

An investigation of problems affecting small business in Botswana: A case study.

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Abbreviations and Acronyms

ALDEP- Arable Lands Development Programme
APCTT- Asia Pacific Centre for Transfer of Technologies
CEDA- Citizen Entrepreneurial Development agency
CEMAEEF- Citizen Entrepreneur Mortgage Assistance Equity Fund
CSIR- Council of Scientific Institute of Research
ECLAC- Economic Commission for Latin America and the Caribbean
FAP- Financial Assistance Policy
ICICI- Industrial Credit and Investment Corporation of India
IDB- Industrial Development Bank
IDBI- Industrial Development bank of India
IFCI- Industrial Finance Corporation of India
IFS- Integrated Field Services
IIT- Indian Institute of Technology
LEA- Local Enterprise Authority
MDGs- Millennium Development Goals
MERADO- Mechanical Engineering Research and Development Organisation
NAMPAADD- National Master Plan for Arable Agriculture and Diary Development
NID- National Institute of Design
NRDC- National Research and Development Corporation
NSIC- National Small Industries Corporation
OECD- Organisation for Economic Cooperation and Development
PPDG- Product and Process Development Centre
SADC- Southern African Development Community
SIDO- Small Industrial development Organisation
SLOCA- Services to Livestock Owners in Communal Areas
SME- Small and Medium Enterprises
SMMEs – Small Medium and Micro Enterprises
SWOT- Strengths, Weaknesses, Opportunities and Threats
TIFAC- Technology Information Forecasting and Assessment Council

ABSTRACT

Small business contributes about 80% of employment in most developing economies including Botswana. Small business also helps countries to diversify their economies and this factor applies very much to the Botswana situation. It is the researcher's observation of the role that small business plays which was the main objective of this study; to investigate problems and challenges faced by small businesses in Botswana. The study was conducted on a sample of 100 small business owners in Gaborone city, Botswana. Literature was used to identify problems faced by small business in Botswana using information from local researchers and those from other developing countries, Central America and India. Literature was used to highlight similarities and differences between the findings of this study and those from other researchers.

The findings revealed that small business in Botswana still suffer from lack of entrepreneurial skills, lack of access to finance and lack of knowledge on how to develop market plans and conducting SWOT analysis. This is despite the fact that government agencies like CEDA and LEA have been established to deal with management training of small business owners. The findings show that less business owners benefit from such ventures.

Key words: small business, small business owners, problems and challenges.

CHAPTER 1

INTRODUCTION

1. Introduction

This chapter introduces the topic under study – An investigation of problems affecting small business in Botswana. Small business in Botswana has been reported to face a myriad of problems ranging from lack of management skills, lack of access to finance, mistrust from financial institution, competition with huge chain stores and the small market of goods and services in Botswana. Different researchers from other parts of the world also report a variety of related problems, and the study wishes to explore the issue further.



This introductory chapter will have six (6) sections which consist of the following:

- Background to the problem which will highlight what motivated me to carry out the study.
- Problem Statement which will specify problems faced by small businesses in Botswana in order to come up with strategies to assist them
- Significance of the study, detailing the reasons why the study is important.
- Research Question. This will detail the key research question of the study
- The format of the study, showing how the whole study will progress and chapters to be covered in the study.
- The summary of the chapter.

1.1 Background to the problem

The researcher has particular interest in studying the growth and development of small businesses, and is always in touch with small businesses as a customer of their goods and

services. Interest in the topic has also been fuelled by the researcher's casual observations that small business appear to fail more frequently and suffer from poor growth. This is despite the amount of knowledge and literature that has been generated on small businesses critical success factors such as (e.g. Temtime, 2006).

Botswana has been chosen because it is well placed to provide more generalisable results for Africa. Although Botswana presents a particularly positive case study of modern African development, it faces many challenges in common with the majority of African countries. For most developing countries in Africa, including Botswana, small business enterprises generate employment and incomes for their owners and operators (Acquah and Mosimanegape, 2007). In an effort to reduce poverty in Botswana, small businesses play an important role to help generate employment and incomes, and also develop skills especially among the younger generation who may participate in small businesses as apprentices and assistants. It is, therefore, critical to nurture small businesses' survival and development.

Botswana is undergoing economic transformation. Key sectors of the economy like the diamond industry, beef exports; mining; agriculture and tourism are some of the players behind this economic transformation (Bank of Botswana Annual Report, 2003:17). Recently, the government embraced the concept of 'citizen empowerment' whereby the government is taking strides to improve the livelihood of Botswana citizens by providing funds through schemes like Financial Assistance Policy (FAP), Citizen Entrepreneurial Development Agency (CEDA), Citizen Entrepreneur Mortgage Assistance Equity Fund (CEMAEF) and Agricultural Schemes such as Arable Lands Development Programme (ALDEP), Services to Livestock Owners in Communal Areas (SLOCA) and National Master Plan for Arable Agriculture and Dairy Development (NAMPAADD). All these schemes are meant to augment the government's efforts to transform the economy, and at the same time improve the livelihoods of the country's ordinary citizens (*Mmegi* Newspaper, 2006). Local banks, like Standard Chartered, Barclays, First National Bank and Stanbic, are also contributing towards this effort by providing short to medium-term loans to entrepreneurs so that they can start or improve their own businesses.

Most private business enterprises in Botswana are still in their infancy because of the size and stage of development of the country's economy. Whilst empowerment schemes like FAP and CEDA attempt to support such business entities, this support alone does not necessarily guarantee success to the majority of such ventures. Many factors contribute to the undoing of efforts to develop this sector of the economy. Some factors include too much competition in the various industries, the existence of large monopolies, negative effects of cheap imports from countries like China, mismanagement of funds, lack of business skills and acumen. There are several areas where small to medium scale enterprises are failing to take advantage of opportunity in order to improve their businesses. These include marketing techniques such as advertising, sales promotion, public relations, customer care and also embracing new technologies.

The researcher is going to look at ways in which small businesses in Botswana can make use of the available strategies (including marketing, business and technology) to the advantage of their businesses. If small businesses adopt better marketing strategies then some of the problems they face can be eliminated.

Small business according to the Government of Botswana Pamphlet (1995:14) is defined as: "Projects that are valued up to P75 000 in fixed investments that is machinery, building and equipment. A small business is also defined as one which employs less than 25 employees and an annual turnover of less than P1 500 000. Generally small businesses create the most jobs and have the highest rates of entrepreneurship. A small business is independently owned with limited segregation of duties, and a high potential of management override."

For a business to continue operating and to experience growth, it is of paramount importance to it that, it communicates as often and as effectively as its resources allow, with its market. These include customers, suppliers, and even potential investors. (Government of Botswana Pamphlet, 1995:3).

Despite the above schemes and benefits of having small business in the economy of Botswana, small businesses continue to face a myriad of problems and it is these problems that the study aims to explore.

1.2 Problem statement

There seems to be great enthusiasm by the citizens of Botswana to set up own businesses. This is commendable. However, what is worrisome is the short life of many a small business. Those entrepreneurs who struggle on, do not seem to be improving the quality of their lives.

1.3 Research Question

Primary Question:

- (a) Why do the majority of entrepreneurs fail to sustain their small business ventures?

Secondary Questions:

- (b) What business management skills do entrepreneurs possess?
- (c) What is the rate of success/failure of small businesses?
- (d) What are the factors affecting the development of small business in Botswana?
- (e) What strategies can small business use to develop in Botswana?

1.4 Significance of the study

This study is important because it is going to look at the problems faced by small business in Botswana and investigate their causes. Many of the significant studies (e.g. Temtime 2006) were done prior to LEA being operational and also when CEDA was still in infancy. The significance of the study therefore is that it will look at the problems faced by small businesses in the era of citizen empowerment, CEDA and LEA initiatives, etc.

The following are the main aims of the study:

- (a) To establish causes of failure in sustaining businesses.
- (b) To establish the skills levels of entrepreneurs.
- (c) To find out from respondents, strategic ways of improving business performance.
- (d) Systematically establish causes of failure of small business selected for investigation.

The purpose of the study is to explore the problems faced by small business in Botswana in order to come up with strategies to assist them. Small business contributes to employment creation, hence is critical to any government efforts to alleviate poverty. The government of Botswana has come up with a range of targets and milestones like Vision 2016 and the Millennium Development Goals (MDGs) and achievement of these can only be possible if small business is protected from failure. In the same vein, programs aimed at assisting small businesses, such as CEDA, LEA, etc are also operational. Despite these efforts and initiatives, small businesses continue to fail. This study aims to explore why this is the case. The outcomes of the study will help in finding solutions on how small business can be assisted to deal with the problems it faces and also how. The Botswana government can formulate policies which promote and protect the operations of small businesses.

1.5 Format of the study

The following will be the chapter readings:

Chapter 1, Introduction.

Chapter 2, Literature Review.

Chapter 3, Research Methodology.

Chapter 4, Presentation of Findings/Results.

Chapter 5, Discussion and Interpretation of Results.

Chapter 6, Conclusions and Recommendations.

1.6 Summary

This chapter has presented an overview of the research. In particular, the research objectives are to explore the problems facing small businesses in Botswana which are perceived to contribute to their failures. An understanding of such problems, it is believed will lead to the potential for appropriate action and policies by relevant stakeholders. The following chapter will review some of the works on challenges facing small businesses

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature review including studies conducted by other researchers on a similar investigation on small business performance around the world. It consists of six sections being the following:

- 1) Why small business fails in Botswana, indicating common reasons for small business failures in Botswana;
- 2) Problems and challenges facing small business in South Africa, similarly highlighting the challenges of small business in South Africa as the major trading partner of Botswana;
- 3) Problems and challenges of small business in Latin America which presents the different problems of small business in developed economies;
- 4) Problems and challenges of small business in India, analyzing the challenges in India as on the countries with major incentives for small business development;
- 5) Critical evaluation of the literature review will be conducted under this section, and finally;
- 6) The summary of the chapter will be captured.

Small business contributes to about 80% to 85% (Central Statistics Office, 1998) of employment in Botswana. Therefore it is very critical for small business to receive adequate support and mentoring from both the government and the private sector. Whilst the government and the private sector are doing their level best, it seems small business is still inundated with problems. The majority of small business folds within the first five years of operation and it is left to the government and the private sector to come up with new initiatives to help small business in Botswana and by extension help to reduce unemployment and poverty.

According to the National Development Plan 9 (2003:62) the Botswana government designed many schemes to support economic diversification in the country. These schemes have included, among others, the Financial Assistance Policy (FAP) and the Small Medium and Micro Enterprise (SMME) scheme, which provided financial assistance to potential investors. This assistance has since been reformulated and consolidated into the newly established Citizen Entrepreneurial Development Agency (CEDA). Under CEDA, potential investors are assisted through highly subsidized loans, training, monitoring and mentoring and provision of the venture capital fund. The venture capital fund provides equity capital to citizens and joint ventures between citizens and foreign investors, while the soft loans are reserved for citizens only. The emphasis in the new schemes, which covers all sectors encourages broad – based development, is for assisted enterprises to develop supporting mechanisms to achieve sustainability and lessen dependency on government assistance. The concept of sustainability derives much of the micro –finance agenda today. To address this issue, economic empowerment schemes should not be limited to facilitating access to financial resources only, but should also cover monitoring and mentoring. As such, the training, monitoring and mentoring components of CEDA will be critical in ensuring sustainability of the projects beyond the provision of financial assistance. In addition, the competitiveness of these assisted enterprises will largely depend on the extent to which the utilized new knowledge to generate value added goods and services is applied. The Local Enterprise Agency (LEA) has recently been established to deal with further the training of local entrepreneurs and amalgamate institutions dealing with entrepreneurship development in the country.

The above information shows that while the government is doing its level best to assist small business in Botswana problems still exist. Highlighted problems include failure of previous schemes like FAP, lack of monitoring, mentoring and training of small business owners.

2.1. Why small business fails in Botswana

As indicated in the background of the research, section 1.1, small businesses experience a variety of problems. The policy on small medium and micro enterprises in Botswana (1999: 4-6) identified some of the problems which include:

2.1.1 Low survival rate of SMMEs

Casual observation by the researcher has shown a high failure rate among start up businesses. As high as 80%- 85% of enterprises collapse within five years of startup, (CSO, 1998; SMME Task Force Report, 1998). Although there is a lack of data on business failures in Botswana, it is most probable that small and medium – sized firms in this country are no exception to this situation. On the other hand, an overwhelming majority of micro enterprises do not disappear but also, paradoxically, do not grow (Bedia, 2006). Basically, they survive because the owners have no alternative or other potential source of income.

A study by the Southern African Development Committee (SADC) Secretariat (1997) confirmed that half of newly established SMEs in all of the SADC countries go out of business before the end of their third year of operation. Of those that survive, most do not grow. The numbers that succeed in moving from micro to small scale is less than 1% of all the new start-ups. Most SADC countries face a common constraint, which is the lack of clear government policies aimed at creating an enabling environment in terms of clearly defined SMME development objectives and the required institutional mechanisms to guide and implement such policies.

2.1.2 Lack of Marketing Skills

According to the SMME Task Force Report (1998), there were frequent complaints registered during the consultation with the business community, particularly by the small entrepreneurs, that they were not able to compete with larger companies, either in the supplying of goods to the public or in meeting government tenders (Policy on SMME,

1996:5). A study conducted by Phaleng Consultancies (1995) in Botswana concluded that there is low commitment from entrepreneurs due primarily to their low overall stake in the business and relative lack of skills in the areas of marketing, management and book keeping.

2.1.3 Lack of Access To Finance

According to the SMME task Force Report (1999:12), most business representatives maintain that the main problem facing small and micro- enterprises in Botswana is a lack of access to finance. Micro entrepreneurs, in particular, identified finance as the major constraint to startup. Other finance related problems include lack of information on sources of finance, inadequate risk capital, lack of collateral and complicated lending procedures (Policy of SMME, 1996). In the Daniels and Fisseha (1992) study, 53% of micro and small business owners reported lack of finance as a major problem at startup. A study of microenterprises carried out by Rempel *et al* (1994) reported that 74% of business owners identified lack of finance as their most serious constraint to business development. According to Sunny and Babikanyisa (1994), personal funds of small business owners account for 78% of total funds available to their businesses, whilst commercial banks only contributed 1.5%.

