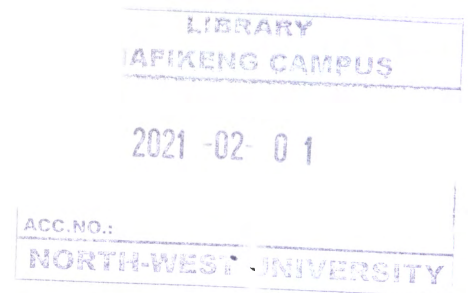


Factors that hinder survival and growth of small businesses within Rustenburg

JN Lekaowa
22577572



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

Supervisor: Dr. Churchill Guduza

ABSTRACT

This mini-dissertation is five-fold. Firstly, it explores the research problem paying particular attention to the widening gap between the rich and the poor, including the high rates of unemployment, misemployment, underdevelopment and marginalization. Secondly, the literature pertinent to this study is reviewed in terms of the raging debates and controversies pertaining to the factors that hinder the survival and growth of small, medium and macro enterprises (SMMEs) within Rustenburg in the North West Province, South Africa.

Thirdly the primary data for this study was collected through the use of the research tools of personal interviews and the questionnaires. Fourthly, arising from the interviews and questionnaires the data collected was analysed to determine what it yielded in terms of the findings. Fifthly, the theoretical and empirical findings of this study are summarised by way of a conclusion.

One of the key theoretical findings highlighted by this study, is that, poor information has detrimental impact on the survival of small, medium and macro enterprises. Against this background, this study further shows that SMMEs had better chances of survival and growth when owners are exposed to much higher levels of experience and expertise.

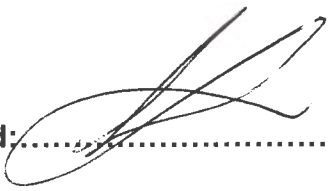
One of the key empirical findings therefore is that, the majority the SMMEs are not able to calculate waste percentages. Furthermore, access to finance and markets was found to be significantly hindering the growth and survival of SMMEs.

Overall this study addressed the factors that hinder survival and growth of SMMEs in a way that others have not appreciate

The study focuses on factors that hinder survival and growth of small enterprises within the economy of Rustenburg, in the North West Province, South Africa. Although there is a consensus about the significance of SMME's from different spectrums, the response of financial institutions and investors when it comes to getting involved shows that there are some worrying factors for the survival or growth of these organizations. The thriving of SMME's can be a panacea to several political, social and economical ills of our communities, nations and the globe at large since it widens economic inclusion and reduces unemployment rates especially to previously disadvantaged groups. However despite all the benefits, interest and efforts there has been unprecedented high levels of failure to these SMME's. In the process it raises more questions than answers, paying particular attention to the nature of the problem and its location, whether it concerns the government, large corporations, and other economic sectors in light of evident failures, corruption and a whole range of issues that are identified in this research which seek to quantify the phenomenon and make informed recommendations

DECLARATION

I, Julius Neo Lekaowa , the undersigned, hereby declare that this dissertation is my own unaided work. It is being submitted in partial fulfillment of the requirements for the degree of Master in Business Administration at the Northwest University. It has not been previously submitted for any degree or any examination at any other university or institute.

Signed: 

Date: 04/04/2016

ACKNOWLEDGEMENTS

Firstly, I would like to give thanks to my Lord God who made it possible for me to study through his love, for guiding me, granting me wisdom and providing me throughout the whole process of the study at the Northwest University.

In addition, I am extremely grateful to the following people for their support, advice and guidance through this research project. Without them all, my efforts would have been in vain.

- ❖ My supervisor, Dr Churchill Guduza
- ❖ My wife Dineo Lekaowa for her continued support and inspirational words.
- ❖ Crynos Mademe for his motivation and continued support
- ❖ The participants to this study.
- ❖ My friends and colleagues whose support and remarks always motivated me

**NWU
LIBRARY**

Abbreviations

EU.....	European Union
GEM.....	Global Enterprise Monitor
GDP.....	Gross Domestic Product
ICT.....	Information and Communications Technology
IMF.....	International Monetary Fund
IPR.....	Intellectual Property Rights
NPLs.....	Non-Performing Loans
OECD.....	Organisation for Economic Cooperation and Development
SMME.....	Small Medium and Micro Enterprises
SME.....	Small Medium Enterprises
UNESCO.....	United Nations Education Scientific and Cultural Organizations

Contents

CHAPTER 1	1
1.1. Introduction.....	1
1.2. Background of study.....	2
1.3. Statement of a problem.....	3
1.4. Research Objectives.....	3
1.5. Research Question.....	4
1.6. Significance of study	4
1.6.1. Implications	5
1.6.2. Applications.....	5
1.7. Sampling.....	6
1.8. Research Instruments.....	5
1.9. Scope of study	6
1.10. Ethical Issues.....	6
1.11. Privacy and Confidentiality.....	6
1.12. Informed Consent.....	7
1.13. Summary.....	7
Chapter 2 :LITERATURE REVIEW	
2.1. Introduction	8
2.2. Global Perspective.....	8
2.3 Impact of globalisation on SMMs.....	8
2.4. Chinese Perspective.....	9
2.4.1. Challenges facing small businesses in china.....	12
2.5. European Perspective	13
2.5.1 Challenges facing small enterprises in Europe.....	13
2.6. African Perspective.....	15
2.6.1. Challenges facing small enterprises in Africa.....	16
2.7. SMMs in South Africa.....	17
2.8. Challenges facing small businesses in South Africa.....	18
2.9. External triggers.....	18
2.10. Internal triggers.....	19
2.11. Small Business enterprise in Rustenburg in relation to Productivity SA.....	22

2.12. Utilisation of labour.....	23
2.13. Efficiency	24
2.14. Absenteeism	24
2.15. Waste.....	25
2.16. Labour turnover	27
2.17. Types and Levels of business operations.....	29
2.18. Conclusion.....	30

CHAPTER 3

RESEARCH METHODOLOGY	32
3.1. Introduction	32
3.2. Research Design.....	32
3.3. Descriptive survey.....	33
3.4 Justification.....	33
3.5. Research Instruments.....	32
3.6. The questionnaires.....	34
3.7. Merits of questionnaire	34
3.8. Weakness of questionnaire.....	34
3.9. The interview.....	35
3.10. The population.....	35
3.11. Sample.....	35
3.12. Sampling Procedure.....	36
3.13. Data Collection procedure.....	37
3.14. Primary sources of data.....	37
3.15. Secondary sources of date.....	37
3.16. Reliability and validity of measuring instruments.....	38
3.17 External validity.....	38
3.18. Content validity.....	38
3.19. Data presentation and analysis procedures.....	38



3.20. Conclusion	39
------------------------	----

Chapter 4

DATA PRESENTATION AND ANALYSIS

4.1. Introduction	40
4.2. The response rate	40
4.3. Demographic data.....	40
4.4. Race.....	41
4.5. Educational qualifications.....	42
4.6. Working Experience.....	42
4.7. Turnover.....	43
4.8. Access to funding.....	43
4.9. Formal planning work.....	45
4.10. Impact of education on operations.....	45
4.11. Effective utilisation of labour.....	46
4.12. General perceptions about small enterprises.....	47
4.13. Inventory management	48
4.14. Waste calculation	49
4.15. Research Results linked to research objectives.....	50
4.16. Conclusions.....	51

Chapter 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS.....

5.1. Introduction.....	52
5.2. Theoretical findings.....	53
5.3. Empirical findings.....	54
5.4. Theoretical and Empirical findings.....	54
5.5. Conclusions.....	55
5.6. Recommendations.....	56
6. REFERENCES	58

7. Annexures

7.1. Research Letter

7.2. Questionnaire

CHAPTER 1

1.1. Introduction

Small firms play a significant role in the economic development of nations, thus, policy-makers now pay more attention to SMMEs for their innovative and entrepreneurial capabilities. The world is faced with several challenges which are threatening the betterment and empowerment of communities, in South Africa there are two economies and an ever-widening gap between the rich and the poor and one of the major means to rectify that was/is the promotion of SMMEs; however, for a lasting solution these organisations need to survive and grow and hence need to unpack the threatening factors.

Enterprises are faced with an increasingly competitive environment in which it is difficult to maintain a sustained competitive advantage (Shih, Liu & Hsu 2010). Guarda, Augusto and Silva (2012) state that competitive advantage can be understood as seeking unique opportunities that will give the enterprise a strong competitive position. According to Shih *et al.* (2010), in order to sustain a competitive position, managers should be prepared to respond promptly to changes in customer preferences, competitor strategies and technological advancements. Some of these qualities come natural to the SMMEs and in other instances it's a mammoth task.

In addition, these enterprises are often characterised by the decentralisation of power to an additional management layer (Abor & Quartey, 2010) and its flexibility, with less bureaucratic structures gives them an edge, in contrast with lack of finance, training and experience, financial management knowledge, government support and other external elements, the failure rate of SMMEs is still high.

1.2. Background of study

The South African context is characterised by two economies and widening gaps between the rich and the poor and to make it worse the line of race can still be discerned and stems from the recent past. One of the major remedies for this situation is economic inclusion and there is no better way than supporting SMMEs especially in

the previously disadvantaged groups. However, despite all the interest and efforts there have been unprecedentedly high levels of failure among these SMMEs, and hence it raises more questions than answers, whose problem is it, is it the government, is it the large corporations, are they self-made failures, corruption and a whole array of issues have been identified. This research seeks to quantify the phenomena and make informed recommendations

The importance of SMMEs in creating jobs and economic wealth is globally recognised (Olawale & Garwe 2010). SMEs employ more than 95% of the world's working population and are the main source of employment in developing countries (Abor & Quartey 2010). As a result, governments throughout the world focus on the development of the SMME sector to promote economic growth (Olawale & Gware 2010). Olawale and Gware (2010) reveal that in South Africa, SMEs contribute 56% of the employment in the private sector and 36% of the gross domestic product (GDP). However, gaining a competitive advantage presents an enormous challenge for SMEs. Prior (2007) is of the opinion that SMEs have many competitors that offer similar products or services and operate in the same markets and locations and have limited resources

Why are SMEs important?



The only way to reduce poverty in a sustainable way is to promote economic growth, through wealth and employment creation. In developing countries, SMEs are the major source of income, a breeding ground for entrepreneurs and a provider of employment (UNIDO, WSIS Report, 2003).

The collapse of a large company generally attracts attention from the media and government, trade unions and other several stakeholders and are mostly likely to receive assistance, unlike the collapse of many individual SMMEs even the social and economic detriments are the same, hence the need for the researcher to focus on SMMEs.

Furthermore, in contrast to multinational corporations, the growth of SMMEs directly benefits the country because most SMEs are domestic firms. This reinforcing dynamics generates economic growth, for as the number of SMEs increases, their

knowledge of their product and industry increases. Their knowledge allows them to innovate in terms of the product or process, which helps them form a competitive advantage to generate more profits. Again, market opportunity as captured by the profitability of SMMEs will encourage more people to establish their own SMMEs to capture the opportunity.

In addition, the development of SMMEs can also help to achieve other development goals. SMEs can either provide goods and services in areas critical to development, such as health and education, or provide a source of income to disadvantaged people. For example, efforts to develop women entrepreneurs will help increase gender equality by providing women with a source of income.

1.3. Statement of the problem

In our society there is a widening gap between the rich and the poor, high rates of unemployment, mis-employment, under-development and marginalization. The best way to empower our communities is to help them sustainably create value in the economy and thus the need for establishment of SMMEs. However, besides the government efforts and the wide spread need to support and encourage SMMEs an Anglo Zimele study postulates that 70%-80% of SMMEs started in South Africa fail in the first two years of operation, hence the urgent need to investigate the factors hindering growth/survival of these SMMEs.

