.1	Inability to access finance	1	2	3	4	5
4.2	Limited capacity to distribute products	1	2	3	4	5
4.3	Inability to access credit	1	2	3	4	5
4.4	Inability to produce variety of products or services	1	2	3	4	5
4.5	Inability to hire qualified staff	1	2	3	4	5

5. Indicate the level at which the following **impact** your business operation.

5.1	Compliance with regulations(safety, labour laws,etc)	1	2	3	4	5
5.2	Pricing	1	2	3	4	5
5.3	Malls and large corporations	1	2	3	4	5
5.4	Systems	1	2	3	4	5
5.5	Competition	1	2	3	4	5
5.6	Operational costs	1	2	3	4	5

6. At what level of current **importance** to your business are the following issues.

6.1	Funding	1	2	3	4	5
6.2	Business plan	1	2	3	4	5
6.3	Credit from suppliers	1	2	3	4	5
6.4	Changing economic conditions	1	2	3	4	5
6.5	Operational costs	1	2	3	4	5
6.6	Budgeting	1	2	3	4	5

7. Indicate the level of importance of the following **traits or qualities** to your business

7.1	Desire for responsibility	1	2	3	4	5
7.2	Preference for moderate risk	1	2	3	4	5
7.3	Confidence in your abilities	1	2	3	4	5
7.4	Desire for immediate feedback	1	2	3	4	5
7.5	High level of energy	1	2	3	4	5
7.6	Future oriented	1	2	3	4	5
7.7	Desirability of entrepreneurship as a career	1	2	3	4	5

THANK YOU FOR YOUR SUPPORT.

Appendix C: Letter from language editor

October 20, 2014



TO WHOM IT MAY CONCERN

Re: Letter of confirmation of language editing

The dissertation "Developing a framework to enable small business enterprises to be sustainable" by Kutlwano Dikgwatlhe (23269855) was language, technically and typographically edited. The sources and referencing technique applied was checked to comply with the specific Harvard technique as per North-West University prescriptions. Final corrections as suggested remain the responsibility of the student.

Antoinette Bisschoff

Officially approved language editor of the NWU since 1998
Member of SA Translators Institute (no. 100181)