2.1.4 Lack of Entrepreneurial Skills

The task force (1999) noted that a perceived lack of finance was frequently a symptom of other problems such as poor management or lack of entrepreneurial skills. As a result, a major concern of many citizens is that expatriates have a more entrepreneurial outlook and are able to take up business opportunities that are not exploited by Batswana.

The above findings are corroborated by Pansiri and Temtime (2006) who stated that it is not only access to finance or the availability of capital that leads to competitiveness: it is

how SMMEs manage their scarce resources (financial, human and material), market complexities and environmental changes, as well as opportunities and threats in the environment (Temtime, 2002 2). As every business operation or activity is directly related to management, it is essential to identify and assess the critical managerial factors affecting the performance of SMMEs.

2.1.5 Bias of the Education System Against Self- Employment

Learning centers like universities and colleges have considerable potential to influence the attitudes and employment prospects of their graduates. In Botswana, as in many other countries, schools have traditionally encouraged the development of an employee culture rather than the one based on self-employment (Briscoe, 1995; Lisenda, 1997). When graduates complete their education, they aim to be employed rather than be self-employed. This bias against self-employment must be reversed if entrepreneurship is to be promoted in the present generation of school pupils.

2.1.6 Lack of Business Startup Training

There has been a crucial lack of business startup training in Botswana in spite of evidence from other countries that start-up training significantly improves prospects for business survival (Policy on SMME, 1996:3). In a study conducted by Acquah and Mosimanegape (2007) in Molepolole, Botswana, lack of startup training was cited as a problem by 22.7% of the respondents.

2.1.7 Shortage of Business Premises

A lack of premises has been another major constraint to micro and small enterprise creation. In a small scale business profile survey conducted by the integrated field services (IFS) in 1994, 76% of those interviewed were carrying out their manufacturing businesses on residential plots. Similar statistics emerged from a survey of micro and small businesses which estimated that 70% of those enterprises operated from residential

premises (Policy on SMME, 1996:3). According to Acquah et al (2007), 45.7% of respondents in the study indicated that inadequate and shortage of premises were an important problem in Gaborone.

2.1.8 Restrictive Government Laws and Regulations

The complexity, rigidity and proliferation of Government laws and regulations often impede SMME development. Complying with these regulations takes much time, effort and money which SMME owners/managers cannot afford (Policy on SMME, 1996:3).

2.1.9 Lack of Information on Government Assistance Programmes

A lack of information about available sources of assistance is a further handicap. According to available information, only a very small number of micro and small enterprise owners are aware of Government assistance programmes (Policy on SMME, 1996:4).

2.1.10 Lack of data on SMMEs

The task force has identified the lack of pertinent data on the SMME sector as a critical constraint. More specifically, this relates to the systematic collection of data for new entrants in each category of enterprises, their survival and growth numbers of business failures, job creation, breakdown by gender, by religion, and by sector (Policy on SMME, 1996:4).

2.1.11 Inherent Bias Against SMMEs

The 1997 SADC study on SMMEs has concluded that there are inherent biases against SMMEs due to absence of clear government policies for the development of the sector. For example, large firms are better placed to obtain import permits for capital equipment,

components and raw materials and tariff rebates on duties paid on imported inputs and materials used in the production of exports products. Another bias related to government procurement policies, which discriminates against smaller firms is that only large firms can supply large orders and can afford the payment of security bonds (Policy on SMME, 1996:4).

2.1.12 Human Resource Development Issues

Temtime and Pansiri (2006:2) argue that according to the SMMEs perception of the market, the major problem is not shortage of manpower, but lack of experienced and skilled personnel, and accessibility to or lack of low cost training facility in the community. Recruiting new employees is one of the biggest challenges facing small firms, and a key component of organizational success. Previous research on the staffing practices of small firms has found that small firms tend to rely on social networks to attract workers, particularly at the inception of the firm. However, as SMMEs grow in size they exhaust the supply of suitable family and friends employees, forcing them to recruit strangers to fill work positions. Temtime and Pansiri (2006 3) go on to state that since the performance of SMMEs is closely related with their ability to recruit strangers, the development of effective recruitment policies and practices in small firms has significant implications for organizational survival.

This literature review would not be complete without looking at problems and challenges facing SMEs in other countries. The researcher will focus on literature from South Africa, Latin America and India.

2.2. Problems and Challenges facing Small Business in South Africa

South Africa is the major trading partner of Botswana and the two countries share a common border. Similarly the two countries belong to the Southern African Development Community (SADC). It is on the background of their similarities that South Africa is

chosen in this research project and also based on the fact that a lot of business in Botswana is done with firms based in the Republic of South Africa.

Small, Medium and Micro Enterprises (SMMEs) contribute around 40% of South Africa's gross domestic profit and employ more than half of the private sector workforce (Harris, 2008). It is estimated that as many as 80% of new jobs in world economies are being created by SMMEs, making small business a key player in the future growth of South Africa. It is estimated that more than 1.5 million self-employed people constitute the SMME sector, contributing about 40% of the total remuneration in South Africa (Harris, 2008:152).

2.2.1 Lack of Access to Finance

Literature cites access to finance as the greatest challenge facing small business in South Africa (Christianson, 2005:44, Eyiah, 2001:65). Many Financial institutions in South Africa do not know how SMEs work and as a result there is lack of an effective relationship between the two. Banks expect SMEs to meet certain criteria before they can give them access to finance. Banks view SMEs as high risk and unprofitable, hence fail to meet the minimum threshold to acquire finance (Schoombee, 2000).

The South African government has put measures in place to support SMEs. These include BANKSETA, Khula, and UYF and other government agencies mandated to facilitate SME access to finance. However, it is important to note that these measures alone are not sufficient to cater for the entire financial needs of SMEs. Financial institutions like banks also need to come in and cover the gap (Schiffman and Kanuk, 2005:80). The results of the study by Schiffman and Kanuk showed that SMEs have the same need for finance just as big corporations for acquiring plant, land, equipment and for working capital requirements. The source of this capital is mainly from personal income (retirement packages) and government support programmes.

2.2.2 Poor Management Skills

Another factor cited as a reason for the failure of small business in South Africa is inadequate management, (Megginson *et al*, 2003). This particular problem is broad but includes weaknesses in terms of business knowledge, a lack of management skills, poor or inadequate planning, and inexperience. There is an over-reliance on the single owner-manager of most small firms and there is a reluctance to move away from this managerial tendency on the part of the owner-manager. This translates into poor human resources practices where no new qualified staff is hired, or authority and responsibility delegated to other employees. According to Megginson *et al* (2003), most small firms are started because one particular individual is good at some activity or trade and not because they possess managerial skills. Managers of small firms must thus be generalists rather than specialists (Megginson *et al*, 2003) and are thus responsible for allocating limited resources and cannot afford to make poor decisions. Kuratko and Hodgetts (1995: 15) believe that “owners simply do not know how to run the enterprise”. Jennings and Beaver (in Andersen, Cobbold and Lawrie, 2001) found that the root cause of either small business failure or poor performance is almost invariably a lack of management attention to strategic issues.

2.2.3 Burdensome Government Regulations

There was a time when small firms were exempt from a number of government regulations but things have changed to the extent that the same regulations faced by larger corporation are now applicable to small firms. The regulations are very often complex and contradictory which is why small firms find it so difficult to comply with (SACOB, 1999).

The South African government has created new channels of bureaucracy which were regarded as major obstacles for small firms to do business in South Africa (Small Business Project, 2003).

2.3. Problems and Challenges facing Small Business in Latin America

Latin America is a major player in world trade and as such it is chosen for its robustness in economic trade. It will aid in the study by revealing strategies that are employed in Latin America to enhance the development of small businesses and their sustainable survivability.

According to Gereffi (2006:42) small and medium-size companies comprise between 90% and 98% of all manufacturers in Latin America. They generate about 63% of all jobs, and contribute between 35% and 40% of the region's total production, according to studies by such institutions as the World Bank, the Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean (ECLAC).

2.3.1 The Underground Economy

Rodrick (2006:116) noted that SMEs face various challenges to their efficiency, productivity and competitiveness. According to a Bogota-based institute, which brings together leaders from Latin America, one of the problems affecting small and medium-sized companies in the region is their role in the underground economy. The underground economy consists of unregistered firms and companies. As a result of their situation, such firms and companies have no formal recognition when it comes to securing loans with financial institutions and governments. In Latin America, the underground phenomenon affects 50% of all SMEs, ranging from tiny companies that have two or three employees, to small companies (between 10 and 15 employees, depending on the country), and medium-sized companies (that have up to 200 employees).

In Colombia, it is hard to collect detailed statistics about the underground economy. According to the Foundation for Development and Higher Education (2006:88), 55% of all companies in Colombia fall into this category. The underground economy accounts for 63% of all jobs in the country's 32 departments and its 1,002 municipalities.

The problem with the underground economy is not simply that there are no processes for registering businesses that can assure banks of their creditworthiness and enable these companies to get business loans. These kinds of companies also fail to get support from institutions and organizations and they lack access to international cooperation agencies, notes the report. In addition, these companies generate poor quality jobs, and shut themselves off from foreign competition.

According to Jones and Jain (2008:40) the problem for SMEs is linked to the absence of entrepreneurial management in their top management. One key factor that contributes to their informal [or underground] nature is that many productive units are born out of entrepreneurs' needs rather than as a result of a planning decision.

2.3.2 Technology that Falls Behind

SMEs also invest comparatively little in technology. And when they do, often they acquire equipment, machinery and software that are inappropriate. This is because, in order to modernize themselves, the first thing SMEs have to do is to focus on the core of the business and only later think about technology, (Lopez, 2008:11).

Many SMEs ignore the importance of technology and communications, which are indispensable ingredients of any strategy for achieving competitiveness in today's global economy, notes Camacho (2008:237). The Latin American manager of a small business is generally empirical, and is not in the habit of training himself or permanently staying up-to-date, which is something that is not a requirement in today's information society. Today's society requires well informed managers.

A recent study by FUNDES, a foundation for sustainable development in Latin America, provides some discouraging numbers: SMEs, especially the smallest among them, only invest two percent of their budgets in technology. According to Camacho (2008:237), any company that does not bring its technology up to date is condemned to lag behind in

competitiveness and productivity. When an entrepreneur thinks about his technology budget, he views it as an expenditure and not as an investment.

2.3.3 Underdeveloped Human Capital

Nowadays, the new paradigm for management is to get personnel continuously up to speed with the latest developments by providing training sessions and conferences. In many organizations, employees are known as ‘internal customers,’ which is another area where SMEs in Latin America lag behind.

According to Nino (2008:69), the most important thing for companies is not the results they register in the form of profits and losses. Instead, it is the way they manage their human capital. Small and medium-sized companies often lack career planning programs because they do not have appropriate hiring practices that identify job candidates’ skills, weaknesses, aptitudes and knowledge. In most small Latin American companies, the dominant way to get hired is through personal recommendations.

2.3.4 An Obstacle Known as ‘Marketing’

At a recent forum that took place simultaneously in Bogota and Caracas, the Andean Development Corporation laid out its development strategy for the most vulnerable segment of the population. Experts agreed that SMEs know how to produce things but they do not know how to sell them. According to Alphonso and Myrna (2006:15-16) SMEs have a hard time adopting a marketing strategy in which the focus of the business is the customer; in which markets are segmented, new business opportunities become more visible, and a company moves into new areas.

Generally speaking, managers of small companies view marketing as an expense, not as an investment. So it is hard for their customer base to grow. They do not create a new supply of goods and services, leaving untapped the great potential in the marketplace (Altenburg, Hillebrand and Meyer-Stamer, 2007:85).



Altenburg, Hillebrand and Meyer-Stamer (2007:86) argued that the customer is the person who makes any business profitable, not the product. This means that companies depend on markets and on how markets react to the products and services they offer. On the other hand, this does not mean that it is unimportant to have an efficient production process or to manage costs or channels effectively. However, once a manager is sure that a firm has a competitive product, the other part of the job remains in the hands of the customer.

This is the case for every company, where it offers goods or services; or is small or large. The big difference is that SMEs do not apply this approach, says Restrepo (2007:127).

2.3.5 Restrictions on Loans

No business can possibly exist without having access to credit. However, loans are a scarce resource for SMEs for a variety of reasons: their informal [or underground] nature; the administrative disorder that characterizes some SMEs; their lack of leadership; the absence of real (loan) guarantees; and a shortage of (business) information (about small companies).

According to Hall (2008:30), the first thing that every micro-enterprise must deal with is how to achieve transparency in its supply of information while maintaining an organized accounting system. Hall (2008) observed that it is worth the effort to seek out advice about how to diagnose the condition of a business and to implement mechanisms that improve its financial structure.

Several small business associations have been working on a constitution for a Regional Fund for Guarantees for SMEs, but access to credit remains limited for small companies in the region. The Andean Community of Nations -- comprising Peru, Bolivia, Ecuador, Colombia and Venezuela -- has distanced itself from this approach. Although banking has opened itself to this segment of the economy and banks see it as good business,

SMEs are punished by higher interest rates and shorter amortization periods because of the way banks assess their risks, notes Correa (2008:76).

The reasoning is simple: Because they are riskier, banks charge them more, as well as cut the time they can take to repay their loans. In many cases, these companies wind up being excluded from traditional financial markets, notes Correa (2008:76).

2.3.6 Looking to the Future

Despite such challenges, governments, international agencies and multilateral institutions are taking action to promote and assist the SME sector. However, these efforts will take a long time to bear fruit.

According to the Industrial Development Bank (IDB) (2008:65), SMEs must do a lot of work when it comes to innovation, an area where Chile, Brazil and Mexico are pioneers. They must also work on building partnerships so they can compete globally, and they must create clusters to increase their productivity and competitiveness (World Bank 2009:4).

The IDB has given its Multilateral Investment Fund responsibility for managing several programs that assist the small business sector with financing, technology, trade, training, innovation and modernization. Various other organizations have become the right arm for SMEs in the region, including the World Bank, the United Nations Industrial Development Organization, the Andean Development Corporation and the Organization for Economic Cooperation and Development (OECD).

2.4 Problems and Challenges facing Small Business in India

India is one of the emerging economies with an up-coming small business sector and as such the research deemed it fit to review the literature on small businesses from India as a way to bench mark the findings with such a global player.