1.4. Research objectives

The objectives of the research study are to;

- Assess and evaluate the factors that hinder small business growth/survival.
- Determine the failure rate of small business.
- Determine root causes of business failure in the first few years after establishment.
- Develop a guideline which will help small enterprises to grow and be sustainable.

1.5. Research questions

In order to assess and evaluate the factors that hinder small business growth/survival, several research questions have to be answered.

- 1) Which factors are hindering the growth/survival of small enterprises?
- 2) Is there a clear policy on how to deal with the growth/survival of SMMEs?
- 3) Does the utilization of the interventions have an impact on the growth/survival of the small enterprises?

1.6. Significance of the study

1.6.1. Implications

The aim of research is to increase knowledge and this study is no exception. The study of theoretical aspects of factors hindering small business growth/survival possesses enormous power to elevate and accelerate the expansion and development of more socially and economically modelled survival strategies that can mitigate job losses. Secondly, the results of the study provide a platform for fresh discoveries and improvements to existing mechanisms so as to improve operations of SMMEs. By identifying gaps and potential downsides in these organisations, the study provides a firm standpoint for further research in this area. Although major contributions have already been made with regard to failure of SMMEs, this study also attempts to make further meaningful contributions. The study does not discard any existing factors hindering business growth/survival in South Africa under examination, but rather attempts to improve growth and survival of SMMEs find a lasting solution to issues around their operations.

1.6.2. Applications

The results arising from this study can potentially be applied to municipal situations. A clear exposition of organisations' well-established and investigated factors, together with involvement, collaboration and networking, will help to educate those concerned about the need for growth and survival of SMMEs. The study will provide government departments and entrepreneurs with a platform from which to disseminate information on how SMMEs can best be managed to improve individual and organisational results.

The study is also expected to open up areas that would benefit from further investigation by other researchers.

1.7. Sampling

According to Bailey (2001:84) sampling denotes the process of selecting a fraction of the population under examination from which to obtain descriptive and analytical data about that population as a whole. A stratified random sampling method will be used in this research. The method involves the population being divided into a number of strata that are mutually inclusive and contain homogeneous members in terms of characteristics such as gender or age (Glicken 2003:41). The desired number of participants is then randomly selected proportionally within each stratum. This type of sampling is mainly used to ensure that different elements within a population are sufficiently represented within the sample (Brink 1990:10). The researcher selected this method because random sampling offers a high probability that the sample will be representative of the population. However, for in-depth interviews, purposive sampling was used, targeting mainly those who are responsible for interventions in these areas.

1.8. Research instruments

Since the purpose of this research is to assess factors that hinder growth/ survival of SMMEs on the Rustenburg area, the best research instruments or methods of collecting primary data will entail using a survey and conducting in-depth interviews. According to Babbie (2007:60), a survey is a design that provides a quantitative or numeric description of some fraction of the population - the sample - through the data-collection process of questioning individuals. This data collection in turn enables a researcher to develop general findings applicable to a population from a sample of responses. Surveys are administered and can use questionnaires; interviews can be conducted; and questions may be posed via fax, e-mail, or over the phone. Before conducting such surveys, a "test run" pilot study is indicated.

For a survey, the researcher used a personal questionnaire administered to all participants in the research. According to De Vos (2005:270), a personal questionnaire is defined as a set of questions on a form to be completed by a research respondent. Personal questionnaires are handed to the respondents who complete them on their

own, but the researcher is available to assist and explain if problems are encountered. Personal questionnaires were used in this survey because most of the respondents are busy and have difficulty acquiring time to complete these questionnaires: however the researcher was at all times available to assist. The major significance of this type of questionnaire is that it is less time-consuming and always to the point. For in-depth interviews, a list of questions was used as a guideline, even though new issues could be raised and indeed were welcomed and recorded.

1.9. Scope of the study

This research study is limited to owners/managers of SMMEs operating in the Rustenburg area and also supporting agencies dealing with SMMEs despite the fact that some of the houses concerned are involved in operations around the country. Because of time and resource constraints it would be difficult to extend this research to other regions. The research study depends on a representative sample of owners and managers, as indicated in the targeted population study, since it would be difficult - if not impossible - to extend such research across the entire body of members.

1.10. Ethical issues

The research process can pose ethical dilemmas in instance where the researcher may falsify data/ claim the words written by another researcher.

1.11. Privacy and Confidentiality

This implies that only the researcher and possibly few members of the staff should be aware of the identity of the participants and the researcher should have made a commitment with regard to confidentiality (Strydom, 2002).

With regards to this study where a questionnaire was used as an instrument for data collection, no identification detail was included in the questions; respondents were not required to write their names. In cases where respondents volunteered to give their names, such information was deleted immediately, furthermore since the research study is of tentative issue the confidentiality and privacy of the participants was highly ensured.

1.12. Informed consent

Informed consent, involves obtaining the voluntary participation of the participants with the right to withdraw from the study at any time, thus counteracting potential undue influence and coercion (Kvale, 1996). To ensure the implementation of the ethical principle, the researcher will provides the prospective participants with written information about the study before they could participate in the study. The information includes the purpose of the study, subject confidentiality, risks and benefits, who to contact for further details.

1.13. Summary



This chapter examined the research problem over and above the overview of the research. An outline of the background to the study elucidated the need to assess the factors affecting the growth/survival of SMMEs in Rustenburg. The research questions were stipulated while research objectives were explicitly stated. Assumptions were drawn and possible limitations identified. Through elaborating the purpose of the study the research insights were articulated. To this end it enabled the researcher to derive the scope of the study, define the delimitation and to clearly establish the foundation for this study. Chapter 2 reviews related literature against the backdrop of the research questions and issues to be studied. The literature review is intended to locate the understanding of the scope of the issues pertaining to the problem and the background to similar studies as the one under review.

CHAPTER 2.

LITERATURE REVIEW

2.1. Introduction

The literature review underpins and forms the framework on which research is based on and it helps to develop a good understanding and insight into relevant research done previously and also looks at new emerging trends. It gives the reader an insight into and background knowledge of research questions and objectives. This chapter looks at a literature review narrowed down towards factors that hinder survival/growth of small enterprises within Rustenburg. This chapter puts particular focus to literature that relates to the global perspective, the general African perspective, the South African perspective and finally zooming in to Rustenburg. All above perspectives will be paying attention to discussion relating to small businesses, their growth support and survival thereof as well as challenges they encounter.

2.2. Global perspective

The global economic outlook has taken a downturn since the world has been experiencing economic turmoil. This becomes a big challenge for small enterprises globally since they rely entirely on active global economic activities to survive. Global Economic Outlook (2015). For the purposes of a broader understanding advanced economies such as China and Europe will be looked at in order to understand the role small enterprises play within their economies and what challenges they come across.

2.3. Impact of globalisation on SMMEs

Globalisation has made economies and businesses become more interdependent for survival and growth. This situation enhances the role of SMMEs for job creation and economic growth. As globalisation creates new opportunities for SMMEs, it also creates new challenges for them.

Simona Skrorvenga (2014) further supports the argument by saying that “Small firms play a significant role in the economic development and growth of nations. Governments pay more attention to SMMEs now than ever before. Policy makers are

becoming increasingly aware of the innovative and entrepreneurial potential and capabilities of the smaller firms in producing goods and services needed by the society and in creating jobs that contribute to economic growth". The increase in attention on SMMEs is taking place in the wake of the recessionary impact of the recent financial crisis on economies globally. Financial markets of most economies are globally connected, hence the globalised impact of the financial crisis.

Furthermore, with globalisation intensifying, countries are becoming increasingly interdependent for purposes of international exchange of goods and services, economic growth and sustainability. This phenomenon enhances the case for SMMEs to have much bigger roles for job creation and economic growth in many countries. Globalisation has opened up new much bigger roles for job creation and economic growth in many countries. Globalisation has opened up internationally as an important business option. They are seen as a new generation of international traders. However, globalisation has also created new challenges for the survival and sustainability of firms, especially the SMMEs. As more small firms enter the emerging and growing markets domestically and overseas, many face challenges which arise from various sources, e.g. the threat of competition from new and emergent entrants in their markets. SMMEs characteristically have very flexible and lean governance structures. This enables them to make and implement decisions quickly. For instance, in comparison to their larger counterparts, SMMEs take less time on decisions to modify systems and processes, produce new products and services, adopt new selling strategies or get to new customers. Such decisions are usually dependent on technological capabilities, managerial competencies and incentives to invest in new approaches and innovations. Most SMMEs have limited access to finance and lack managerial and specialised skills and expertise needed to operate in a rapidly globalising market. Often they lack proper information about technologies and markets. SMMEs often get informed about these technologies, markets, opportunities and issues from their formal and/or informal network contacts, advisers, consultants and accountants. The services provided by such professionals are costly and often beyond a SMMEs budget (Bonga 2014).

2.4. Chinese Perspective

The Chinese economy experienced an exciting growth in the last few decades that resulted in the country being the world's second largest economy. China's GDP growth stood at 7.4 percent in 2014 helping them to avert a hard landing. China's economic growth is steered by a number of support measures that are in place. Some of the main measure released in 2014 shared common characteristics. (1) They benefited both economic growth and economic restructuring and targeted specific sectors, such as infrastructure and SMEs. (2) They were mainly small scale-scale measures which were unlikely to result in economic bubbles. (3) They were closely related to people's livelihoods. The China outlook (2015) *Economic growth in China*, created a good platform for small enterprises to be established and perform to their level best.


Targeted policy measures in 2014

China's economic growth in 2014 was boosted by a number of government support measures. Some of the main measures released in 2014 shared common characteristics:

- 1** They benefited both economic growth and economic restructuring, and targeted specific sectors, such as infrastructure and SMEs.
- 2** They were mainly small-scale measures which were unlikely to result in economic bubbles.
- 3** They were closely related to people's livelihoods.

The measures had significant effects, for example, infrastructure investment experienced noticeable growth in 2014. More targeted stimulus measures are expected to be released in 2015 to further support economic growth.

Many of the key initiatives that came into effect in 2014 are likely to continue having an impact in 2015 and beyond:

 <h3>INFRASTRUCTURE INVESTMENT</h3> <ul style="list-style-type: none"> On 23 September, the Ministry of Finance (MOF) issued a notice to promote public private partnerships (PPP) to encourage more social capital investment in infrastructure. On 8 October, the State Council decided to streamline approval reviews for infrastructure investment projects. 	 <h3>REAL ESTATE</h3> <ul style="list-style-type: none"> On 30 September, China's central bank reduced the minimum down payment and discounted mortgage rates,⁵ and scrapped a ban on mortgage loans for people buying a third house. In addition, most local governments have loosened restrictions on residential property purchases.⁶ 	 <h3>FINANCING COST</h3> <ul style="list-style-type: none"> On 22 November, China's central bank cut the benchmark rate for one-year deposits by 0.25 percentage points to 2.75 percent, and cut the one-year lending rate by 0.4 percentage points to 5.6 percent.
 <h3>SMEs</h3> <ul style="list-style-type: none"> On 8 April, the MOF extended the scope of qualified SMEs that can enjoy a 50 percent income tax deduction. On 9 June, China's central bank reduced the reserve deposit rate by 0.5 percentage points for commercial banks whose percentage of loans held by SMEs and the agriculture sector had reached a minimum level. 	 <h3>SERVICE SECTOR</h3> <ul style="list-style-type: none"> In 2014, the State Council released a series of 'guiding opinions' aimed at upgrading manufacturing technology and accelerating the growth of the service sector. 	 <h3>AGRICULTURE</h3> <ul style="list-style-type: none"> On 22 April, China's central bank cut the reserve deposit rate by 0.5 and 2.0 percentage points for rural cooperative banks and rural commercial banks respectively.
		 <h3>EXPORT</h3> <ul style="list-style-type: none"> On 15 May, the State Council released measures to stabilize foreign trade growth, including detailed measures promoting trade in services.