The Small & Medium Enterprises (SME) sector is one of the fastest growing industrial sectors in the world economy; the Indian scenario is no different. The contribution of SME firms to India's national economy in terms of creating a vibrant manufacturing sector, winning the global market through increased exports, employment generation etc has been highlighted on many occasions. Given the expectations from the SME sector to contribute towards achieving India's targeted economic growth rates of 9%-10%, there is a need to address the problems faced by SME firms (Kharbanda, 2004:32-33). Problems such as lack of adequate and timely credit, non-availability of funds for modernization & technology upgradation, almost zero access to modern management practice and last but not the least absence of structured trade information need to be addressed comprehensively.

Problems facing small business in Indian can largely be classified as managerial, financial or technological.

2.4.1 Managerial Problem

Until 1990, the Indian economy was inward looking and protected from internal and external competition. In the absence of competition, firms did not develop the technological capability needed for penetrating the global market. This decade's long protective environment also reduced the risk taking capacity of the SME manager and made him complacent and averse to risk. He chose to avoid risky situations (Pavitt, 2006:75).

Separately, Seth (2006:108) argues that earlier, Indian firms had quite often followed an opportunistic approach to growth, as opposed to capability driven approach that seeks to strengthen key aspects of manufacturing. Consequently, firms have paid very little

strategic attention to their shop floors in the last few decades. Today Indian industry is facing tough competition from imports in the domestic markets also. This competition is in terms of new designs, new usages, reduced cost, improved quality, products with higher performance and variety, better services, all delivered simultaneously to enhance values to the customers.

To enhance the capacity of an Indian SME manager, the Indian government has taken some measures. According to Little (2007:26), the government of India has established a network of entrepreneurship development institutes for imparting entrepreneurial training and education. These Institutes are responsible for the development of training modules and undertaking of research and training for meeting the needs of the SME manager. They work in close coordination with the local industrial associations

Most of the SMEs, do not have access to well researched database whether it pertains to market intelligence or technology. This information needs to be provided to them proactively on a regular basis. Besides, the Government of India also provides financial assistance for surveys, studies, participation in foreign exhibitions, business meets, marketing assistance, vendor development programme and subcontracting (Global Forum on Business Incubation, 2008).

According to Wolfe (1994:84), the problems faced by the SMEs, particularly in accessing technology and maintaining competitiveness have been formidable. It has been found that sharing of information at local and national clusters is mostly informal. Information regarding the latest development and competency understanding is much less. Work sharing is not seen in the local and national clusters, as it is a fight for the same customer, in the same market. Even though the product and technology used by the entrepreneurs is similar, the tendency to share is less among the cluster participants.

Wolfe (1994:86) suggests that the concept of cluster development offers new insights into the potential role of SMEs, in enhancing their access to new technology. Characteristics of a successful cluster are inter-firm cooperation, cooperation blended with competition,

the importance of local value systems, flexibility and innovative capacity, geographic proximity, sectoral specialization, a local pool of skilled labour and the presence of a large number of firms. It also includes willingness to work together to resolve potential clashes of interest, widespread entrepreneurial spirit and ability, promotion of a social compromise.

In his research, Agarwal (2006:138-139) observed that SMEs in India find it difficult to match the wage rate, job security and career development opportunities, available in larger organizations and therefore are not in a position to hire skilled and competent manpower. Often, as a result a bottleneck develops in the SME organisation, it may result in just one or two people controlling the organisation, whether at the decision making level or at the operational level. Even in moderately large sized firms employing several hundred workers, these bottleneck points seem to exist. The decision-makers at the bottleneck points, are obviously busy people. They must handle many day-to-day problems that demand immediate attention, e.g., payroll, inventory, finances, personnel, suppliers, and customer demands. These problems must be solved quickly, or the company will be unable to function. Clearly, there is little chance for them to think about making major changes or risk taking, which is essentially required for innovation process.

2.4.2 Finance Problems

The non-availability of institutional finance on affordable and easy terms is hindering access to new technologies. In India the situation is further complicated by the fact that the preferred mode of finance is either self or other sources. Some of the measures undertaken to improve the position are:

- a) Promotion of venture capital, to help in indigenous development of technologies. In India financial institutions, such as Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), and other banks are providing financial assistance, for commercialization of indigenously developed technologies and adoption of imported

technologies for wider domestic applications through venture capital (Industrial Development Bank of India, 2009).

b) Small Industry Development Organization (SIDO) also offers a number of financial services to SMEs. Some of its popular schemes are Credit Linked Capital Subsidy Scheme for Technology Up-gradation, Credit Guarantee Scheme, ISO 9000/IS 14001 Certification Reimbursement Scheme, Integrated Infrastructure Development Scheme, Cluster Development program and Mini Tool Room Scheme (India Mini Tool Room Schedule, 2009:56-58).

c) Small Industries Development Bank of India (SIDBI) was set up in April, 1990 under an Act of Parliament. SIDBI is the principal financial institution for promoting, financing and development of industries in the small-scale sector. To further improve credit availability, a SME fund of \$ 2 billion has been operational from the year 2004 (Small Industries Development Bank of India, 2008:90).

d) Some of the other initiatives taken are:

- Allocation of \$87 million towards Technology Upgradation Fund for Textiles

-Setting up of Knowledge Commission Institutions of Excellence at the cost of \$20 million at the Indian Institute of Science, Bangalore.

-Weighted deduction of 150% of expenditure on in-house research and development facilities of companies, engaged in the business of biotechnology, pharmaceuticals, electronics, telecommunications, chemical, or any other notified products.

- Custom duty exempted on capital goods and raw materials to a company for R&D project (Government of India, 2008:16).

2.4.3 Technology Problems

Technology is the key to enhancing a company's competitive advantage in today's dynamic information age. SMEs need to develop and implement a technology strategy in



addition to financial, marketing and operational strategies, and adopt the one that helps integrate their operations with their environment, customers and suppliers.

In India, the technology used by SMEs ranges from primitive to sophisticated but so far, Indian SMEs have been predominantly preoccupied with finance and management issues (Martin and Diez, 2007).

India ranks quite high in possessing a large pool of technical organizations, scientists and engineers (There are 1200 technical institutions providing technical education to 0.38 million student every year (Martin and Diez, 2007)) and a fully developed intellectual infrastructure, but is still quite low in the matter of developing and adoption of new technologies in the SME sector. As technology is an important element, along with price and quality in determining competitiveness, many organizations are active in the area of offering technological assistance to SMEs, including the Council of Scientific Research (CSIR), Indian Institute of Technology (IIT), Technology Information Forecasting and Assessment Council (TIFAC), National Research and Development Corporation (NRDC), National Institute of Design (NID) Product and Process Development Centers (PPDCs), Mechanical Engineering Research and Development Organization (MERADO), National Small Industries Corporation's (NSIC), and Asia Pacific Center for transfer of Technologies (APCTT) (Kumar and Agarwal, 2008).

2.5 Critical Evaluation of Literature Review

The literature review shows that problems encountered by small business the world over are almost similar in nature ranging from among others, lack of finance, inadequate premises, lack of startup training, managerial skills, and lack of marketing skills.

The literature review has pointed out some problems affecting small business in Botswana. It has also made a discussion of literature from other regions – South Africa, Latin America and India.

Literature review has identified key problems affecting small business in Botswana as amongst others, lack of managerial/entrepreneurial skills, lack of access to finance, lack of marketing skills, human resource development issues and bias against small business. Managers of small business in Botswana are not capable of identifying lucrative business opportunities and as a result external firms take up such opportunities. It is also very important for managers to do a SWOT analysis before venturing into an unknown business sector.

Managers of small business are also said not to be able to appreciate the fact that information technology and financing of marketing activities must be considered more as investments rather than expenses. Managers of small business also lack international marketing strategies. For example it has been revealed by literature that small business has problems when it comes to creating export markets for its goods and services. Since competition in local markets may be intense, export markets may prove to be a viable alternative when it comes to selling products.

Lack of managerial skills has also been corroborated by literature from Latin America and India.

Access to capital and finance has also been pointed out as problems affecting small business. Literature has pointed out that small businesses are created because of need to generate profits and not as a result of strategic thinking. Lack of prior planning is one of the reasons why small businesses fold up within five years. Lack of investment and or working capital and cash flow problems are most often cited in surveys as being the most serious obstacle facing SMME's (SMME Task Force Report, 1998). In the Daniels and Fisseha (1992) study, 53% of micro and small business owners reported lack of finance as a major problem at start-up. Financial institutions which can lend cash to small business do so at a high interest with a short payment period. Again, this is not sustainable to small business. So the vicious cycle continues.

Lack of marketing skills has been cited as another problem affecting small business. Small business can produce goods and services but fails to create means to attract potential customers because of lack of marketing skills. Small business owners lack the

means to market intelligence. It has also been observed that small business consider marketing as an expense rather than as an investment. Literature has pointed out that in certain cases local markets are flooded due to stiff competition from monopolies and if small business markets its products to the external market it may turn its fortunes around. A wide variety of media exists for small business to utilize. This ranges from small websites, print and electronic media, promotions and word of mouth. But first, maybe what small business needs to do is to conduct a market research and find the best means to reach customers. Lack of access to training is currently hampering this alternative.

In the Daniels and Fisseha study, (1992), human resource development issues have also been pointed out as a problem currently besetting small business. Small business owners do everything from planning and day to day running of their business. Employees are usually relatives whose supply soon gets exhausted as the business expands. There is the constant threat of losing employees to large corporations who offer better salaries and working conditions. Small business owners are either reluctant or do not have financial resources to take employees for further training in the form of conferences and workshops. Such training has the potential to improve productivity but at the present moment this is largely lacking.

Inherent bias against SMEs is also working against small business. It has been noted that financial institutions shun small business because it is risky doing business with. There is also the conception that small business is a 'family thing' which cannot be run professionally. This tag is affecting small business. Whilst small business is the largest employer in the economies discussed, it is failing to gain the recognition, which large corporations are getting from governments and financial institutions.

2.6 Summary

This study investigates problems affecting small business in Botswana. This chapter gave a literature review of issues relating to Botswana government efforts in trying to sustain SMEs, problems affecting and what can be done to alleviate these problems. Problems

affecting small business have been given as low survival rate of SMMEs, lack of marketing skills, lack of access to finance, lack of entrepreneurial skills, bias of the education system against self-employment, lack of business start-up training, shortage of business premises, excessive government laws and regulations, lack of information on access to finance and lack of data on SMEs.

Chapter 3, which follows, addresses the Research Design and Methodology.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The purpose of this study is to gain an insight of problems affecting small business in Botswana. This chapter will outline the methodology employed, how the research was conducted and the steps that were taken to ensure validity and reliability.

This chapter comprises the following sections:

- 1) Research Design- a detailed plan in which the researcher obtains research participants (subjects) and collect information from them is catalogued.
- 2) Population and Sampling- this encompasses the total collection of all units of analysis about which the researcher wishes to make specific conclusions
- 3) Data Collection Instruments- methods used to collect data from sample population are highlighted
- 4) The Interview Method- comprises collecting information from respondents through an interactive, verbal, real time contact.
- 5) The Observation Method- discusses the observation methodology which involved watching and recording behaviors within a clearly defined area.
- 6) The Questionnaire- the researcher discusses several considerations that should be born in mind when formulating questions for interviewing instruments.
- 7) Sampling Procedure- in this analysis a sampling frame is determined in which each unit of analysis is mentioned only once
- 8) Pilot Study- a pilot study is defined, which entails administering the instrument to a limited number of subjects as that for which the eventual project is intended. A pilot project is therefore a dress rehearsal for the actual research investigation (Welman, Kruger and Mitchell, 2005)

- 9) Data Analysis- discussion of the statistical procedure to analyse and interpret the data is carried out. To accomplish this, a statistical package (SPSS version 17.0) is used to generate frequency tables, histograms and hypothesis testing.
- 10) Summary- a summary of the chapter findings is put together at this section to conclude the discussions.

3.1 Research Design

After a researcher has identified a research problem and has completed the literature review, a research design has to be developed. A research design is a plan by which the specific activities of the research can be conducted and brought to successful closure (Wiersma, 2005).

There are various types of research designs that can be chosen and one selected for this study such as experimental research, quasi-experimental research, non- experimental research and qualitative research design.

3.1.1 Experimental Research Design

All types of experimental research involve some form of intervention. Under this research the units of analysis are exposed to something to which they would not have been subjected to otherwise. True experimental research has three characteristics: control over the independent variable, random assignment of units of analysis to groups, and nuisance variables, *Welman, et al, (2005)*.

3.1.2 Quasi-Experimental Research

Quasi-experimental research differs from true experimental research in that the researcher cannot randomly assign subjects to the different groups. These groups may therefore differ from one another in terms of nuisance variables as well as the independent variable. Although quasi-experimental usually enables us to make conclusions about

casual relationships with less conviction than true experimental research, it nonetheless allows us to draw conclusions about such relationships with much more confidence than in pre-experimental research, *Welman et al*, (2005).

3.1.3 Non-Experimental Research

In this type of research one of more variables apart from the independent variable in question, could be the actual source of observed variation in the dependent variables. According to *Welman, et al*, (2005, p.92) it is generally accepted that conclusions about causal relationships may be made with greater confidence by means of true experimental research than non-experimental research. Random assignment of subjects to levels of the independent variable does not occur as subjects cannot be equated in terms of all other variables.

In non-experimental hypothesis testing research there is no planned intervention and random assignment of research participants to groups consisting of different levels of the independent variables.

3.1.4 Qualitative Research Design

Qualitative research is an approach rather than a particular design. According to *Van Maanen* (1979, p.520), it is an umbrella phrase covering an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning of naturally occurring phenomena in the social world.

Under qualitative research the following methods can be used: Case study research, Participant observation, Unstructured in depth interviews, Focus groups and Participatory research.

a) Case study research pertains to the fact that a limited number of units of analysis are studied intensively and the units of analysis include individuals, groups and institutions.

It is directed at understanding the uniqueness and idiosyncrasy of a particular case in all its complexity, Welman, *et al*, 2005.

b) Participant observation requires the researcher, for an extensive period of time, to take part in, and report on, the daily experiences of the members of a group, community or organization or the people involved in a process or event (or whatever is being studied).

c) Unstructured in-depth interviews are usually employed in explorative research for specific purposes such as to identify important variables in a particular area, to formulate penetrating questions on them and to generate hypotheses for further investigation. To preclude questions that do not allow any room for revealing the feelings and beliefs of individuals, unstructured interviews purposefully do not use an interview schedule, as used in structured interviews.

d) Focus groups, referred to also as group in-depth interviews, consist of a small number of individuals or interviewees that are drawn together for the purpose of expressing their opinions on specific set of open questions. Fontana and Frey (1994) have alluded to the fact that the purpose of group interviews is based on the collection of qualitative data.

e) Participatory research involves the integration of elements of social investigation, educational work and action in an interrelated process. According to Welman, *et al*, (2005, p.205), we can distinguish between participatory research and other conventional types of research on the basis of the roles of the researcher and participants as follows: The participants are actively involved in the planning and implementation of the research outcomes and are thus empowered; In bringing about social change, the researcher is dependent on the participation of the affected community members, state functionaries, and political parties.

3.2 Population and Sampling

The population is the study object and consists of individuals, groups, organizations, human products and events, or the conditions to which they are exposed, Welman, *et al*, (2005). A research problem relates to a specific population and the population encompasses the total collection of all units of analysis about which the researcher wishes to make specific conclusions. A population can therefore be defined as the full set of cases from which a sample is taken, Welman, *at el*, (2005).

Sampling is efficient and precise when it comes to data collection. Samples can be studied more quickly than target populations and they are also less expensive to assemble. Sampling is efficient in that resources that might go into collecting data on an unnecessarily large number of individuals or groups can be spent on other activities like monitoring that quality of data collection (Fink, 2005). In this study 100 small businesses in Gaborone will be sampled.

3.2.1 Sampling Procedure

There are different sampling methods that could have been used such as the following.

- a) Simple Random Sampling where each member of the population has the same chance of being included in the sample and each sample of a particular size has the same probability of being chosen.
- b) Stratified Random Sampling where the population is composed of various clearly recognizable, non- overlapping subpopulations that differ from one another in terms of a specific variable (Welman, *et al*, 2005)
- c) Systematic Sampling where we obtain a sample of n members from a population of N elements (units of analysis) that are numbered from 1 to N . In systematic sampling, we include every N/n th element (where N/n is an integer, that is, a whole number).
- d) Purposive Sampling which is the most important type of non- probability sampling. Researchers rely on their experience, ingenuity and or previous research findings to deliberately obtain units of analysis in such a manner that the

sample they obtain may be regarded as being representative of the relevant population.

A systematic Random Sampling was adopted because it requires less time and is cheaper than simple random sampling and generally it is more practical.

The listing of all small business firms in Gaborone was made. The firms were respectively allocated code numbers from 0001 to 1071. The total number of companies recorded amounted to 1071 adopted from the Register of Companies office in Gaborone. The sampling procedure adopted was systematic random sampling. In this method, a random start say f was determined as the initial step given as:

$$f = \frac{N}{n}$$

Where N is the total number of small business in Gaborone

n is the number of small businesses selected.

$$\text{i.e. } f = \frac{1071}{100}$$

$$f = 10.71 = 11 \text{ (approximately)}$$

Then, using the table of random numbers a unit (business) was selected such that its code number corresponds to an integer between 1 and 11, as the first unit to be included into the sample. The other units to be selected in the sample were determined by adding the value $f = 11$ to the previous unit until the sample size is met.

3.3 Data Collection

A standard letter for permission to access the sampled businesses will be written and explaining the purpose of the study. Since it will be impossible to meet subjects face-to-

face, an accompanying letter explaining the purpose of the questionnaire was attached to each questionnaire. UNISA (1998) contends that people selected to take part in an interview need to be informed as to the objectives of that particular survey and they need to know why they should respond to the survey. This can be achieved through a covering letter in the case of a questionnaire although the letter is not an instrument used to collect data.

3.4 The Interviews.

The interview is a technique to collect information from respondents through an interactive, verbal, real time contact. It is often used as a first step in collecting information for a needs analysis. It is a survey research method for making personal contacts with people. It involves sharing ideas, engaging in a dialogue, and problem-solving. An interview also provides a way to obtain peripheral information that may be linked directly or indirectly to the causes and effects associated with an analysis goal (McClelland, 2005). Interview techniques can be classified into two types: face-to-face and telephone interviews. Table 3.1 provides guidelines indicating when to use each one. In this study face to face interviews were used.



Table 3.1 Comparison of face-to-face interviews and telephone interviews.

Face-to-face Interviews	Telephone Interviews
<ul style="list-style-type: none"> ▪ Discuss in-depth information about a project. ▪ Discuss difficult, complex, or controversial subject matter. ▪ Look at information which must be illustrated. ▪ Get information from a few key individuals. 	<ul style="list-style-type: none"> ▪ Seek general information from people about a project. ▪ Seek information about a straightforward point or two. ▪ Get an initial response to things in general. ▪ Get information from many people.

<ul style="list-style-type: none"> ▪ Enlist support from distressed or opposed respondents. ▪ Establish rapport with and gain the confidence of people who have not been respondents. ▪ Garner support from people critical to the success of the process or outcomes of the project. ▪ When the costs associated with a problem are high. 	<ul style="list-style-type: none"> ▪ Confirm the support of people already committed to the project. ▪ Nurture an already established and on-going working relationship with respondents. ▪ Touch-base with people with little or no influence on the success of the process or outcomes of the project. ▪ Save money.
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Soriano (2005) identified the following as some of the advantages and disadvantages of interviews.

3.4.1 Advantages of Interviews

Interviewer can clarify unclear or ambiguous questions for the respondents.

Interviewer can gain insight and ideas from respondents through spontaneous and unexpected responses.

Interviewer can observe nonverbal cues such as body language to catch a respondent's feelings.

Interviewer can change the tone and style of the interview questions to match the individual conversation styles of various respondents.

Interviewer can clarify unclear or ambiguous questions for respondents.

Respondents are more relaxed with an unfamiliar interviewer. The more relaxed respondents are, the more truthful their answers tend to be.

Interviewer can use scripted questions and notes can be taken without distracting.

It is a fast way to collect information and less expensive than face-to-face interviews.

3.4.2 Limitations of Interviews

Respondents may get distracted due to interviewer's note-taking.

Respondents may doubt the confidentiality of their answers, and may not answer truthfully.

An expensive type of survey method given that it is time consuming to survey many people.

Respondents may get distracted due to interviewer's note-taking.

Respondents may doubt the confidentiality of their answers, and may not answer truthfully.

An expensive type of survey method given that it is time consuming to survey many people.

Interviewer has little opportunity to 'loosen up' the respondents; small talk doesn't work well over the telephone.

Interviewer cannot use respondents' body language to determine their overall responses in answering questions.

Scope of questioning is limited. Respondents tire quickly and the interviewer doesn't have the opportunity to draw out thoughtful, insightful responses.

3.5 Observation

This is a methodology that involves watching and recording behaviors within a clearly defined area. The researcher plays the role of passive observer and is, therefore, outside the action/s being observed and recorded. Observation of a unit during its usual daily activities, as well as a review of records, reports and information about the past of an organization gives an indication about influences, issues and difficulties in an organization that may be causing present and/or future problems. It is concerned with the subsystems and processes of an organization.

Black and Champion (2003) identified the following as some of the advantages and disadvantages of record/subject observation:

Advantages:

- Reliable source of data.
- Observer can hear, see, feel or touch through direct observation.
- Data collected are likely to be accurate and complete because the investigator knows exactly what he wants and how to get it.

Disadvantages:

- This method of data collection is time consuming and expensive.
- There is a limit to the amount of data a single person can collect.
- Subjects being observed may behave differently than normal if they are aware that they are being observed. This will introduce some element of bias.

3.6 The Questionnaire

In the investigation of this study, the questionnaire was employed as a tool for collecting data. It was administered through hand delivery to the various respondents that formed the population sample. A questionnaire is one of the tools for collecting data in surveys (Borg and Gall, 1989: in Legotlo, 1998). A questionnaire is a device, which enables respondents to answer questions. It is important to design a questionnaire that will give a researcher the information wanted (Legotlo, 1998). Well-designed questionnaires are highly structured to allow the same types of information to be collected from a large number of people in the same way and for data to be analysed quantitatively and systematically. Questionnaires are best used for collecting factual data and appropriate questionnaire design is essential to ensure that valid responses are obtained from the questions (Wai-ching Leung, 2001).

The decision to conduct a questionnaire survey should itself be the culmination of a careful process of thought and discussion, involving considerations being investigated, possibly in the form of hypothesis, theories, models or evaluative frameworks- should be clear and should guide the questionnaire design process, Welman, et al (2005).

There are two types of questions, being the open ended questions and the close ended questions.

- An open ended question is one in which the interviewer asks a question without any prompting with regard to the range of answers expected and the respondent's reply is recorded verbatim. The advantage of this question is that the respondent's answer is not influenced unduly by the interviewer or the question and the verbatim replies from the respondents can provide a rich source of varied material which might have been untapped by categories on a pre-coded list.
- A close ended question is one which offers the respondent a range of answers to choose from, either verbally or from a show card. In the case of a self completed questionnaire, a range of answers is set out in the questionnaire and the respondent is asked to tick the appropriate boxes e.g. Yes/No; Agree/Disagree.

Welman et al (2005, p175) offers the following comparative analysis of open ended questions and closed (multiple choice) questions and posits that what may count as an advantage of open ended questions, may represent a drawback of multiple choice items and vice versa;

- Some respondents may feel irritated because multiple choice items restrict them to particular responses that may not provide for their unique situation. As a result they may prefer the freedom to express themselves in a way that is allowed by open ended questions.
- At the same time, this advantage of open ended questions may be a drawback in that they require a better ability to express oneself and usually a higher level of education on the part of respondents than with multiple choice questions.
- Moreover, respondents who meet these requirements may be unwilling to exert the special effort required by open ended items.
- Furthermore, it is more difficult to compare different respondent's responses to open ended questions than is the case with multiple choice questions.
- The possibility of obtaining inappropriate responses is also greater in the case of open ended questions than with multiple choice questions.

3.6.1 Objectives in Designing a Questionnaire

According to Wai-ching Leung (2001), there are two main objectives in designing a questionnaire:

- To maximize the proportion of subjects answering our questionnaire – that is, response rate.
- To obtain accurate relevant information of our survey.

To maximize the response rate, careful consideration has to be made on how the questionnaire is administered, establishment of rapport, explanation of the purpose of the survey, and reminders to those who will not have responded. The length of the questionnaire should be appropriate. In order to obtain accurate relevant information,

consideration about what questions will be asked, how the questions will be asked, the order in which the questions will be asked, and the general layout of the questionnaire have to be made.

According to Hopkins (2004) and Borque and Fielder (2005), the following are advantages of a questionnaire:

- Easy to administer and quick to fill in.
- Easy to follow up.
- Provides direct comparison of groups and individuals.
- Provides feedback on: attitudes, adequacy of resources, and adequacy of respondents' help.
- Data are quantified.
- Useful in pre-testing.
- Maximizes confidentiality in face-to-face questionnaires.

The questionnaire is a commonly used tool for data collection. However there are some criticisms against the use of the questionnaire. Legotlo (1998) mentioned the following disadvantages of questionnaires:

- Excessive non-response rate.
- Poorly-constructed items.
- Questionnaires deal with not serious information.
- Data from different questions are difficult to synthesize: and
- No control over who responds.

3.7 Pilot Study

The researcher has piloted the instruments on a group of 10 small businesses which were not part of the businesses used in the study. The main aim of piloting the instrument was to check how long it would take participants to complete the questionnaires as well as check whether instructions and questions are clear. Feedback from the pilot study was

used to modify the instrument where necessary. It was found that certain questions were too intrusive and were thus deleted from the study. According to Gall et al (2006) piloting allows the researcher to determine the adequacy of instructions to respondents completing a self completion questionnaire. As such, questions which appear difficult or unclear for the respondents will be easily identified and will either be removed or modified.

3.8 Data Analysis

Data analysis is the stage of the study where the researcher will reduce the collected data into themes and categories by manipulating, ordering, categorizing interpreting and summarizing data to facilitate interpretation as well as obtain answers to the research question(s) (Mertens, 2004).

Qualitative data will be analyzed using descriptive methods. Descriptive statistics will be used as they are the most fundamental and most important indices through which data are summarized in qualitative studies (Macmillan and Schumacher, 2004). Quantitative data will be analyzed using tables, frequency distribution and other statistical methods to determine the entire pattern of responses to the statements by the subjects.

To accomplish the above, a statistical package (SPSS version 17.0) will be used to generate frequency tables, histograms and hypothesis testing. Data collected from questionnaires was coded and entered into SPSS. The data was then analyzed first to generate simple frequencies. Cross tabulations were then generated and results interpreted.

3.9 Summary

This chapter presented the research methods used for the study. The chapter argued and justified the selection of survey as a research design and questionnaire as the primary data collection instrument. The chapter also discussed and justified the use of systematic random sampling as a population sampling tool. Research designs such as Experimental,

Quasi-Experimental, Non-Experimental, Qualitative Research design among others were reviewed.

The advantages and disadvantages of interviews and observation methods were also discussed.

Chapter 4, which follows addresses the findings and data analysis

CHAPTER 4

STATEMENT OF FINDINGS AND ANALYSIS OF DATA

4.1. Introduction

This chapter presents and analysis the findings of the study on problems and challenges facing small business in Botswana. The participants in this study were 100 small businesses in Gaborone, Botswana which were selected from a population sample of 1071 derived from the Register of Companies. The following five sections will be covered in this chapter: Problems faced by small businesses in Botswana; Small business awareness of available financial assistance in the market; Factors affecting small business growth; Assessment of strategies which small business owners have currently put in place to develop their business; and Summary of the chapter.