Source: KPMG China economic Outlook 2015

The table above depicts the strategy implemented by China, in its endeavour to improve its economy. It highlights several initiatives undertaken by various ministries in an attempt to turn around its economy. One of the major interventions highlighted on the table demonstrated that, on April 2014, the Ministry of Finance allowed small

Medium Enterprises to enjoy a 50% discount on taxation, and the Reserve Bank further reduced it by 0.5 percentage points for commercial banks that had high percentages of loans held by SMEs and the agricultural sector.

China's economic restructuring plays a fundamental role in creating more development potential for private capital, particularly for SMEs. An overall increase in entrepreneurship in China bodes well for sustained economic growth (KPMG Global China Practice, 2015).

The Asia Productivity Organisation (2007:3) emphasises the following "Small Medium Enterprises (SME) the major component of private sector, can be engines of economic growth, cornerstone for creativity and innovation and seedbeds of entrepreneurship". But in many countries SMEs operate in the informal sector, are technologically backward, with low levels of human resource skills, weak management systems and entrepreneurial capabilities, unavailability of appropriate and timely information, insufficient use of information technology, poor product quality and standardization and unfriendly environmental production process-all which contribute to widespread low productivity.

2.5. Challenges facing small enterprises in China



Despite the positive economic outlook China encountered until 2014, small businesses still experience a lot of challenges. In order to guarantee employment and provide in the absence of national safety net, the lifetime employment system in the state-owned enterprises (known as the "iron rice bowl") strongly discouraged urban workers from becoming self-employed (Yueh, 2014).

In addition, other challenges faced by Chinese entrepreneurs include access to credit. Aspiring entrepreneurs are also faced with shortages of key assets such as land or property. The land is state-owned and privatization of land and building is only at an infant stage. That poses a big challenge since it becomes not easy or almost impossible to run and/or operate the business without aforementioned assets. Chinese Chief Economist of the World Bank suggests that out of 40 million small and medium-sized enterprises in China in 2006, less than half a percentage could obtain loans from banks (Lin 2007)

The former pillar of industry of China, which is manufacturing, currently faces over-capacity and environmental issues. The elimination of outdated production capacity reduced demand for manufactured products such as steel and cement, and this is as a result of poor growth in fixed assets investments (China economic outlook). This results in too much pressure on the manufacturing sector as a whole. As a result SMEs are heavily affected since the platform and opportunity for them to conduct business is eliminated or reduced.

2.6. European perspective

GDP growth in Europe has been very slow, and reduced investments have so far prevented a broader and robust acceleration of domestic demand. Despite all those challenges the fall in crude oil prices helped improve economic growth. The depreciation of the Euro led to higher import prices and lower export prices in foreign currency, and this in turn provides a positive platform for domestic investment and growth. The results yielded in these transactions are a high demand for the products as well as better profit margins which stimulate investments and support. The outlook depicted above creates an enabling environment for SMEs since the returns are favourable.

2.5. Challenges facing small enterprises in Europe

Albeit there has been a positive outlook Europe in recent years has been hit by global financial crises which led to Greece's bank closure in the recent past. The global financial crisis has left large private sector debt overhang and high levels of non-performing loans (NPLs) in several countries (IMF, 2015). The global financial crises led to enterprises, small and medium as well as big companies failing to fulfil their loan obligations. As a result the ability to trade becomes uneasy and almost impossible since the cash flows are strapped and as a result operations processes are stifled.

SMMEs in the European Union (EU) account for 99.8 percent of the 20.4 million non-financial enterprises about 58 percent of value added and nearly two-thirds of employment (IMF, 2015). If left unattended, high SMME indebtedness and non-performing loans pose a risk of recovery and financial stability to the banks. Furthermore, high corporate debt and non-performing loans represent a significant

drag on investments. Below is a list of prominent challenges faced by enterprises within the Euro economy:

a. Weak foreclosure and Insolvency

In some European Countries, rehabilitation procedures are cumbersome, lengthy, costly and ineffective and foreclosure is time-consuming and expensive which in turn delays realization of collateral. It furthermore leads to rapid loss of value for creditors. More often courts dealing with insolvency issues are overburdened and some cases lack experienced and specialized judges. On the other hand insolvency practitioners lack capacity and supervision. As a result these regimes limit the ability to restructure viable businesses and liquidate nonviable ones in a timely and effective manner.

b. Bank restructuring capacity and bank supervision

Smaller banks in Europe have little or no experience to restructure debt particularly for SMMEs. In instances where experience exists operational capacity becomes a problem. Often they lack restructuring departments or such departments are either understaffed or undertrained. Some smaller banks need the capital to recognize losses and engage in voluntary restructuring. On the other hand bank supervisors may be slow in forcing creditors to recognize losses and write off bad debts.

c. Non-participation of public creditors

Several European Union Countries experience high accumulation of arrears to public creditors, but tax, social security and public entity utility often do not participate to the extent needed due to legal and political limitations as well as fiscal constraints. In some countries tax claims have a priority rank in insolvency. In a number of countries, public creditors are permitted to opt out of insolvency proceedings.

d. Stigma and delays

In many European countries insolvency attaches strong stigma and business failure, and even in good faith it is not socially acceptable. This has detrimental effects on business survival and this does not only decrease entrepreneurial activity but also leads to business rescue being attempted too late to be effective

e. Costly, fixed and insolvency regimes

Many European countries have business rescue processes which are complex, lengthy and have rigid procedures in place, and the aforementioned requirements need high expertise and the high cost of insolvency often fails to adequately meet the needs of micro and small incorporated SMMEs. Many SMMEs are also owned and operated by families who have pledged their personal assets for business credit. In such cases the insolvency regimes in Europe do not well cover the overlap, and as a result business insolvency may lead to personal insolvency once the business fails even where the business is a legal entity. In some countries (Italy and Slovenia), SMMEs are not allowed to use restructuring processes with advantageous features, which are reserved for large corporates.

f. Higher fixed costs to restructuring

Given the fact that most SMME lending is secured by real estate or personal guarantee, bank have a strong incentive in the event of a loan default to force guarantee or initiate foreclosure in order to realize security and collect proceeds.

g. Lack of financing

Compared to large corporates, SMMEs are more leveraged and have less access to outside capital. Their high credit risk makes it difficult to secure needed financing for restructuring. One more contributing factor in the context of the lack of finance accessibility is unavailability of SMME financial data which makes it difficult to assess the viability and feasibility of restructuring plans

2.6. African perspective

Africa's gross domestic product (GDP) growth is expected to strengthen to 4.6% in 2015 and 5% in 2016 after subdued expansion in 2013 (3.5%) and 2014 (3.9%) (African Economic Outlook, 2015). Small businesses are generally regarded as the driving force of economic growth, job creation and poverty reduction in developing countries. This argument is supported by Katzen *et al.* (2006) Many nations acknowledge the value of SMEs The benefits of SMEs to any economy are easily

visible as they include job creation at relatively low capital cost, a vehicle for reducing income disparities, and development of a pool of skilled and semi-skilled workers.

2.7. Challenges facing small enterprises in Africa

The 2014 growth was a percentage point lower than predicted the previous year as the global economy remained weaker and some countries saw severe domestic problems of various natures. The outlook highlighted above depicts a very bleak picture for small enterprises in Africa (African Economic Outlook, 2015).

This translates into bigger challenges which are faced by small enterprises in Africa and some of those challenges are as follows:

a. Inadequate capital

Many experience practical difficulties in accessing capital either for start-up or for expansion. Even with the introduction of Government Enterprise Finance scheme, this group still experiences difficulties. The current financial climate makes it more difficult to raise money directly from banks especially when collateral is not available. Traditionally raising business finance from friends and family members has never been strong with the African countries. In some instances availability of government and local authorities' enterprise grants provides limited access to business start-up and expansion capital.

b. Poor information on availability of opportunities

Information is scarce on what business opportunities are available or not readily available to this group, especially for those contemplating engaging in international trade with their homeland. The challenge highlighted above limits SMEs relation to the allocation of resources as well as developing strategies that are relevant to their business needs and requirements.

c. Poor knowledge of existing regulations

Knowledge of regulations which affect starting and running a business is crucial and the lack of this knowledge has had far-reaching effects on African countries. This is



especially obvious for those interested in cross-border enterprises which may often call for setting up a new business in their original homeland. In many of these countries, information on the requirements and process involved in registering and setting up a new venture are not easily accessible.

d. Poor infrastructure in most of African countries

Lack of adequate infrastructure has frustrated the effort of African countries interested in setting up businesses in their homelands and also establishing viable and sustainable international trade links. Those who have managed to start a business have had to cope with operational costs, translating into high costs of entry into their chosen market.

e. Poor knowledge of the market

A number of African countries are prevented from developing new enterprises in their homelands because of not having sufficient knowledge of the market. Poor knowledge of the intended market increases the risk and many African Countries are risk-averse.

f. Lack of cross-border policy and strategy on enterprise and entrepreneurship development.

An integrated cross-border policy on enterprise development and entrepreneurship would encourage and provide a more enabling platform that would allow more African countries to engage in enterprise development.

2.8. SMMEs in South Africa

The recent economic downturn has had a negative impact on the global economy. Annual growth in GDP fell to 1.5% in 2014, but is expected to rebound to 2% in 2015, as large rand depreciation may stimulate an export-led recovery and global economy gradually improves (African Economic Outlook, 2015). The 2014 slowing down of South African growth has shown the weakest performance since the global financial crisis. The economy was mostly hit hard by factors such as intense industrial action which took place in late 2013 to mid-2014, inadequate energy supplies as well as

anaemic investment rates which led to investors losing interest in investing in the South African economy.

2.9. Challenges facing small enterprises in South Africa

Deloitte Consulting identified several internal and external forces which led to company distress or decline. Those forces are classified as follows:

2.10. External triggers

a. Cost-reduction pressures

Due to the pressures of the economic downturn consumers opt for cheaper products in order to save financial resources and streamline household budgets. This makes it difficult for businesses including SMEs to increase their commodity prices. As a result more focus is put on reducing production cost and reducing expenses where necessary in order to improve profit margins as well as net profit. Aforementioned cost reduction pressures in most instances are difficult to maintain due to the high cost of raw materials and labour. This eventually leads to failure or closure of small enterprises.

b. Globalisation

UNESCO describes globalisation as the ongoing process that is linking people, neighbourhoods, cities, regions and countries much more closely together than they have ever been before. This has resulted in our lives being intertwined with people in all parts of the world via the food we eat, the clothing we wear, the music we listen to, the information we get and the ideas we hold (UNESCO, 2015).