4.2 Problems Faced by Small Businesses in Botswana

This section presents participants' perception on key problems faced by them as small business in Botswana. Participants were asked if particular problems were applicable to them

4.2.1. Lack of Entrepreneurial Skills

Participants were asked if lack of entrepreneurial skills is a problem to their business development

Table 4.1: Lack of Entrepreneurial skills

		Lack Of Skills			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	Strongly Agree	30	30.0	30.0	30.0
	Agree	36	36	36	66.0
	Undecided	3	3	3	69.0
	Disagree	16	16	16	85.0
	Strongly Disagree	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

As per table 4.1 above, the results indicate that the majority of respondents (66%) considered lack of entrepreneurial skills a major problem for small businesses compared to only 31% who did not think it was a problem. (See also Figure 1 in Appendix D).

4.2.2. Lack of Business Start-Up Training

Participants were asked if lack of business start-up training was a problem in their businesses

Table 4.2: Lack of business start-up training

		Lack Of Training			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	Strongly Agree	22	22.0	22.0	22.0
	Agree	34	34.0	34.0	56.0
	Undecided	5	5.0	5.0	61.0
	Disagree	29	29.0	29.0	90.0
	Strongly Disagree	10	10.0	10.0	100.0
	Total	100	100.0	100.0	

As per table 4.2 above, the results indicate that 56% of respondents considered lack of start-up training as a problem for small businesses compared to 39% who did not think it was a problem.(see also Figure 2 in Appendix D).

4.2.3. Lack of Information on Government Assistance Programmes

Participants were asked if lack of information on government assistance programmes was a problem in their business

Table 4.3: Lack of information on government assistance programmes

Lack Of Information					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	31	31.0	31.0	31.0
	Agree	16	16.0	16.0	47.0
	Undecided	3	3.0	3.0	50.0
	Disagree	33	33.0	33.0	83.0
	Strongly Disagree	17	17.0	17.0	100.0
	Total	100	100.0	100.0	

As per table 4.3 above, the results indicate that 50% of respondents did not agree that lack of information on government assistance was a problem in their businesses compared to 47% who agreed (see also Figure 3 in Appendix D).

4.2.4. Lack of Financial Support from the Government

Participants were asked if lack of financial support from the government was a problem in their business

Table 4.4: Lack of financial support from the government

Lack Of Support					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	24	24.0	24.0	24.0
	Agree	26	26.0	26.0	50.0
	Undecided	10	10.0	10.0	60.0
	Disagree	21	21.0	21.0	81.0
	Strongly disagree	19	19.0	19.0	100.0
	Total	100	100.0	100.0	

As per table 4.4 above, the results indicate that 50% of respondents consider lack of financial support from government a problem in their business whereas 40% of respondents did not think so. (See also Figure 4 in Appendix D).

4.2.5. Stiff Competition from Large Chain Stores

Participants were asked if stiff competition from large chain stores was a problem to their business

Table 4.5: Stiff competition from large chain stores

Stiff Competition

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	24	24.0	24.0	24.0
Agree	30	30.0	30.0	54.0
Undecided	5	5.0	5.0	59.0
Disagreed	26	26.0	26.0	85.0
Strongly disagreed	15	15.0	15.0	100.0
Total	100	100.0	100.0	

As per table 4.5 above, the results indicate that 54% of respondents considered stiff competition from larger chain stores a problem in their businesses compared to 41% who did not think it was a problem (see also Figure 5 in Appendix D).

4.3. Small Business Awareness of how to get Available Financial Assistance Information in the Market

4.3.1. Workshops for Government Agencies like CEDA

Participants were asked if their businesses benefited from workshops by government agencies like CEDA

Table 4.6: Workshops for government agencies like CEDA

		Workshops			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	23	23.0	23.0	23.0
	Agree	22	22.0	22.0	45.0
	Undecided	8	8.0	8.0	53.0
	Disagreed	34	34.0	34.0	87.0
	Strongly disagreed	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

As per table 4.6 above, results are negative, indicating that only 45% of respondents considered their business to have benefited from workshops by government agencies like CEDA compared to 47% who did not think that their businesses benefited from workshops. (see also Figure 6 in Appendix D).

4.3.2. Commercial Banks and Building Society`s Helpdesk and Billboards

Participants were asked if their businesses benefited from commercial banks and building society`s helpdesks and bill boards

Table 4.7: Commercial banks and building society's help desks and billboards

		Helpdesks			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	19.0	19.0	19.0
	Agree	25	25.0	25.0	44.0
	Undecided	7	7.0	7.0	51.0
	Disagreed	29	29.0	29.0	80.0
	Strongly disagreed	20	20.0	20.0	100.0
	Total	100	100.0	100.0	

As per table 4.7 above, the results are negative, as 44% of the respondents considered their businesses to have benefitted from commercial banks and building society's help desks and bill boards compared to 49% who did not think their businesses benefited.(see also Figure 7 in Appendix D).

4.3.3. Television adverts

Participants were asked if their businesses benefitted from television adverts

Table 4.8: Television adverts

		TV Adverts			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	16	16.0	16.0	16.0
	Agree	25	25.0	25.0	41.0
	Undecided	9	9.0	9.0	50.0
	Disagreed	35	35.0	35.0	85.0
	Strongly disagreed	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

As per table 4.8 above, the results are negative, as only 41% of the respondents considered their businesses to have benefitted from television adverts compared to 50% who did not think that their businesses benefitted from television adverts.(see also Figure 8 in Appendix D).

4.3.4. Newspapers

Participants were asked if their businesses benefitted from Newspapers



Table 4.9: Newspapers

		Newspapers			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	18	18.0	18	18.0
	Agree	37	37.0	37	55.0
	Undecided	10	10.0	10	65.0
	Disagreed	12	12.0	12	77.0
	Strongly disagreed	23	23.0	23	100.0
	Total	100	100.0	100.0	

As per table 4.9 above, the results are marginally positive as 55% of respondents considered their business to have benefitted from newspapers compared to 35% who did not think their businesses benefitted from newspapers.(see also Figure 9 in Appendix D).

4.3.5. Word of Mouth through Network of Fellow Business Owners

Table 4.10: Word of mouth through network of fellow business owners

		Word Of Mouth			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	18	18.0	18.0	18.0
	Agree	35	35.0	35.0	53.0
	Undecided	6	6.0	6.0	59.0
	Disagreed	20	20.0	20.0	79.0
	Strongly disagreed	21	21.0	21.0	100.0
	Total	100	100.0	100.0	

As per table 4.10 above, the results indicate that 53% of respondents considered word of mouth to have benefitted their businesses compared to 41% who did not think that word

of mouth through network of fellow business owners benefitted their businesses.(see also Figure 10 in Appendix D).

4.4 Factors Affecting Small Business Growth

4.4.1. Financial Mismanagement

Participants were asked if financial mismanagement was a key factor affecting their business growth.

Table 4.11: Financial mismanagement

Financial Mismanagement					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	25	25.0	25.0	25.0
	Agree	19	19.0	19.0	44.0
	Undecided	8	8.0	8.0	52.0
	Disagreed	31	31.0	31.0	83.0
	Strongly disagreed	17	17.0	17.0	100.0
	Total	100	100.0	100.0	

As per table 4.11 above, the results are negative as only 44% of respondents considered financial mismanagement a key factor affecting their business growth compared to 48% who did not think it was a factor affecting their business growth.(see also Figure 11 in Appendix D).

4.4.2. Lack of Trust from Government

Table 4.12: Lack of trust from government

		Lack Of Trust			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	28	28.0	28.0	28.0
	Agree	23	23.0	23.0	51.0
	Undecided	9	9.0	9.0	60.0
	Disagreed	21	21.0	21.0	81.0
	Strongly disagreed	19	19.0	19.0	100.0
	Total	100	100.0	100.0	

As per table 4.12 above, the results are marginally positive with 51% of respondents having considered lack of trust as a key factor affecting their business growth compared to 40% who did not agree that lack of trust is an impediment to their business growth.(see also Figure 12 in Appendix D).

4.4.3. Too Many Barriers to Entry

Table 4.13: Too many barriers to entry

		Many Barriers			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	26	26.0	26.0	26.0
	Agree	30	30.0	30.0	56.0
	Undecided	4	4.0	4.0	60.0
	Disagreed	22	22.0	22.0	82.0
	Strongly disagreed	18	18.0	18.0	100.0
	Total	100	100.0	100.0	

The above findings reveal that 56% of the respondents considered too many barriers are a key factor affecting their businesses compared to 40% who did not think it was a key factor affecting their business growth.(see also Figure 13 in Appendix D).

4.4.4. Lack of Diversification

Table 4.14: Lack of diversification

No Diversification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	26	26.0	26.0	26.0
	Agree	27	27.0	27.0	53.0
	Undecided	8	8.0	8.0	61.0
	Disagreed	25	25.0	25.0	86.0
	Strongly disagreed	14	14.0	14.0	100.0
	Total	100	100.0	100.0	

As per table 4.14 above, the results are positive with 53% of respondents considering lack of diversification as a key factor hampering their business growth compared to 39% who did not think that lack of diversification is a key factor affecting their business growth.(see also Figure 14 in Appendix D).

4.4.5. Botswana`s Small Market

Table 4.15: Botswana's small market

		Small Market			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	29	29.0	29.0	29.0
	Agree	28	28.0	28.0	57.0
	Undecided	9	9.0	9.0	66.0
	Disagreed	17	17.0	17.0	83.0
	Strongly disagreed	17	17.0	17.0	100.0
	Total	100	100.0	100.0	

The above findings reveal that 57% of the respondents considered that Botswana's small market was a key factor affecting their business growth compared to 34% who did not think it was a problem affecting their business growth.(See also Figure 15 in Appendix D).



4.5 Assessment of Strategies which Small Business Owners have Currently Put in Place to Develop their Businesses

4.5.1. Identification of the Market

Participants were asked if they have identified the market before starting the business.

Table 4.16: Identifying the market

		Identifying Market			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	17.0	17.0	17.0
	Agree	20	20.0	20.0	37.0
	Undecided	9	9.0	9.0	46.0
	Disagree	33	33.0	33.0	79.0
	Strongly disagreed	21	21.0	21.0	100.0
	Total	100	100.0	100.0	

As per table 4.16 above, the results are negative. Results indicate that 54% of respondents did not identify the market before starting the business compared to 37% who did identify the market. (see also Figure 16 in Appendix D).

4.5.2. Identifying Competitors

Participants were asked if they did identify their competitors before they started their businesses.

Table 4.17: Identifying competitors

		Identifying Competitor			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	11.0	11.0	11.0
	Agree	29	29.0	29.0	40.0
	Undecided	6	6.0	6.0	46.0
	Disagreed	35	35.0	35.0	81.0
	Strongly disagreed	19	19.0	19.0	100.0
	Total	100	100.0	100.0	

The above findings reveal that 40% of the respondents identified their competitors compared to 54% who did not identify their competitors. (See also Figure 17 in Appendix D).

4.5.3. Compiling a Strategy to Deal with Competitors

Participants were asked if they did compile a strategy to deal with competitors.

Table 4.18: Compiling a strategy to deal with competitors

		Compiling Strategy			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	20	20.0	20.0	20.0
	Agree	17	17.0	17.0	37.0
	Undecided	10	10.0	10.0	47.0
	Disagree	30	30.0	30.0	77.0
	Strongly disagree	23	23.0	23.0	100.0
	Total	100	100.0	100.0	

The above findings reveal that 37% of the respondents considered to have compiled a strategy to deal with competitors compared to 53% who did not compile a strategy to deal with competitors. The results are therefore negative. (See also Figure 18 in Appendix D).

4.5.4. Attended Courses on Entrepreneurial Skills

Participants were asked if they did attend courses on entrepreneurial skills.

Table 4.19: Attended courses on entrepreneurial skills.

		Attended Courses			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	Strongly agree	30	30.0	30.0	30.0
	Agree	34	34.0	34.0	64.0
	Undecided	3	3.0	3.0	67.0
	Disagree	8	8.0	8.0	75.0
	Strongly disagree	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

The above findings reveal that the results are positive, as 64% of the respondents considered to have attended courses on entrepreneurial skills before they started their businesses compared to 33% who did not attend the entrepreneurial skills courses. (See also Figure 19 in Appendix D).

4.5.5. Attempted to Get Information on How to Get Government Assistance but could not Succeed

Participants were asked if they did attempt to get information on government assistance but could not succeed before starting their businesses.

Table 4.20: Attempted to get information on how to get government assistance but could not succeed

Failed To Get Information					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	19.0	19.0	19.0
	Agree	23	23.0	23.0	42.0
	Undecided	10	10.0	10.0	52.0
	Disagree	27	27.0	27.0	79.0
	Strongly disagree	21	21.0	21.0	100.0
	Total	100	100.0	100.0	

The above findings reveal that 42% of the respondents attempted to get information on how to get government assistance before starting their businesses but could not succeed compared to 48% who did not attempt to get assistance.(see also Figure 20 in Appendix D).

4.6 Summary of Findings

The results indicated that a major problem facing small businesses was that of lack of entrepreneurial skills. Other problems such as lack of business start up training and stiff competition from chain stores were considered minor.

The majority of respondents have benefited from newspapers (55%) and word of mouth (53%) as opposed to government workshops, commercial banks and television adverts.

Botswana's small market is considered a major key factor affecting business growth. The results further show the second major impediment as that of too many barriers whereas lack of diversification and trust are marginal.

Finally results indicated that the majority of respondents did attend entrepreneurial skills courses before starting up of their businesses and that market identification before start up was a problem as 54% did not carry it out.

Chapter 5 will present a discussion of the findings and draw conclusions from results of the study.

CHAPTER 5

DISCUSSION OF FINDINGS AND LINKING TO LITERATURE REVIEW

5.1 Introduction

This chapter focuses on the discussion of findings and linking the findings to other chapters. The chapter comprises the following sections: Presentation and Analysis of Findings; Have the Research Objective been met? Limitations of the Study; Potential Areas of future Research; Contributions to the Research; and Summary and Conclusions.

5.2 Presentation and Analysis of Findings

In this section I am going to present an analysis of the results which aims to determine whether the findings are any different from literature and research results conducted elsewhere.

5.2.1. Problems Facing Small Businesses

The study has revealed that the majority of small business owners lack entrepreneurial skills to run their businesses. This has emerged as a key problem for small businesses (see 4.2.1). This finding is consistent with other literature available such as Acquah and Mosimanegape, 2007. This finding has come up as a surprise to the researcher due to the many mentorship programmes offered by CEDA and LEA.

Another problem that emerged was that of lack of startup training (see 4.2.2). This finding is consistent with other literature findings such as Acquah and Mosimanegape, 2007.

Stiff competition from chain stores is another problem that emerged (see 4.2.5).

However, other problems commonly cited as affecting small businesses such as lack of financial support by government and lack of information did not emerge as a major problem in this study. This is different from other studies conducted such as Temtime and Pansiri (2006). In Botswana the issue of financial support was not expected to be a major problem because of CEDA and other government initiatives.

5.2.2. Small Business Awareness of How to Get Available Financial Assistance Information in the Market

The study has revealed that most respondents rely on newspapers to get information on financial assistance programmes. (see 4.3.4). Word of mouth with other fellow business owners has emerged also as a strong network strategy used by small businesses, (see 4.3.5)

Other communications modes such as workshops for government agencies like CEDA have not proved beneficial to small businesses. (see 4.3.1). Commercial banks and building society's helpdesk and bill boards including television advertisement did not benefit most small businesses.

5.2.3. Factors Affecting Small Business Growth

The study has revealed that Botswana's small market was considered a key factor affecting small business growth by the majority of respondents (see 4.4.5).

Too many barriers to entry were another problem that emerged as a key factor that prohibits small business growth (see 4.4.3.).

Lack of diversification and lack of trust from government has also emerged as problems while financial mismanagement was not considered to be a major problem by the majority of respondents. (See 4.4.4, 4.4.2, and 4.4.1. respectively)

5.2.4. Assessment of Strategies which Small Business Owners have Currently Put in Place to Develop their Businesses.

The findings revealed that most respondents did not identify their market before starting their businesses.(see 4.5.1)

Another problem that emerged from the study is that the findings showed that the majority of the respondents did not identify their competitors before starting up their businesses.

However, what is surprising in the study findings is that while lack of entrepreneurial skills was considered to be a major problem by the majority of respondents, it has emerged that most respondents had actually attended courses on entrepreneurial skills.

5.3. Have the Research Objective Been Met?

As per the problem statement in chapter 1, the key research question was why do the majority of entrepreneurs fail to sustain their small business ventures?

The secondary questions in this study were as follows:

- What business management skills do entrepreneurs possess?
- What is the rate of success/ failure of small businesses?
- What are the factors affecting the development of small business in Botswana?
- What strategies can small business use to develop in Botswana?

The main objective of this research was to understand the problems facing small businesses in Botswana. The results of the study have identified lack of entrepreneurial

skills and lack of start-up training as major problems in Botswana. The results have also indicated that factors such as lack of financial support from government were not major problems. The objective has therefore been partially met in that the results provide an insight into key problems.

The secondary objective was to understand if small businesses were aware of channels and financial institutions to use to access funds for capital. The study has identified the use of Newspapers and word of mouth as most common ways used by respondents to get information about financial institutions and government programmes.

The other objective was to find out what factors were affecting the development of small business in Botswana. The results of the study have identified Botswana's small market, too many barriers to entry and lack of diversification as major problems in Botswana. The results have also indicated that factors such as financial mismanagement were not major problems. The objective has therefore been met.

The final objective was to find out if there were strategies which small businesses have put in place to develop their businesses. The results indicated that small businesses did not have strategies in place to develop their businesses. They did not identify their markets and competitors before starting up their business. The objective has therefore been partially met as the findings have given hint of where the problems lied.

5.4. Limitations of the Study

5.4.1 Limitations Arising from Chosen Research Methods

Unlike interviews, questionnaires do not allow for the collection of more detailed information and in depth understanding. Further the survey method is a cross-sectional study and hence does not allow for more detailed information that would have been collected if a longitudinal study had been used. The sample size of 100 small businesses was also small and was restricted to Gaborone only.

5.4.2 Limitations Arising from Inconclusive Results

A number of business owners were skeptical to provide information on how their businesses were performing. They said it was a waste of time since they never saw any improvements to their businesses after such interventions. This is likely to affect the reliability of data collected.

5.4.3 Limitations Arising from Inability to Explain Emerging and Other Issues

The researcher wish to highlight that certain issues that emerged were not followed on even though they were important. For example, participants mentioned lack of entrepreneurial skills even though they were entrepreneurs themselves and also that in many cases, the number of respondents who were not sure of anything was high. Again, the findings are based on perceptions and not actual measures to determine the impact of the factors identified.

5.5. Potential Areas of Future Research

It is suggested that based on the limitations identified in section 5.4 above, a replication study using a much larger sample and different approach (i.e. interviews instead of questionnaires) could be undertaken

5.6. Contributions to the Research

The research findings will add to the broader knowledge in the field of research. The findings show that a more and detailed, nationwide research still needs to be covered to get to the root cause of small business failures in Botswana.

Pansiri and Temtime (2006) identified poor management of scarce resources as a major reason for the small business failure. The findings of this study are consistent with this finding as lack of entrepreneurial skills recorded very high which indicate that a possible reason for such poor management is lack of entrepreneurial skills.

5.7. Summary and Recommendations

The primary research has shown that small business fails because of lack of entrepreneurial skills. Temtime and Pansiri (2006:1) confirmed that small business fail because of how they manage their scarce resources. Management of such scarce resources can be accomplished through appropriate entrepreneurial skills. The Policy of Small to Medium Micro Enterprises (1996:3) cited lack of business startup training as another reason why small business fails. The same policy document also state lack of information on government assistance programmes as another reason for small business failure but in this study the majority of respondents refuted this observation. Whilst there is no local literature to support the problem of stiff competition, case studies cited in chapter 2 noted that external competition impacts on the status of small business and this can also be applied to the Botswana situation since there are a lot of foreign firms competing with small business.

Recommendations:

1. The results of the study indicate that official communication mostly takes the form of face-to-face meetings, seminars, and workshops. While the status quo needs to be maintained, there is also a need to strengthen information dissemination by television, radio, the internet and newspapers, because these transfer information more quickly while simultaneously covering a much wider audience at a fairly minimal cost.
2. CEDA has programmes that are targeted at the needs of SMEs. However, the needs of SMEs are increasingly becoming complex due to the challenges of International trade. This therefore, calls for CEDA to tighten up its programmes to meet emerging challenges of SMEs.
3. Strategies to support marketing should be developed and targeted to SMEs. Marketing is an essential competitive and penetration business tool and most SMEs may not have the capacity to pursue effective marketing strategies.

4. A deliberate Economic Diversification Drive Policy should be adopted by government to promote SMEs in Botswana. This will ensure the sustainability and profitability of SMEs and hence a move towards poverty eradication and job creation.

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APPENDIX C

QUESTIONNAIRE FOR SMALL BUSINESS OWNERS

SECTION A: PROBLEMS FACED BY SMALL BUSINESS IN BOTSWANA

	Question Does your business face any of the following problems in its development?	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
A.1	Lack of financial support from financial institutions.					
A.2	Lack of business start-up training					
A.3	Lack of information on government assistance programmes					
A.4	Lack of entrepreneurial skills					
A.5	Stiff competition from large chain stores.					

SECTION B: AWARENESS OF FINANCIAL ASSISTANCE

	Question Has your business benefited from the following as potential medium in raising awareness of sources of finance?	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
B.1	Workshops for government agencies like CEDA.					
B.2	Commercial banks and building societies helpdesks and billboards					
B.3	Television adverts.					
B.4	Newspapers.					
B.5	Word of mouth through network of fellow business owners.					

SECTION C: FACTORS AFFECTING SMALL BUSINESS GROWTH

	Question Do you think the following are key factors affecting small business development?	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
C.1	Financial mismanagement.					
C.2	Lack of trust from government.					
C.3	Too many barriers to entry					
C.4	Lack of diversification in the sector.					
C.5	Botswana's small market.					

SECTION D: ASSESSMENT OF STRATEGIES WHICH SMALL BUSINESS OWNER'S HAVE CURRENTLY PUT IN PLACE TO DEVELOP THEIR BUSINESS

	Question Have you put the following in place before starting your business?	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
D.1	Identifying the market.					
D.2	Identifying competitors.					
D.3	Compiling a strategy to deal with competitors.					
D.4	Attended courses on entrepreneurial skills					
D.5	Attempted to get information on how to get government assistance but could not succeed					