As globalisation opens doors to the world in terms of trade, it creates opportunities for small enterprises as well; however, due to different systems and work ethic behaviour, SMEs in South Africa find themselves competing with many countries some of which are already developed. Some of those countries incur low costs in terms of labour and both the efficiency and effectiveness of their employees are much faster than that of the South African labour market. Labour laws in some of those countries are not as constricting as those of South Africa. As a result countries such as China are in the

position to produce high volume of products at a cheaper price. When products reach South Africa shores the market opt for them since they are more affordable. This detrimentally affects small businesses and makes it difficult for them to penetrate the market. As a result they eventually lose customers and drop out of business. Jones and Tilly (2003:8) explain that many small firms lack time, resources, technology or expertise to develop new business ideas and innovation.

c. Shifting customer preferences

Consumers tend to change preferences over time, production processes and the environment recently started playing a role in how consumers purchase their products. Issues relating to how friendly the manufacturing process is in relation to conserving the environment play a fundamental role in decision-making of consumers. This leads to SMEs being challenged since most of them have no clear processes or systems that assist in being environmentally friendly.

d. Government regulations

All businesses, regardless of type, must comply with statutes (laws passed by legislative bodies) and regulations (rules enacted by regulatory agencies to carry out the purposes of statutes). These statutes and regulations can come from all levels of government; national, provincial and local. In most instances the challenges that face small businesses involve compliance with required statutory laws, some processes are too cumbersome for SMEs to achieve, and in some cases even costly. Some SMEs end up not even being aware of statutory requirements which ultimately leads to heavy penalties and closure.

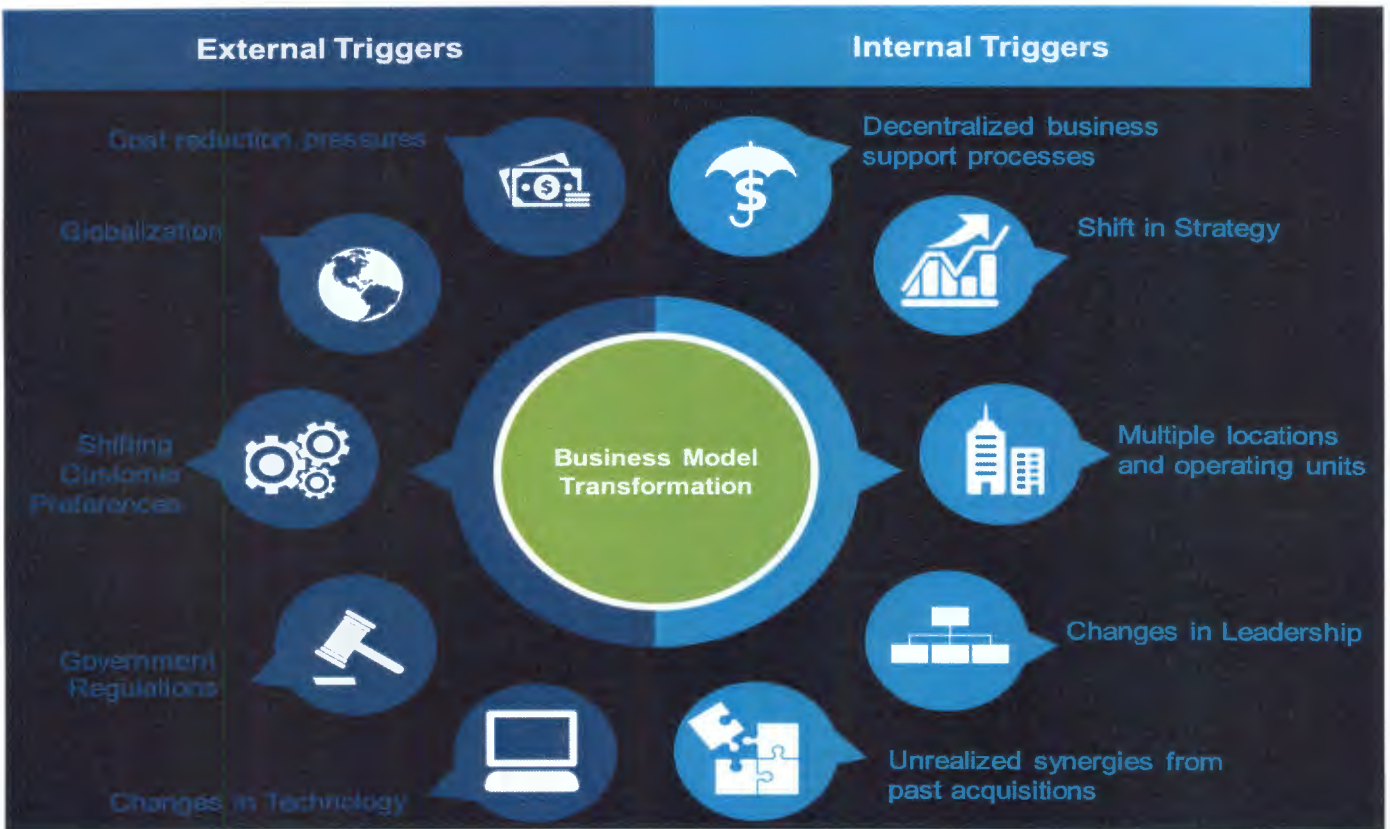
2.11. Internal triggers

a. Decentralised business support processes

One of the key challenges faced by SMEs is decentralised business support processes. This leads to inconsistency in delivery of products or services and as a result consumers have different experiences of what they receive. That creates a challenge for the small businesses since it becomes difficult to measure their performance as well as capitalising on their strengths and at what point to start when

addressing their weak points. This could lead to customers moving their businesses to much more coordinated competitor which in most cases are big businesses.

The table below depicts challenges as highlighted by Deloitte.



Source: Deloitte Consulting (Pty) Ltd

b. Strategies to manage intellectual and intangible assets for SMMEs

A lack of strategies to manage intellectual and intangible assets is critical for SMMEs in terms of innovation, competitiveness, sustainability and growth as globalisation is taking a strong hold on many economies. The use of intellectual property rights (IPR) which includes copyrights, trademarks and patents are the common tools SMMEs can use to protect and manage intellectual assets. Although these IPR tools can be used to help increase enterprise value, operate in new markets and raise finance, many SMMEs prefer financially less expensive and informal methods such as secrecy and short lead times in entering markets to protect their intellectual property. SMMEs generally face financial constraints and are often driven by short-term goals that are based on securing immediate commercial advantage in the domestic and foreign markets. They often do not concern themselves with the long-term protection,

management and strategic use of their intellectual assets. SMEs rarely have explicit intellectual asset strategies. They lack knowledge of the possibilities offered by IPR regimes and generally use intellectual property protection to a much smaller extent than their bigger counterparts OECD (2010)

c. SMMEs and ICT's

The contributions of SMEs to employment and the country's gross domestic product (GDP) are by no means trivial. These contributions can further be enhanced and strengthened through the use of ICTs that are increasingly transforming modern businesses by enabling the rapid, reliable and efficient exchange of large amounts of information. Access to and the use of ICTs by SMEs, particularly as a collective sector, will lead to greater job creation, increased public revenue and a general rise in the standard of living.

Moreover, while ICTs are not a panacea for all development problems, they do offer enormous opportunities to reduce social and economic inequalities, particularly those related to income generation, poverty reduction, education, health, environment and gender equity, and thus help achieve broader development goals. From a public policy perspective, the immense impact of SME fortunes or failures on the economy makes it critical for SMEs to be prepared for and take full advantage of any benefits offered by ICTs. Governments, therefore, have a strong interest in fostering a strong SME base that is integrated into the global digital economy.



Therefore ICTs will increasingly empower SMMEs to participate in the knowledge economy by facilitating connectivity; helping to create and deliver products and services on a global scale, and providing access to new markets and new sources of competitive advantage to boost income growth. Ungerer *et al.* (2007:29) argue that "A useful way of talking strategy is to describe the different levels of strategic thinking associated with different strategizing activities. This helps us define more accurately the type of strategic work required at different levels in the organisation".

2.12. Small business enterprise in Rustenburg in relation to Productivity SA

Parker (2005:7) highlights that “funding for small business is available. What is in short supply are entrepreneurs who can demonstrate to lenders that their money will be safe. This needs to be addressed”.

Productivity SA is an institution mandated by Government, Labour and Business to enhance productivity in order to contribute to South Africa's socio-economic development and competitiveness, and to this end, focuses on the following areas as its strategic thrust areas:

- Improving competitiveness
- Turnaround of companies
- Productivity training of SMMEs
- Productivity research” <http://portal.productivitysa.co.za>. accessed at 07 October 2015

Phusvat (2013:23) describes productivity as how well resources are utilised for goods and services generation.

The Productivity Awareness Training Manual further identifies inefficiencies and ineffectiveness as one of the root causes leading to small businesses failing within the first few years of operating.

The following points (drivers) have been identified as deterrent of successful growth of small businesses, viz.

- Utilisation (both labour and machinery) (for an example the current Eskom load-shedding has an impact on the performance of small businesses.
- Efficiency (rate/speed at which things are done)
- Absenteeism
- Waste
- Labour turnover

A detailed synopsis of how each driver of production affects productivity will be unpacked below. The direct impact on operational efficiencies and effectiveness will

also be highlighted as this has a spiralling effect on failure or survival of small businesses.

2.13. Utilisation (both labour and machinery)

The South African economy has been challenged by load-shedding since Eskom, the main and sole supplier of energy, has been having a challenge supplying enough energy for South African consumers and businesses. "One thing we know for sure is that any load shedding, no matter how small or well managed will have a negative impact on the economy" www.rdm.co.za/business/2015/11 accessed 07 October 2015

The document further argues that "The extent of the load shedding has a disruptive impact business operations, traffic, industry, mining operations, commerce, hospitals...and the daily lives of SA Public". "The situation deteriorated to such an extent that major mining groups shut down their operations on 24 January 2008 due to safety considerations" www.rdm.co.za/business/2015/11 accessed 07 October 2015

As stipulated above during the period when there are power outages employees sit around and have nothing to do since most businesses rely on energy to run their operations. This is even worse in manufacturing business because not only employees idle but the machinery which is supposed to be in operation also idles.

This has a negative impact on production which at the end of the day causes companies to be less productive and less profitable. That affects the business adversely since it compromises delivery time to customers, the business will still incur more costs since it still has to pay employees who reported for duty yet are not being productive over the period when there are power outages. Utilization is defined by Productivity SA as follows "utilisation is the use of resources (machinery, manpower etc.) during the period allocated to be used".

Productivity SA defines utilization as follows: $Utilization = \frac{Actual\ Time}{Available\ Time} \times 100$. www.productivitysa.co.za. accessed 07 October 2015 The formula helps small enterprises calculate actual time resource were used and how much time has been lost in the process.

2.14. Efficiency

Subsequent to our deliberations on utilization and some of the factors that could influence unproductive utilization of resources, it is indeed very prudent to also look at how efficiently resources are used. Inefficient utilization of resources leads to opportunity cost, late delivery and eventually have a very detrimental impact on profitability of businesses most importantly small businesses. "Efficiency describes the rate at which task are correctly completed without any waste or resources and within the allocated/standard time" www.productivitysa.co.za accessed 07 October 2015

The formula for Efficiency is as follows:

$$\text{Efficiency} = \frac{\text{Time Allowed}}{\text{Actual Time Allowed}} \times 100$$

Load-shedding will have a negative impact on Efficiency as it hinders production and affects outputs expected over a certain period of time.

2.15. Absenteeism

Absenteeism plays as critical role in the success or failure of businesses and in this instance particular bias will be on small businesses. The challenge with absenteeism in small businesses is that they still have to pay an employee who is absent from work and in some instances they will have to bring a temporary or casual staff member in who even burdens the organisation further as they also need to be compensated for their labour. In this regard high absenteeism could be more costly for small businesses which eventually could lead to complete shutdown. It then becomes very critical for small businesses to ensure that absenteeism is well managed in order to reduce unnecessary costs that could be incurred. For management to improve absenteeism it is important that employees remain motivated all the time. As stated by *Biz Move Management Training* (2013) the essence of employee motivation and effectiveness is the manner in which they are managed.

$$\text{Absenteeism} = \frac{\text{Lost Hours}}{\text{Possible Hours}} \times 100$$

The formula simply says that the company must look at number of hours lost and divide it by possible hours that should have been worked and multiply by 100 to get a

percentage. That will then assist the organisation to look at a specific rate paid per employee and multiply it by total absenteeism percentage. When quantifying absenteeism a clear picture on rand value will be given and that will give an indication of how much the company is losing every time a person is absent from work.