THANK YOU FOR YOUR TIME AND EFFORT

APPENDIX D
BAR GRAPH

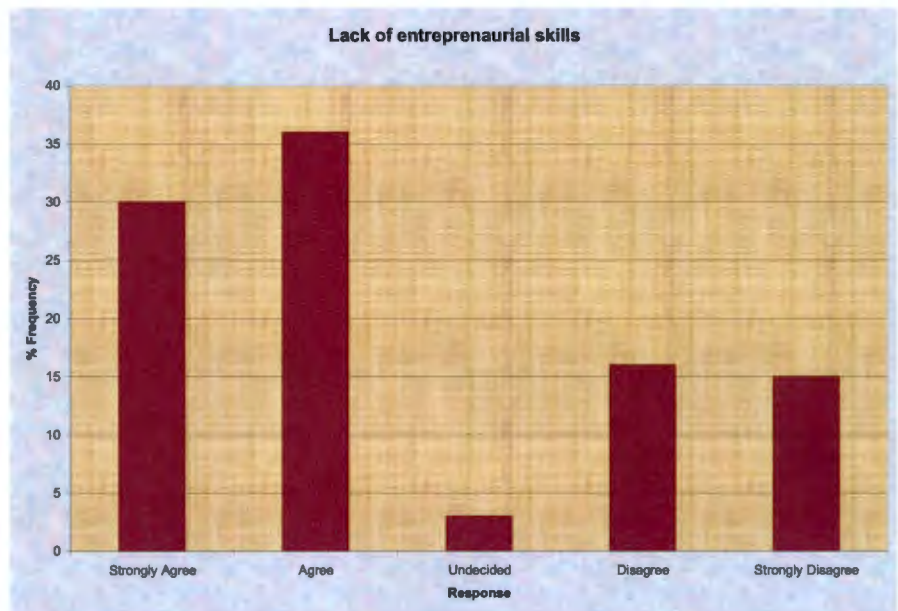


Figure 4.1: Lack of entrepreneurial skills

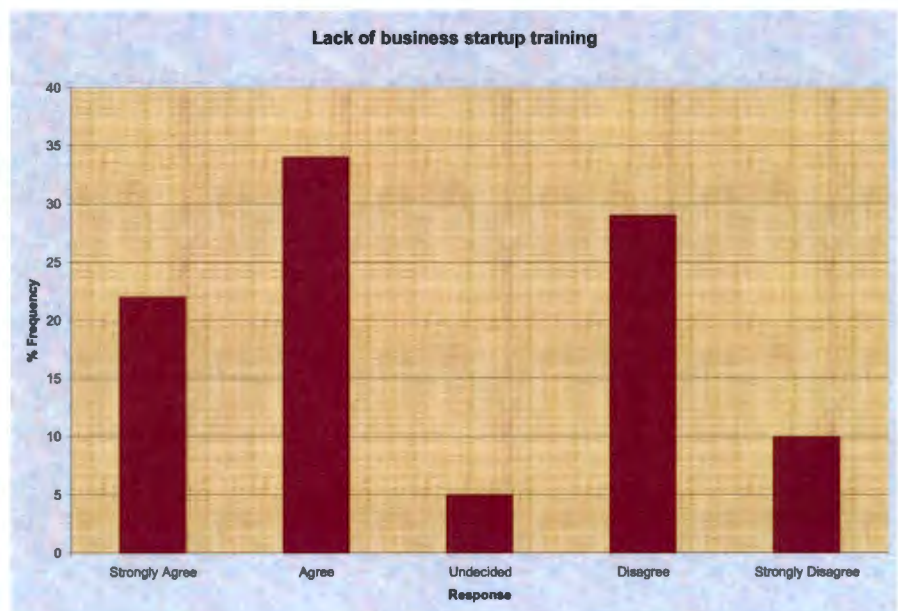


Figure 4.2: Lack of business startup training

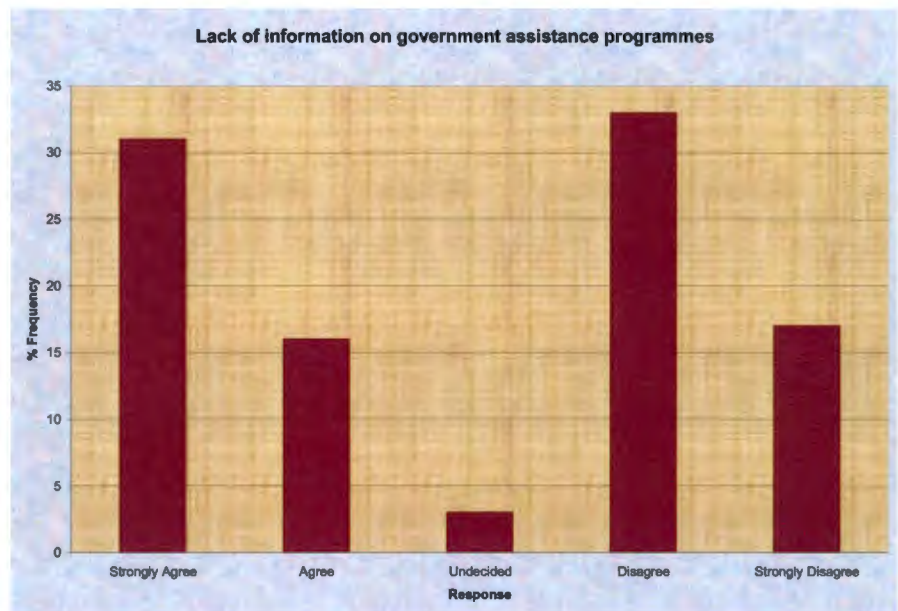


Figure 4.3: Lack of information on government assistance programmes

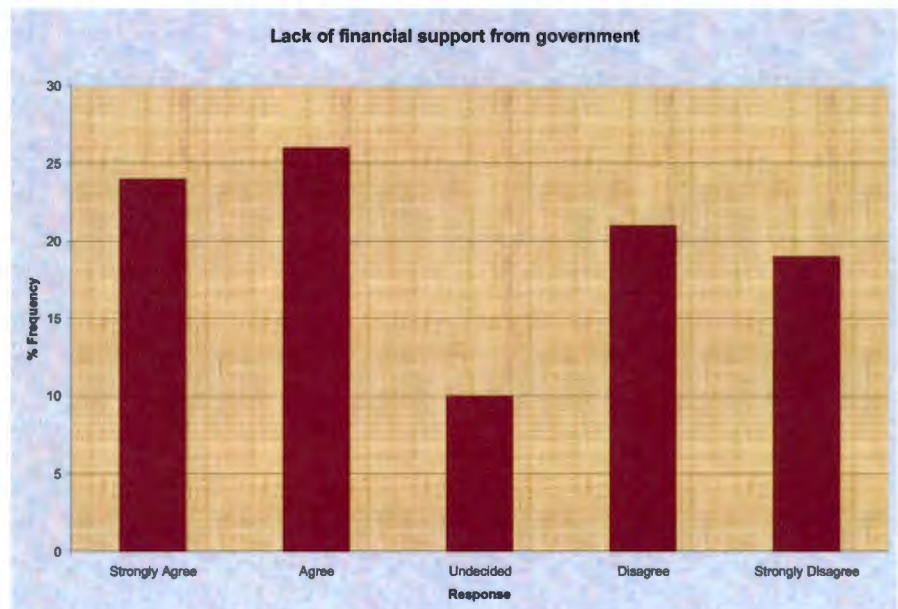


Figure 4.4: Lack of financial support from the government



Figure 4.5: Stiff competition from large chain stores

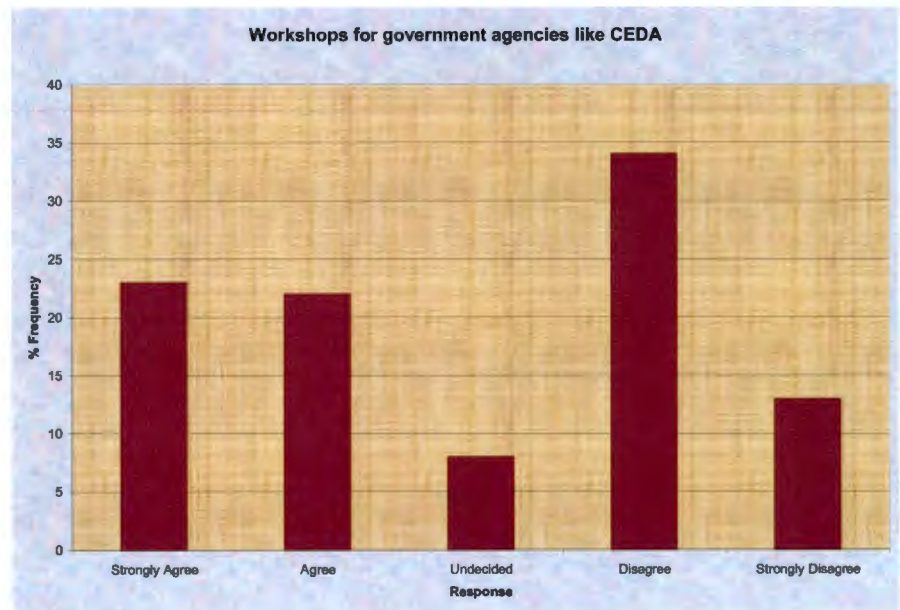


Figure 4.6: Workshops for government agencies like CEDA

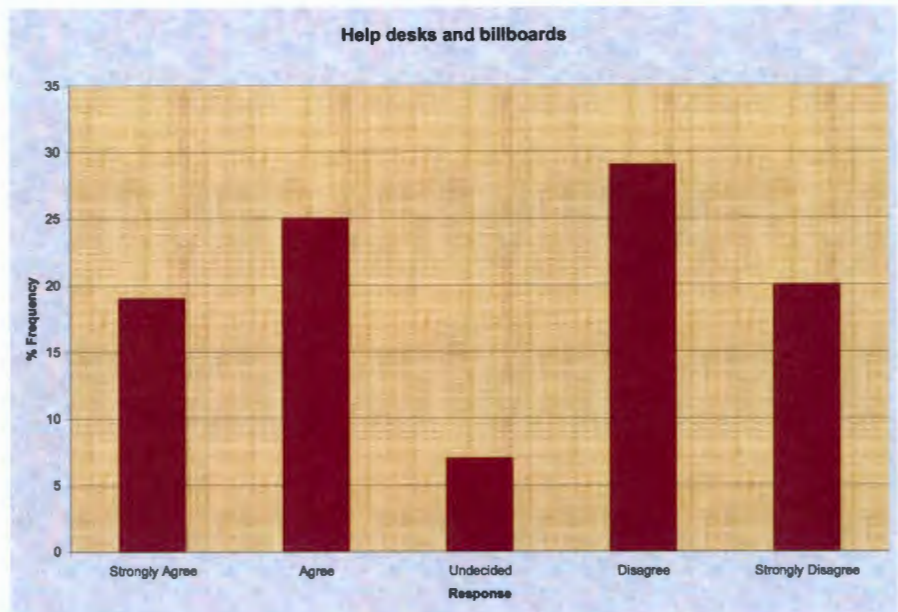


Figure 4.7: Commercial banks and building societies helpdesks and billboards

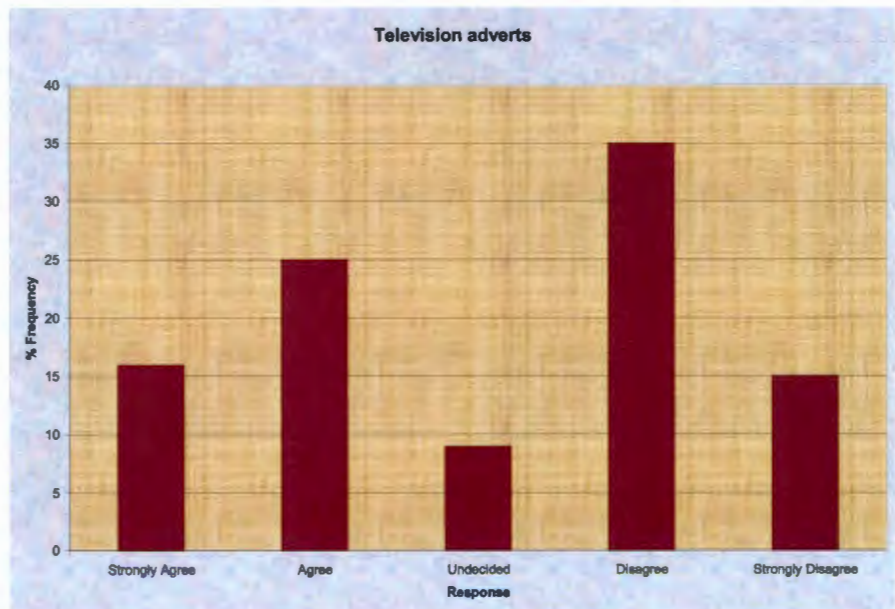


Figure 4.8: Television adverts

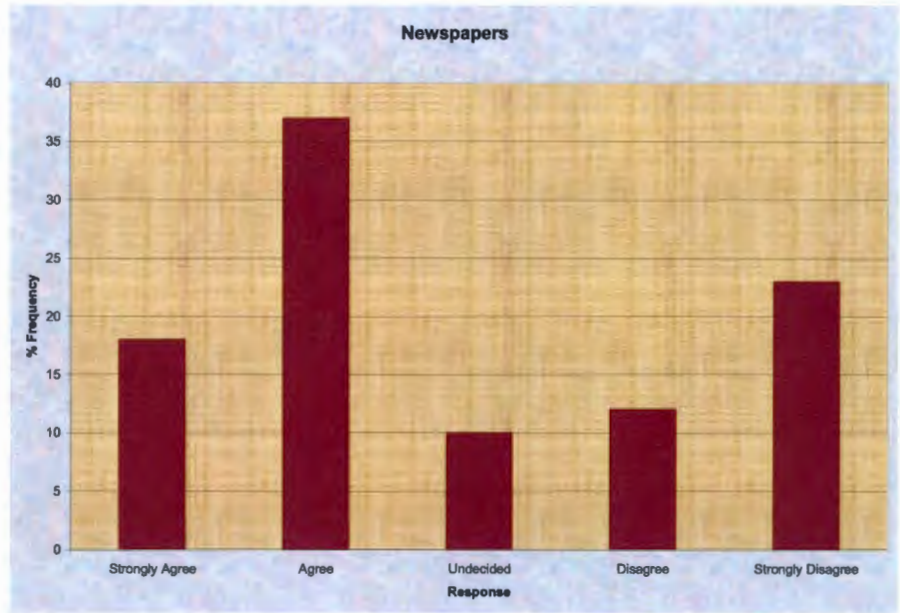


Figure 4.9: Newspapers

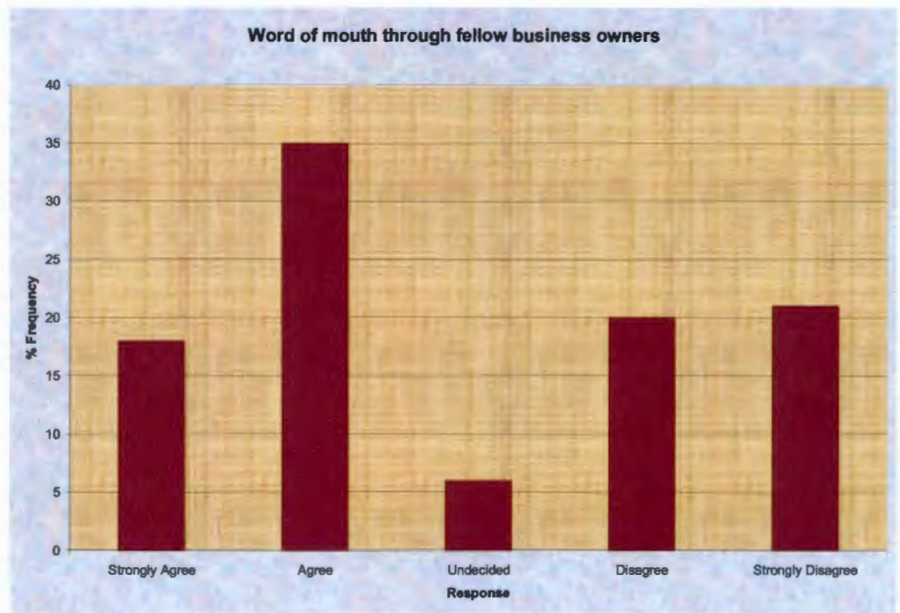


Figure 4.10: Word of mouth through fellow business owners

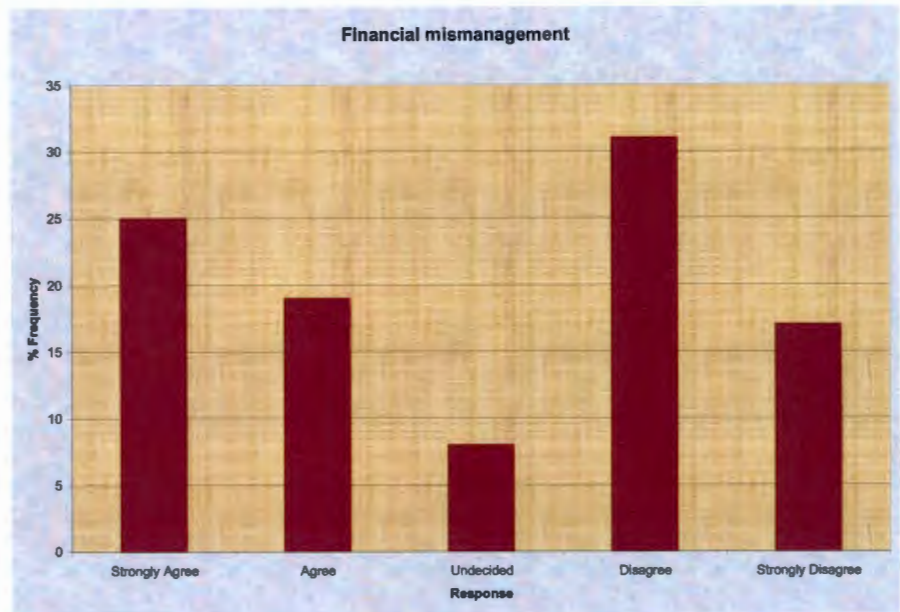


Figure 4.11: Financial mismanagement

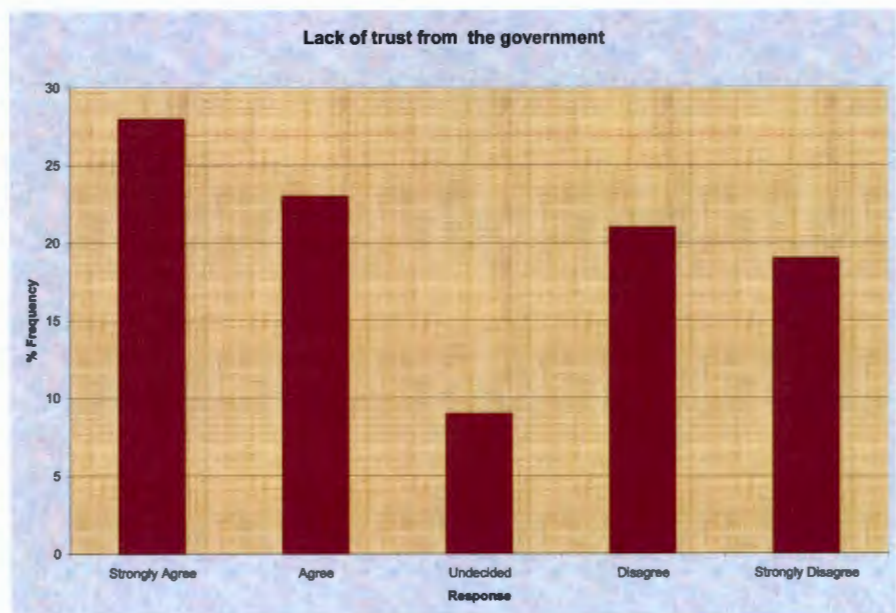


Figure 4.12: Lack of trust from the government

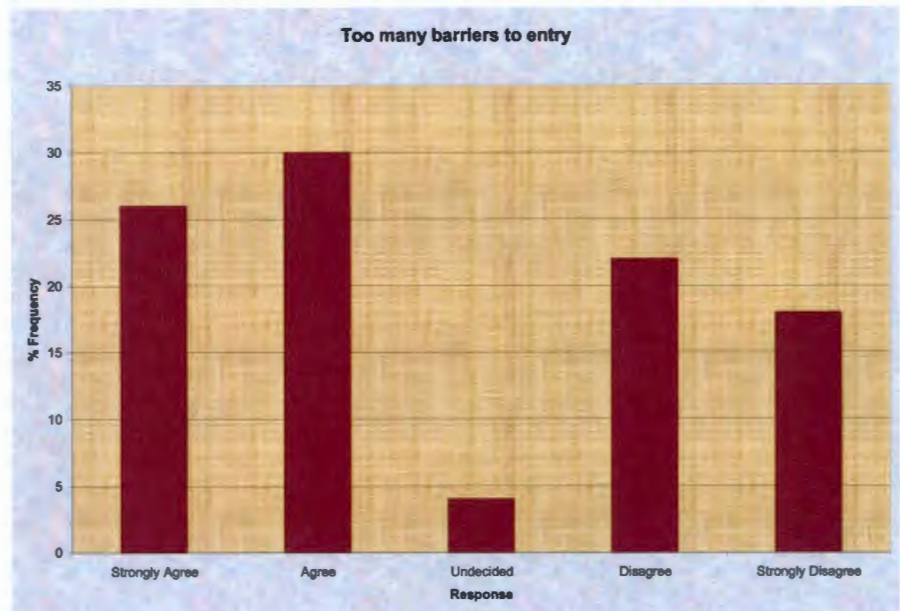


Figure 4.13: Too many barriers to entry

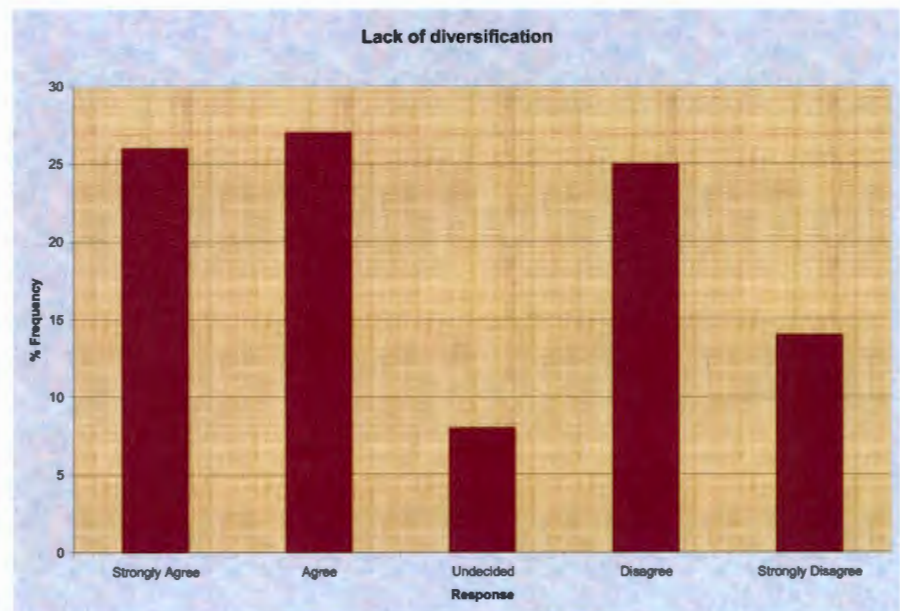


Figure 4.14: Lack of diversification in the sector:

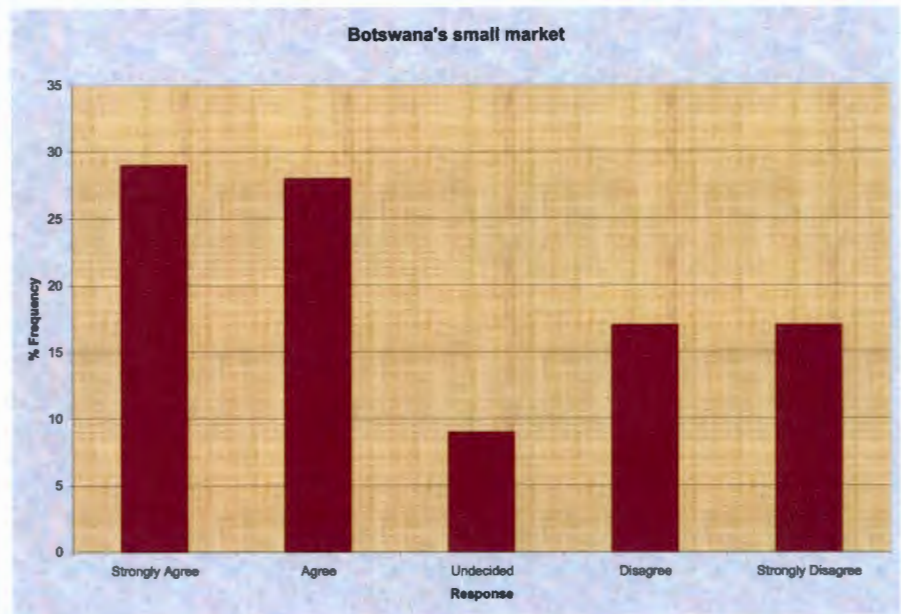


Figure 4.15: Botswana's small market

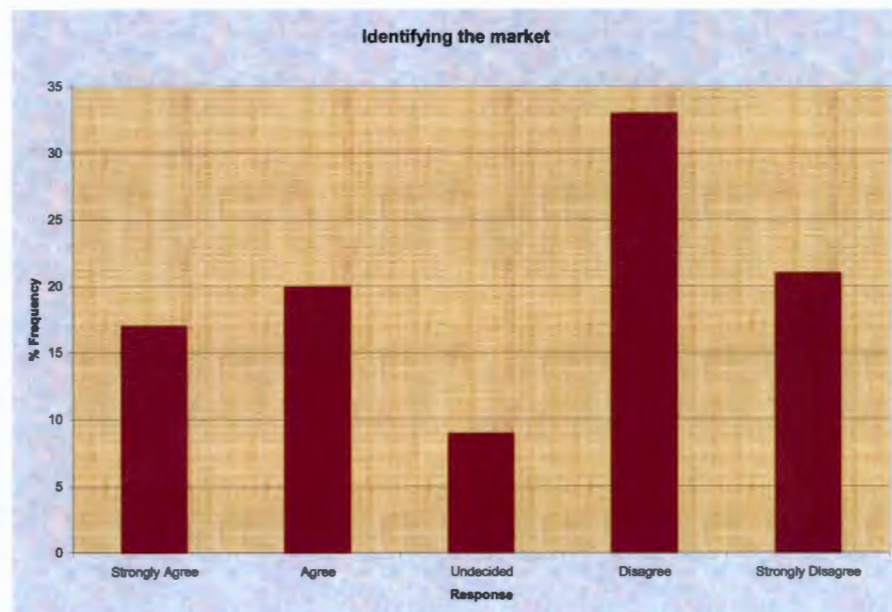


Figure 4.16: Identifying the market

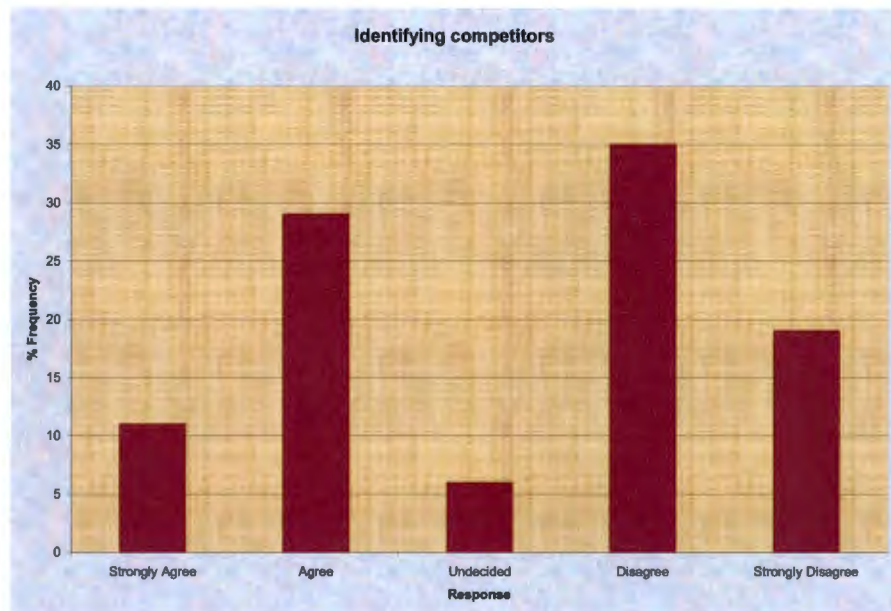


Figure 4.17: Identifying competitors

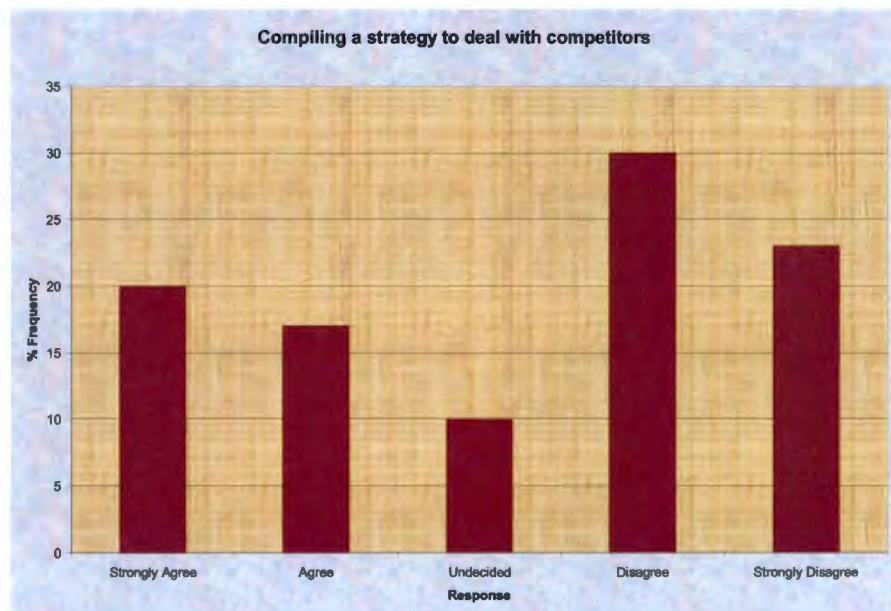


Figure 4.18: Compiling a strategy to deal with competitors

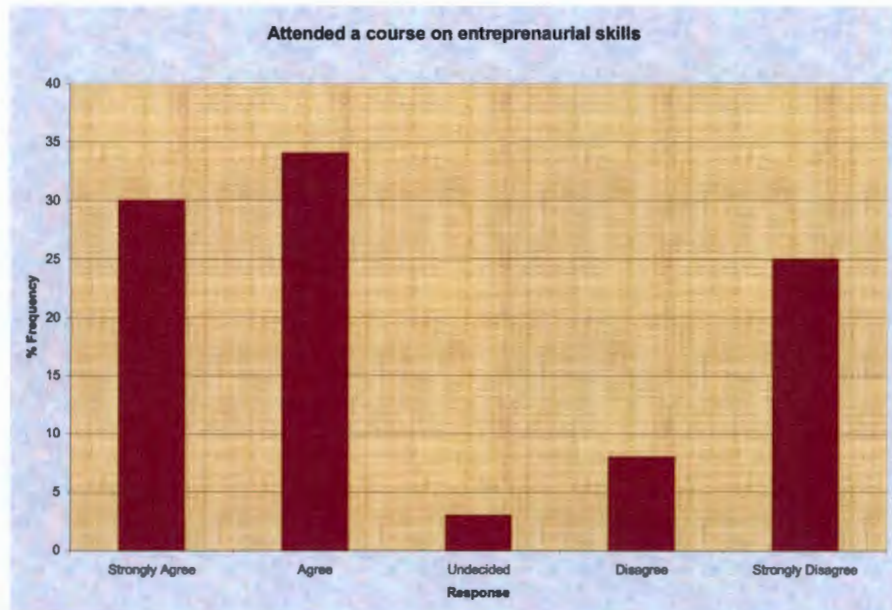


Figure 4.19: Attended a course on entrepreneurial skills

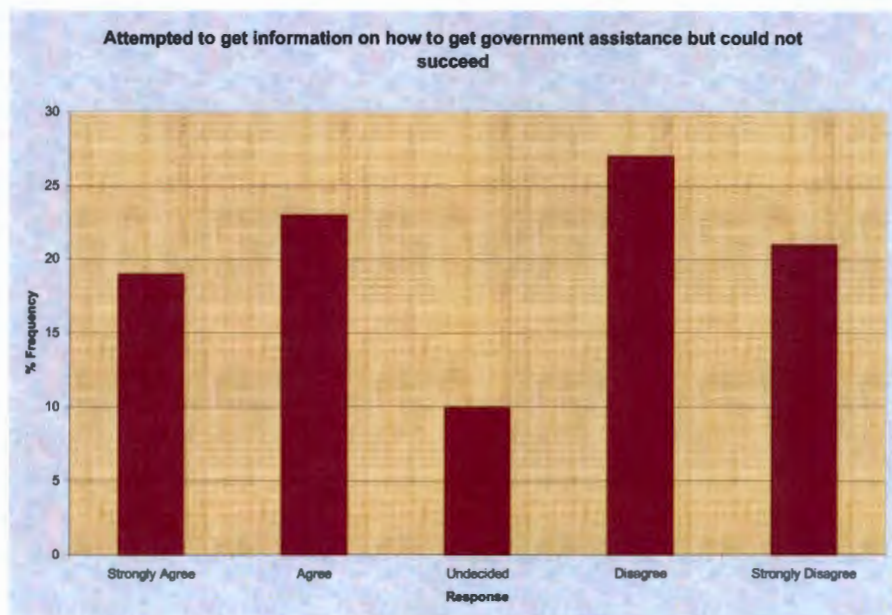


Figure 4.20: Attempted to get information on how to get government assistance but could not succeed