2.16. Waste

“Waste refers to use of resources (material, time, space, energy, money) during the conversion process, with result that some of the resources used do not end up as finished products or services of the correct quality” www.productivitysa.co.za accessed 07 October 2015

Waste contributes very negatively to profitability of small businesses. Profit will be lost in the production process because the client will not pay for the product that does not conform to their quality standards, and over and above the loss from waste products small businesses will still have to do the job which was originally paid for the first time and will not be paid for the second time. That will then mean the business will incur more cost for redoing the job and missing out on the opportunity to do the job that could be paid for. That is commonly known as an opportunity cost and will have a negative bearing on the business.

Business opportunity is defined as follows: “A benefit, profit, or value of something that must be given up to acquire or achieve something else. Since every resource (land, money, time, etc.) can be put to alternative uses, every action, choice, or decision has an associated opportunity cost.”

<http://www.businessdictionary.com/definition/opportunity-cost.html#ixzz3hNZSWSVG> accessed 07 October 2015

The fact that small businesses don't give attention to issues such as waste and other business drivers highlighted below, they eventually incur losses which have a detrimental effect on the survival of their businesses. That becomes one of the contributing factors leading to failure of businesses within their first few years of being established. To further highlight how waste contributes to failure of small businesses, it will be very key and fundamental to define what kind of waste there is and how it

affects profitability of small businesses. Waste types highlighted below will have a very negative impact on small business if not attended to. Information sourced from www.mafuctaus.com accessed 07 October 2015 unpacks waste types as follows:

a. Over-production

Over-production arises when the company is producing more than the customer really requires. This may include both the production of products or components for which there are no orders, as well as production of more items than currently needed. This is the worst kind of waste, because it usually multiplies other kinds of waste. It increases rework rate, inventory, processing, waiting, as well as unnecessary motion and transportation.

b. Inventory

Inventory is the quantity of items on stock, required to manufacture a product. These goods also cause costs to the company. When they are not used they utilize valuable warehouse space, may become obsolete and may require raw materials, which cannot be used for more important goods. Competitive organizations make sure that their system controls the inventory, so that money is not being wasted on unwanted items or build groups.

c. Defects (scrap, rework)



Rework is required when products and components are defective or damaged and they have to be reworked. Defects are caused by bad manufacturing processes (caused by human or machine errors). Rework takes additional time and therefore increases manufacturing costs of the final product. In the worst-case scenario the items have to be discarded.

d. Waiting times

Each step in a manufacturing process is dependent on the upstream and downstream stage processes. If employees, equipment, information or materials of the production process are delayed, production time is wasted and the cost of production will be increased.

e. (Unnecessary) transportation

This includes the unnecessary movement of information, products or components from one area to another. Unnecessary transport usually occurs together with unnecessary movement, product damages, lost parts and systems which impede movements.

f. (Unnecessary) motion

Unnecessary movements occur when an employee is moving around his work space and as a result of this may waste time and effort. All kinds of unnecessary motion is being caused by poor working standard practices, poor (not optimal) process design or work area layout.

g. Over-processing

Over-processing includes extra steps in the manufacturing process which need to be taken. It can also mean producing products of a higher quality than required. This may be due to incorrectly used equipment, errors in rework process, poor process design or bad communication. This can also be the result of not checking what the real customer requirements are.

h. Not used creativity of employees

This waste involves loss of time, skills, ideas, improvements and learning opportunities by not taking employee's opinion into the account. This is a result of employees not taking part in the design of manufacturing processes. Only in this way can the ideas develop which are needed to eliminate and avoid the other seven waste sources. This helps to improve your processes in continuous manner by increasing the available knowledge and creativity of you employees. In addition it helps in principle to increase the level of an employee's satisfaction at work

2.17. Labour turnover

Most small businesses struggle to keep and maintain the same employees over a longer period of time. That in itself affects the business negatively, as a high labour/staff turnover rate is very costly for the organisation in the sense that:

- It is a costly exercise to recruit new employees
- Training and induction of new employees need lot of time and are also expensive activities, especially for small businesses.
- Quality is compromised and that creates a high risk of losing the client.

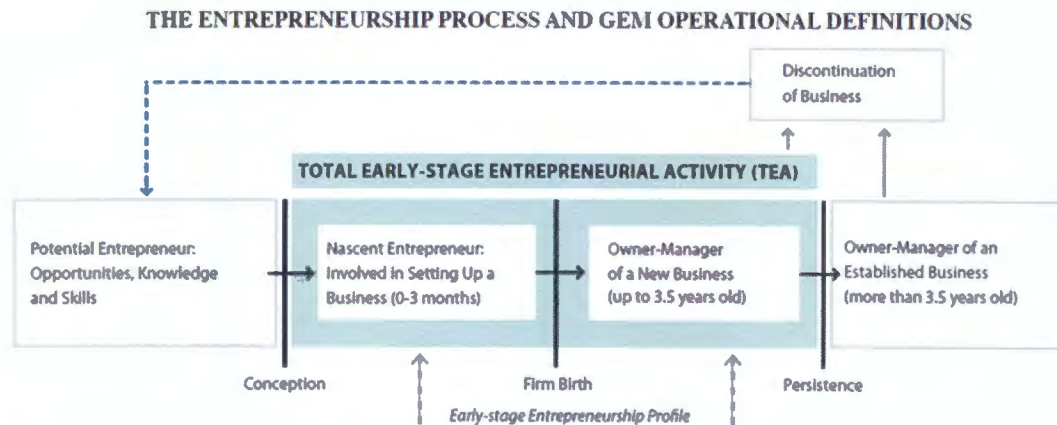
“Labour Turnover refers to the total number of employees who have left the company over a certain period” www.productivitysa.co.za. Accessed 08 October 2015

For small businesses labour turnover will affect them negatively and can lead to closure of businesses.

Research conducted by Global Entrepreneurship Monitor (GEM) which is a major international research group aimed at increasing an understanding of entrepreneurship, highlights conditions that influence the Entrepreneurial Framework, which simply suggests that if several factors are in place then there will be better chances of small businesses being successful. It suggests the following conditions as follows:

- Entrepreneurial finance
- Education for entrepreneurship
- Government policy
- Government Entrepreneurship Programme
- R & D Transfer
- Internal market openness
- Physical infrastructure for entrepreneurship
- Commercial and legal infrastructure for entrepreneurship
- Cultural and social norms

2.13. Types and levels of business operations



Individual attributes	Industry	Impact
<ul style="list-style-type: none"> ➤ Gender ➤ Age ➤ Motivation (opportunity, necessity) 	<ul style="list-style-type: none"> ➤ Sector 	<ul style="list-style-type: none"> ➤ Business growth ➤ Innovation ➤ Internationalization

Source: Global Enterprise Monitor (GEM)

The table above depicts what the GEM report terms as (TEA) Total Early Stage Entrepreneurial Activity which simply defines the entrepreneurial process. The process comprises:

a. Nascent entrepreneurs.

These are small enterprises which are still at the establishment stage and own or co-own and they have not yet started paying salaries to the owner for more than three months but not more than 42 months (Global Economic Monitor, 2015).

b. New business ownership

These are small businesses that are currently owner-managed and new business, that means owning and managing a running business that has paid salaries, wages or any other payments to the owners for more than three months but for not more than 42 months. These new businesses highlighted above in most cases lack experience and they do not have mentors who can guide them on how to do things correctly. They

need support in terms of market analysis, product cost and pricing as well a customer care. "By means of environmental scanning, strategies can be developed and objective plans of action formulated which will be based on fact rather than fiction"(O'Neill *et al.*, 1997:139).

c. Established business ownership

These are small business managers who are currently an owner-manager of an established business, i.e. owning and managing a running business that has paid salaries, wages or any other payments to the owners for more than 42 months (Global Economic Monitor, 2015).

d. Business discontinuation rate

This exercise looks at businesses that in the past 12 months have discontinued a business, either by selling or shutting down or otherwise discontinuing as owner/management with the business. The table above gives a clear picture of business segmentation in terms of stages, which are conceptualisation, firm birth and persistence. That will help especially at the stage where data is collected as it will establish the level and stage at which the business is or was operating at.

The table further unpacks the profile of each stage as this will help especially where there is a need to turn around or improve the small businesses, and relevant issues will be dealt with at the right time and pace.

2.18. Conclusion

This chapter highlighted some of the factors that contribute to small business failure in different global settings, namely poor planning, access to finance, utilization, efficiency, absenteeism, waste and labour turnover. The purpose of this literature review was to identify key factors that critically influence the survival of small businesses within their first few years of being established

The chapter clearly highlights factors which hinder survival/growth of small enterprises. Albeit good policies and good structures that are put in place small enterprises growth and survival still remains the bigger challenge.

An analysis starting from the global perspective flowing down to Africa as a continent and down to South Africa and finally to Rustenburg itself gives a clear platform for international best practices. It clearly creates an environment which ensures that lessons are learnt globally. Furthermore it clearly shows that entrepreneurial challenges relating to growth and survival of small, medium and macro enterprises are universal.

The best practices pertinent to this research were interrogated, paying particular attention to the global environment of SMMEs. This literature review which formed the background theory of this study examined the raging debates and controversies regarding this particular subject of SMMEs in ways that pushed the thinking of this critical subject forward.

CHAPTER 3

RESEARCH METHODOLOGY

3.1. Introduction

This chapter discusses the research methodology which includes the research design, the research instruments, the data-collection procedures and the data-analysis procedures that were used for this research. Leedy (1989:113) describes a methodology as an investigative framework within which facts are placed more clearly in order to give a clear sense of what they represent. The researcher therefore defines methodology as a system of explicit rules and procedures upon which claims of knowledge are evaluated providing rules for communicating and reasoning.

3.2. Research design

There are various research methods from which an appropriate decision can be selected. According to Saunders *et al.* (2000) a research design is a general strategy of how the researcher goes about answering the research questions. In confirmation, Panneerselvam (2004:44) describes a research design as a plan that provides guidelines for data collection. It is therefore a master plan that indicates the strategies or actions the researcher performs to conduct the research. It is a blueprint that enables the researcher to come up with solutions to problems under investigation and guides the researcher in various stages of the research. There are various approaches that can be employed in research and these include experiments, case studies, surveys in grounded theory and ethnology. In this research, the descriptive design was used.

3.3. Descriptive survey

Panneerselvam (2004:45) defines a descriptive survey as research that is carried out with specific objectives in mind and hence hoping for results shaping into definite conclusions. This research design tries to describe the characteristics of the respondents in relation to a particular product or a practice or culture of importance. In contrast, Sekeran (2000:81) describes a descriptive study as a survey that is

undertaken in order to ascertain and be able to describe the characteristics of variables of interest in a given situation. A descriptive survey hence aims to portray an accurate profile of persons, events or situations.

3.4. Justification

In this research project, the descriptive survey design was used because it is associated with the deductive approach. Best and Kahn (2004:310) hold that descriptive surveys are concerned with such issues as processes that are going on, effects that are evident and developing trends. This made it possible for collecting the information that was needed to meet the objectives of this study. It had advantages in that it was cheap and enabled easier control of the research process given the time limitation factor. Surveys have the potential to be used as excellent vehicles for the measurement of attitudes and orientations prevalent in large populations which helped to strengthen the validity, reliability and generalisability of the results.

However the survey method has some limitations. Questionnaires do not give the respondents the flexibility to explain themselves clearly where they wish to clarify their responses. The probing method can influence the responses and some respondents may be affected by the presence of the researcher that negatively impact on the validity of the results of the study. Furthermore, some questionnaires may also contain questions with different interpretations posing ambiguity and lack of precision and specificity.

3.5. Research instruments

There are several data-collection instruments that can be used such as questionnaires (telephonic, delivery and collection, postal, on-line and structured interviews), observation and secondary sources (Saunders *et al.*, 2004). After taking into account the characteristics of respondents, how best to reach them and the sensitivity of the subject matter, the author adopted the use of questionnaires, secondary data and interview schedules to gather more reliable data. Structured questionnaires were specified for easy administration by the researcher to both employees and managers. Interview schedules were also used for both groups to gather data that would not be possible through structured questionnaires. This was done in consideration of the fact

that the data had to be as reliable as possible as it would be of strategic importance to different key stakeholders as well as the Rustenburg local government and the SA economy at large.

3.6 The Questionnaire

The task of the distribution of the questionnaires to respondents was assigned to operations departments within the organizations after physical delivery by the researcher. Physical follow-up collection of the questionnaires was done to boost the return capacity of the questionnaires. Questionnaires for owners/managers were designed to assess the extent to which certain factors hinder growth/survival of SMMEs. Questionnaires for business support agencies sought to source information on their opinions and perceptions towards the companies and the administration of the SMMEs as well as their reports and interactions with them: Views of agencies' management on ratings made upon themselves, the effect of several factors capital requirements, skills and leadership competency.

3.7 Merits of a Questionnaire

As research instruments questionnaires are the most suitable for collecting descriptive and explanatory data about attitudes, beliefs, behaviours and attributes (Saunders *et al.*, 2004). Sekeran (2000: 79) states some of the obvious benefits of questionnaires as:

- ❖ Possible elimination of bias
- ❖ Quick and easy collection of data
- ❖ Minimum or no requirement of skill to administer
- ❖ Being cost effective

**NWU
LIBRARY**

3.8 Weaknesses of Questionnaires

The major weaknesses of questionnaires include the following as put by Sekaran (2000:80):

- ❖ Limitations in probing or investigating further
- ❖ Lack of personal communication between the researcher and the participants

To minimise these weaknesses, questions were made more specific.

3.9 The interview

Interviews may be regarded as a systematic method by which a person enters more or less imaginatively into the life of a comparative stranger. The researcher used the unstructured interview questions to provide open-ended questionnaires for interview schedules. It was applied to both management and lower level staff in order to get their views on the performance appraisal system. The interview schedules elicited primary data responses through direct questioning, thus allowing a high degree of probing for reasons and immediate data collection. This proved to be very efficient and effective especially for open-ended questions in that respondents were able to clearly express their opinions and seek clarifications in need. They suited the research design as issues of attitudes, beliefs, behaviour and attributes were well covered with classifications being made where necessary on complex issues which provided a reliable and rich source of data. However; the major shortcomings of interview schedules are that:

- ❖ There is a potential for introducing bias
- ❖ They are expensive and time-consuming

3.10 Population

A population is any group that is subject to the researcher's interest. O'Sullivan and Russel (1995:17) define population as the total set of units in which the investigator has some interest. In collaboration, Sekaran (2000:63) holds that population refers to the entire group of people; events or things of interest that the researcher wishes to investigate. The target population in this research was the owners/managers of SMMEs and the management of the supporting agencies in the area. Rustenburg was chosen because it's a typical city in Africa and is the fastest growing city in the region.

3.11 Sample

Sekaran (2000:59) views sampling as the process of selecting a sufficient number of elements from the population so that by studying the sample and understanding the properties or characteristics of the sample subjects it would be possible to generalise

those characteristics or properties to the entire population. Panneerselvam, (2004:10) in agreement describes sampling as a process of selecting a subset of a randomized number of the population of a study and gathering data about their attributes. The researcher therefore explains sampling as a process of choosing an adequate number of participants from the entire population under study that is representative enough to produce valid and reliable generalisations.

Otti (1993:25) defines a sample as any subset of variables, subjects or measurements selected from the population. In concurrence, Gay (1981:423) defines a sample as a number of individuals selected in such a way that the portion represents the population from which it was drawn. This means that a sample is a subset of the population. However, Gay (1981:411) emphasizes the representativeness of the sample, which is very critical in determining the validity and reliability of the generalisations to be made after the study.

3.12 Sampling procedure

There are two major categories of sampling techniques, which are probability sampling and non-probability sampling (Saunders *et al.*, 2004). Probability sampling is when elements in the population have a known chance of being selected as subjects in the sample (Sekaran 2000:59). In contrast, Mitra (2000:32) describes non-probability sampling as a sampling design where elements in the population have no probabilities attached from their being chosen as a sample subjects.

The researcher used both methods of sampling. The unrestricted stratified random sampling was used to select Owners/Managers and supporting Agencies as representatives. The SMMEs were first grouped according to their sector, then the simple random sampling was used to select representatives of each group. This was done to give all sectors equal chances of being part of the sample, hence reducing chances of biased selection. The names of representatives were obtained from staff lists from the supporting Agencies' database of the Rustenburg area and put in a container for random selection until a sample of 100 Owners/Managers was arrived at. Purposive/judgmental sampling was used to come up with Agencies' sample particularly human resources managers for the interviews as it enabled the researcher to use judgment to select cases that were particularly informative as emphasized by

Neuman (2000:189). By virtue of their positions in their organisations Portfolio Managers provided a rich source of data pertaining to the performance and challenges of SMMEs. Since they had gone through the experiences and processes they were able to give out expert knowledge that was useful for the study. Saunders *et al.* (2004) stress that purposive sampling enables the researcher to use judgment to select cases that would best enable the research questions to be answered in order to meet the objectives of the study.

3.13 Data-collection procedure

Data collection was done through use of interviews and questionnaires

3.14 Primary sources of data

Sekaran (2000) describes primary data as data gathered from the actual site of occurrence of events. In support of this view, Skidmore (1997) says, it refers to data collected at the source. The researcher collected data at the source using interview schedules and questionnaire surveys. These were found to be effective in view of the type and characteristics of the respondents.

3.15 Secondary sources of data

Secondary sources of data used included the appraisal forms, circulars, training manuals and reports on employees, de-registration forms, liquidation reports, media, bank reports. Guba and Lincoln (1981) describe a document as an original or officially printed or written paper furnishing information or used as proof of something else and a record is "an official written account of proceedings" or "the known facts regarding someone". Sekaran (2000:63) views secondary data as data gathered from already existing sources. The literature review produced the bulk of secondary data. The advantages of using secondary data were that

- ❖ More accurate data was obtained as it was from reputable sources
- ❖ The data could also be easily verified
- ❖ Documents also strongly complemented information collected through interviews and questionnaires.

However, the major problem with documents was that some of the jargon used was difficult to interpret. Documents are also prone to subjectivity since people tend to report more favourably about themselves than about other people

3.16 Reliability and validity of the measuring instrument

Rubin and Babbie (2001:189) state “that a measure is deemed reliable if it yields the same result repeatedly when applied to the same object”. Reliability is thus associated with the amount of random error in a measurement. Furthermore reliability implies, according to Goddard and Melville (2001, 41) “that the measurements are consistent, assuming that the experiment and the conditions remain the same”.

Validity refers to the degree to which an instrument measures what it is supposed to be measuring. Validity can be measured by looking at both external and content validity.

3.17 External validity

Validity refers to the generalizability of research findings to other settings or samples (Polit & Hungler, 1999:14). Validity was ensured in this study by having employees from different departments to participate.

3.18 Content validity

Content validity refers to the degree to which items of the research instrument are representative of the content that the researcher intends to investigate.

3.19 Data presentation and analysis procedures

As observed by Saunders *et al.* (2004) all research involves some numerical data or contains data that could be quantified to help in the answering of the research questions and to meet the objectives. Following the conducting of the research, the data that was gathered using questionnaires was analysed to come up with realistic conclusions from the findings. This involved the processing of information by means of tables appropriate to show specific figures. Pie charts were used to show proportions among variables, that is, responses in this case and trends in some

instances. Bar graphs and percentages were used to depict data of absolute and relative magnitude (the highest and lowest values). It is from this analysis that conclusions were drawn.

3.20 Conclusion

In this chapter, the researcher discussed the research design employed in the study and its rationale, data-collection procedures, research instruments and their merits and demerits. In addition, this chapter also discussed sampling and sampling procedures, population and data presentation and analysis procedures. The next chapter presents a comprehensive data presentation and analysis in order to establish the actual finding.

**NWU
LIBRARY**

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the primary data by analysing the findings from the data collected from interviews conducted as well as the questionnaires. This chapter therefore pays attention to the following: monitoring of staff absenteeism, monitoring and calculation of waste percentage, impact of access to funding on small businesses. Data collected from supporting agencies looked at supporting mechanisms in place, problems encountered when dealing with small businesses and whether problems hindering small enterprises could be eliminated. Furthermore, the results of this study are linked to the research objectives which are highlighted in Chapter One above.

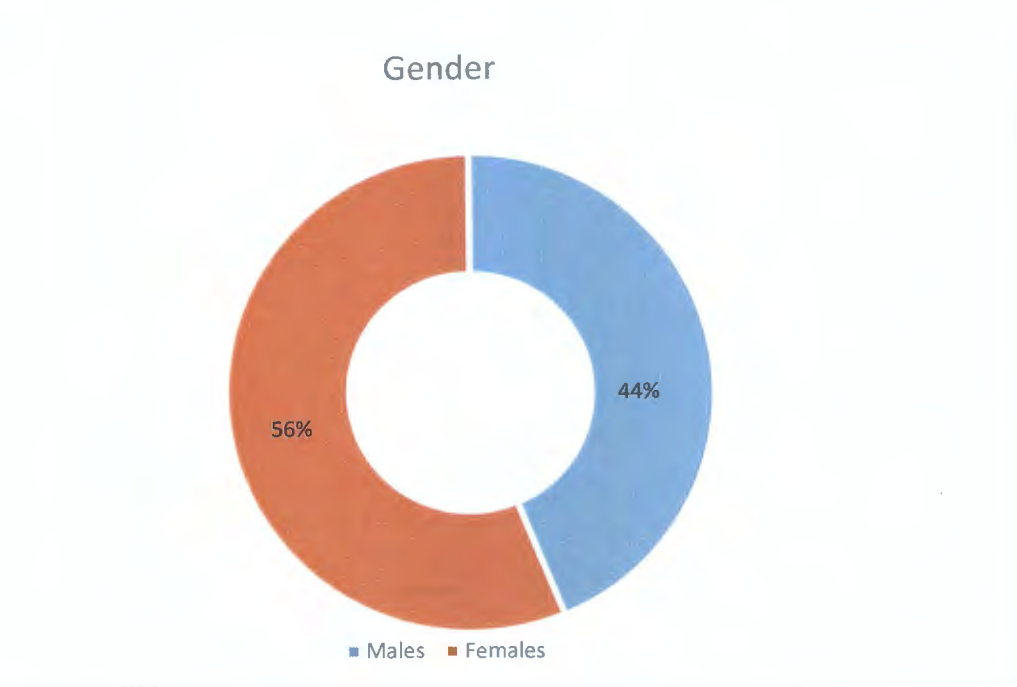
4.2 The response rate

70 questionnaires were distributed and the number of 48 responses were received back, which totals to 68% of responses. The distribution of questionnaires was done physically by the researcher through site visits and self-introduction to small businesses. Secondly other questionnaires were distributed through the Small Enterprise Development Agency (Seda) office at Rustenburg.

4.3 Demographic data

From data collected 56% of respondents are female and 44% are male. It can be concluded from the responses received that suggests gender equity is fairly balanced.

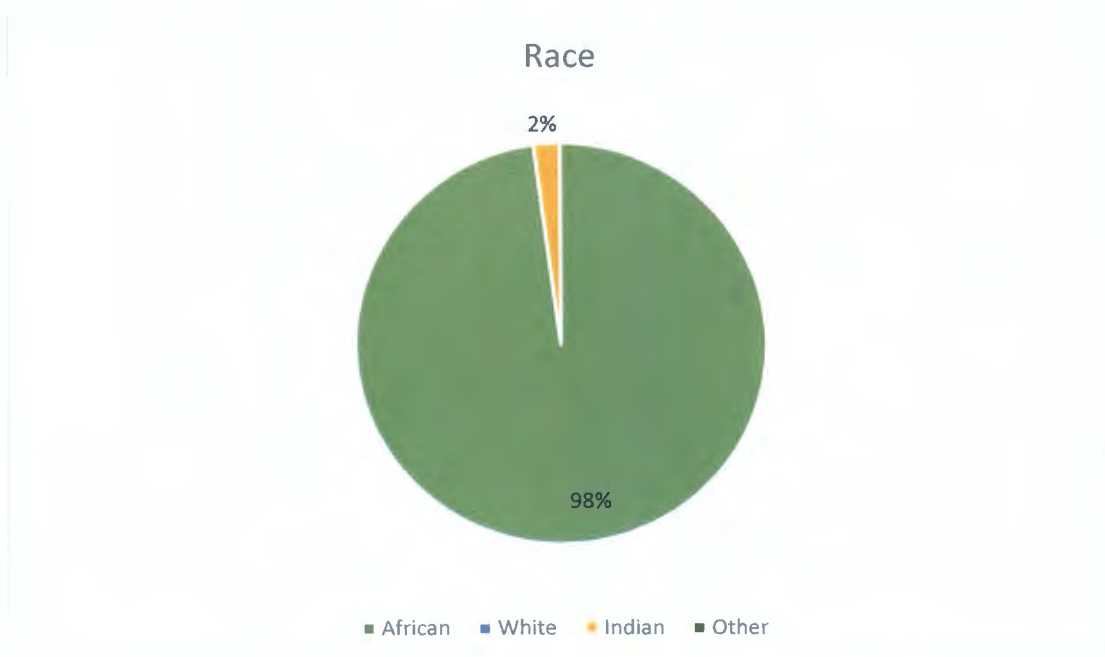
Figure 4.1.



As depicted in figure 4.2., the majority of respondents were black (Historically Disadvantaged), 2% of respondent are Indian and 98% are black.

4.4 Race

Figure 4.2.

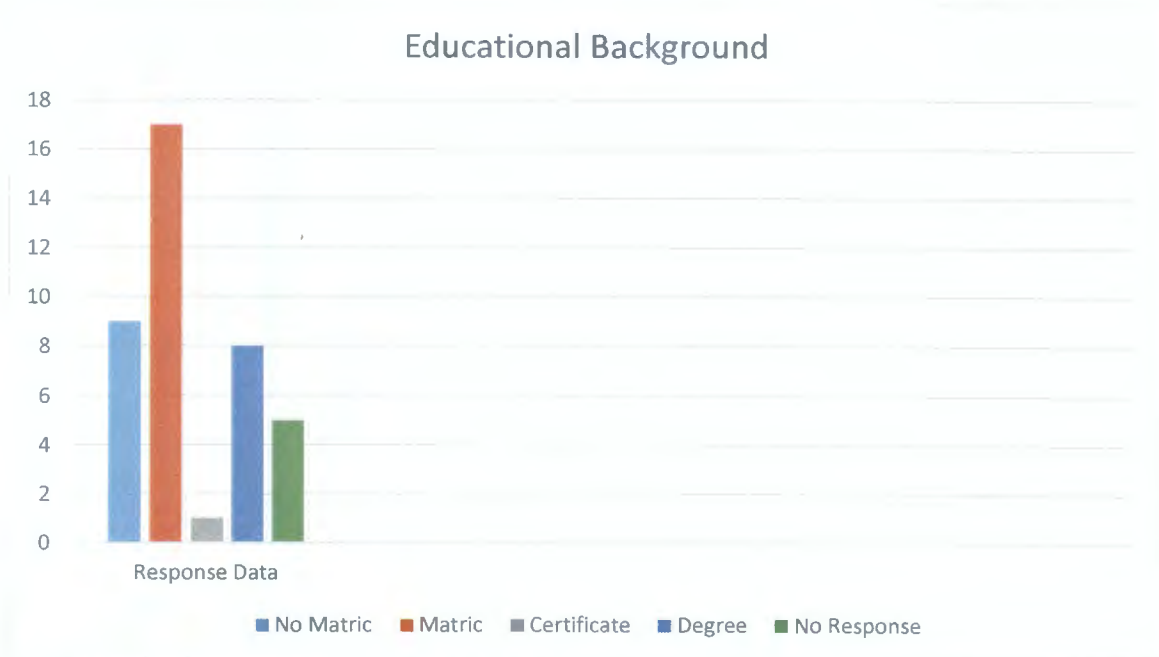


4.5 Educational qualifications

Educational qualifications are a prerequisite for effective duty execution. However, because people do not always agree on what is intrinsically and extrinsically rewarding, people with different educational backgrounds or aspirations may see the content, qualifications, and rewards of work differently and this variety is what makes education and entrepreneurship interesting to consider. According to the survey data 35% of small business owners and managers passed matric, 34% hold diploma and degree qualifications. This clearly supports the argument that the majority of small business owners do not hold qualifications higher than a degree.

The argument, however, does not infer that small business owners without a junior degree and diploma qualification cannot run their businesses efficiently. The argument simply highlights possible risks and limitations that could arise as a result of lower qualifications.

Figure 4.3.



4.6 Working experience

The histogram below depicts the number of years that respondents have been in business. It clearly highlights that most business owners and managers predominantly

have between 0-5 five years of experience in the working environment. The histogram furthermore depicts that 27% of small business owners and managers have working experience between 0-2 years and 42% of the respondents have experience between 3-5 years. The remaining 31% have work experiencing ranging between 11-21 years. This clearly shows that most of small business owners and managers have lesser working experience and that contributes to the reason for their failure within their first few years of being established.

Figure 4.4.



4.7 Turnover

Majority of respondents felt that information relating to finances and turnover was confidential, and as such the researcher did not have sufficient data to analyse and interpret.

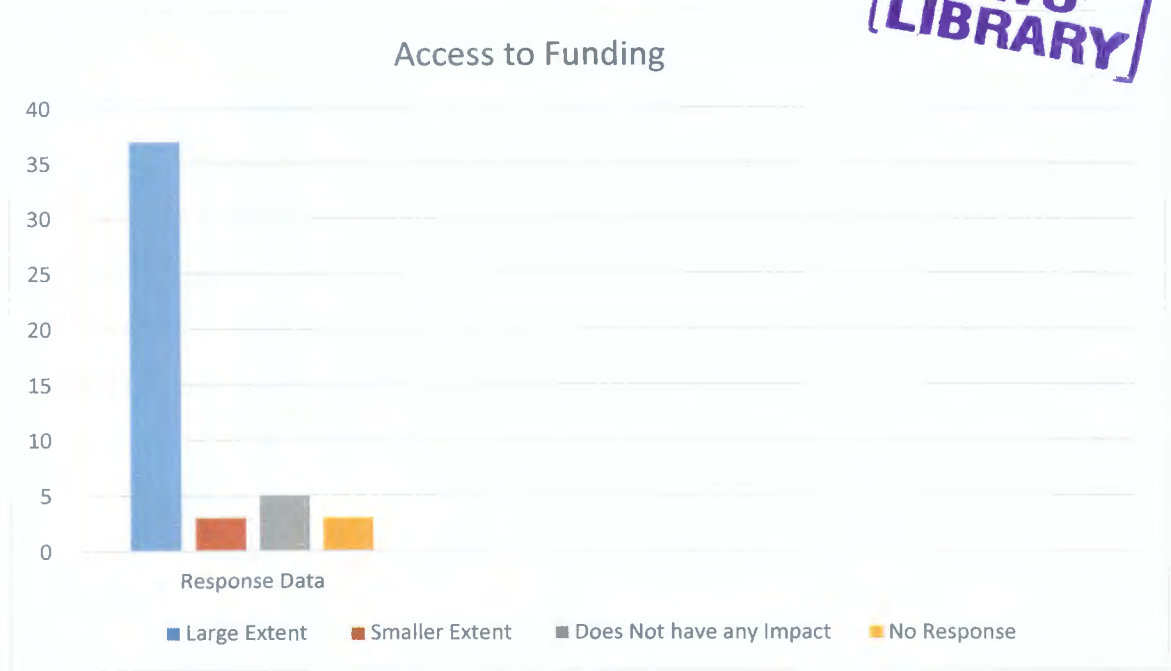
4.8 Access to funding

Entrepreneurs experience difficulty in accessing funding but in some countries the challenges are particularly formidable (*The EY Enterprise barometer, 2013:18*). Data sourced through questionnaires and interviews asserts that 78% of the respondents believe that access to funding has a significant role to play in the survival and growth

of their businesses, whilst 10% of the sample population believe that access to funding contributes a lesser extent to the survival and growth of their businesses. 6% of small businesses owners and managers of the sample population believe that access to funding has no impact on the survival and growth of the business and 6% did not respond to the questionnaire. The information furnished by respondents clearly demonstrates that for small businesses to grow and survive, there is a need to have enough capital for operational expenses and procuring of raw materials. However, access to finance remains a big challenge as most small medium businesses do not meet minimum lending criteria of most financial institutions. These findings are supported by the Ernst and Young Report (2013:16) that states that improving access to funding is not a straightforward task and government can only do so much to ease conditions. But with the right policies in place, government can play an important role in enabling the emergence of a deeper and more diverse mix of funding options to support every stage of growth.

Figure 4.5.

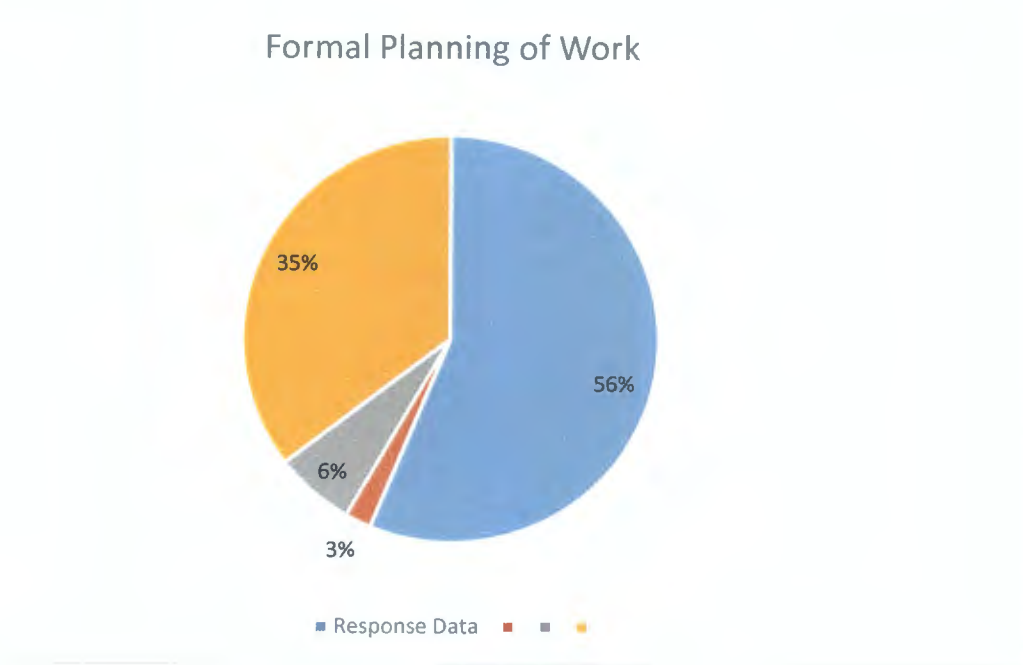
**NWU
LIBRARY**



4.9 Formal planning of work

56% of the sample population believe that formal planning of work is important. 2% of business owners and managers do not regard formal planning of work as important and 36% were uncertain in relation to the importance thereof and 6% of the sample population did not respond to the questionnaire.

Figure 4.6.



4.10 Impact of education on operations

25 respondents from the sample population strongly believe that education plays a significant role in the survival and growth of their business operations, whilst four of the respondents believe that education has no impact on business operations. We received no responses from five participants and sixteen of the respondents were uncertain about educational impact on their businesses. The response shows that only 25 small business owners and managers realise the value of education in their business operations. This becomes a bit problematic since most of activities require a certain level of education in order to deliver quality products and services to clients.

Table 4.1.

Yes	No	No Response	Uncertain
25	4	5	16

4.11 Effective utilisation of labour

It is important to establish how the organisations have improved over the previous years (Pushavat, 2013:63). For organisations to operate effectively and productively, it is important that they have the right type of employees and those employees are optimally used.

In the data analysis and interpretation, it is evident that 73% of respondents believe that labour can be effectively used to improve organisational performance. 8% did not respond and 19% do not believe labour can be more effectively used.

The results clearly illustrate that, even though we have a large number of respondents who believe that labour can be optimally used, a total number of 27% are still lost and that creates a gap for small business managers and owners to grow further. The researcher argues that if the remaining 27% can consider relooking at labour utilisation more effectively and efficiently their businesses will continually improve and be sustained in the future.

Figure 4.7.

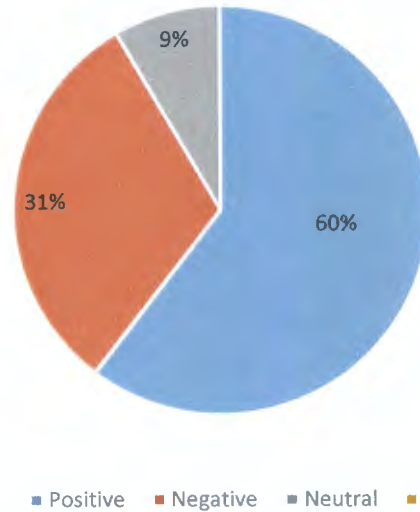


4.12 General perception about Small Enterprises

Small businesses play a pivotal role in the economy of the country and contribute significantly to the Gross Domestic Product (GDP). Their contribution to the economy by means of job creation and tax revenues, and their role in society through development and upliftment, are remarkable assets of South Africa's political economy (Benedell, 2010:7). As such, 68% of the respondents generally feel positive about entrepreneurship and through questionnaires, the researcher discovered that they still believe there are lot of opportunities they can tap into. 32% of the respondents see a gloomy future and believe there are few or no opportunities to tap into since most of the business opportunities are channelled through people who know each other. 8% of the sample population were neutral and were not clear on the impact of small businesses with the economy. Respondents are aware of various government initiatives and availability of different incentive programmes, however their main challenge is the difficulty of accessing those programmes and incentives.

Figure 4.8.

General Perceptions on Entrepreneurship



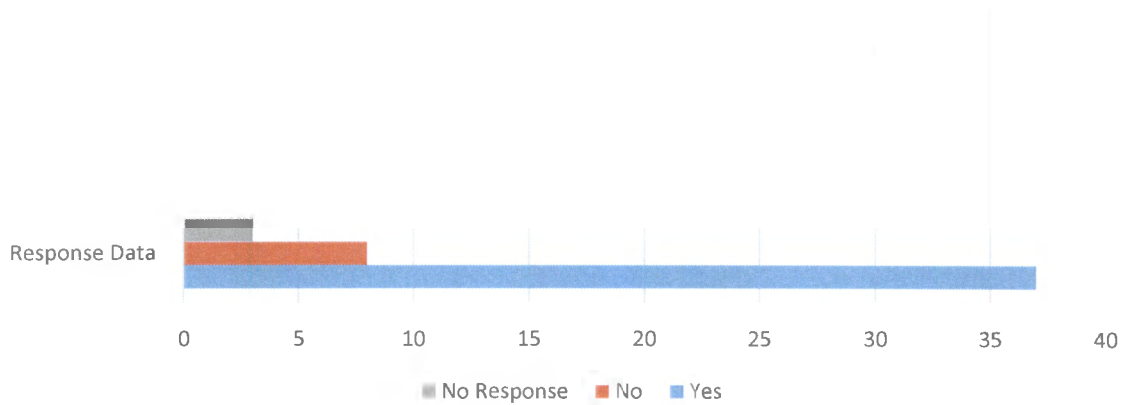
4.13 Inventory management

Too much inventory could be very costly to the organisation since it is susceptible to theft, it needs to be insured and in some instances it is even perishable. Most importantly cash is tied up to stock and that directly affects the cash flow and working capital of the business. Donath *et al.* (2002:4) argue that it is important to optimise the needs of the customer and the goals of the enterprise. It is very interesting to realise that 37 respondents of the sample population deem it necessary to monitor inventory on eight respondents did not deem it necessary and three of participants did not respond. A well-managed inventory improves cash flow, reduces risk of theft and creates enough space for other operational activities to take place effectively. Slack *et al.* (2010: 368) emphasised that almost all operations keep some kind of inventory, most usually all materials but also of information and customers.

The objective of on inventory management is to replace a very expensive asset called inventory with less expensive asset called “information” (Viale, 1996:3).

Figure 4.9

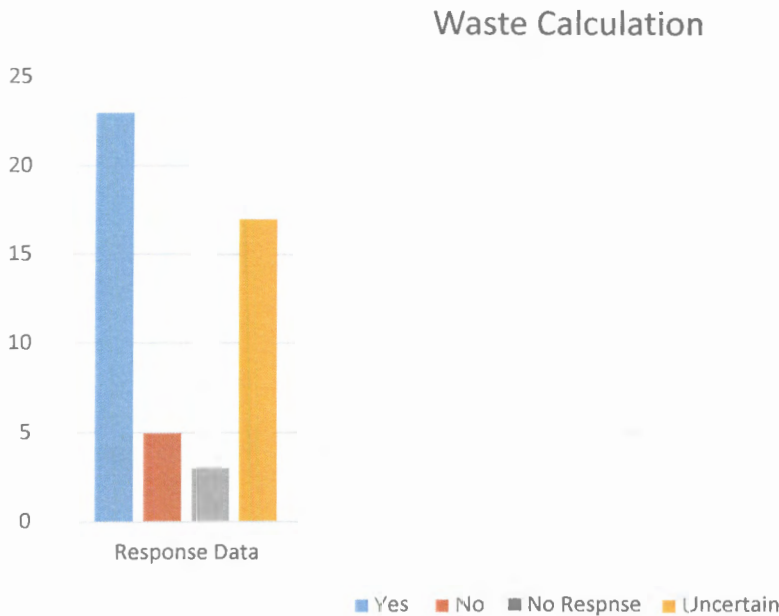
Inventory Management



4.14 Waste calculation

48% of the respondents in the sample population highlighted the fact that they calculate waste and 11% highlighted that they do not calculate waste whilst 35% were uncertain whether they do it or not. 6% did not respond. If waste is properly managed and monitored it can save small businesses a lot of money and most importantly it will improve their quality and timeous delivery to clients.

Figure 4.10



4.15 Research results linked to research objectives.



In the course of this chapter, the findings and/ or results have revealed a multiplicity of factors that hinder the survival and growth of SMMEs within Rustenburg. These factors include the lack of skills, lack of access to finance, lack of access to the markets, and lack of access to technology. The absence of proper measurements of efficiencies of labour inputs and machine utilisation, including the inaccurate calculations of waste percentages as well as monitoring and evaluation of inventory levels have also been shown to constitute in significant ways to factors that hinder the growth and survival of SMMEs.

The aforementioned hindrances clearly link with the research objectives as constituting the root causes of the business failure of SMMEs during the first few years of their establishment. In addition, as per the research objectives of this study, the evaluation of the hindrance factors needs to be understood within this context. The guidelines that could be helpful to SMMEs in attempting to overcome these hindrance factors are summarised within the context of this study's recommendations at the end of the concluding chapter.

4.16 Conclusions

The chapter presented the data collected through completion of questionnaires and in-depth interviews. The study revealed factors that hinder small business survival and growth around Rustenburg. Overall response rate to the study is 68%. 56% of respondents are female and 44% are male which clearly depicts a balanced response in terms of gender. 98% of respondents are black owned small enterprises.

The responses received shows that shows that 32% of respondents holds matric certificate as their qualification and further shows that 31% of responds hold working and business experience of 3-5 years.

Access to funding remains a big challenges as 78% of respondents showed that it plays a significant role in the survival and growth of their businesses. 56% of respondents showed that formal planning of work is very important for the businesses to survive and grow. Furthermore 68% of respondents showed that effective utilisation of labour and machinery is very important for their business growth and survival.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of three main sections which conclude the entire study. These are the summary, conclusion and recommendations. The summary is a flashback of the whole study and presents the research problem, methodology and findings. The sub-problems in the beginning of the research were drawn from the analysed data in chapter 4 and presented as conclusions and recommendations for areas of further research.

5.2 Theoretical findings

The study set out to assess factors that hinder small business survival and growth around Rustenburg. A background study also established that the South African economy is characterised by two economies, and the widening gap between rich and poor. This creates a non-conducive environment for small businesses to trade fairly. Theoretical findings confirm that factors such as globalisation play a significant role on the survival of small medium businesses worldwide. Factors such as the exchange rate and the weaker currency make it difficult for small businesses to remain competitive leading to increased failures within their first few years of establishment. The findings further confirm that most SMMEs have limited access to finance, technology and they lack managerial and specialised skills.

Against the background of the positive growth China experienced in the last few decades, there have been challenges directly affecting SMEs, access to credit remains the big challenge. Due to stringent rules and regulations pertaining to land and property it becomes difficult for such enterprises to have access to land.

The Eurozone economic downturn created an unfavourable environment for small businesses in European countries. Factors such as the bank closures and insolvency, bank restructuring capacity and supervision, non-participation of public creditors as

well as stigma and delays contributed significantly to the failure of small medium enterprises.

Poor information on availability of opportunity has a detrimental impact on survival and growth of SMEs as they cannot access relevant markets or even communicate relevant messages since no information is available.

5.3 Empirical findings

Empirical data relies entirely on data collected through various means such as observations, experimentation, questionnaires, focus groups and interviews.

The empirical data revealed amongst other things that 19% of small business owners and managers of small businesses do not have matric, whilst 35% have matric. The combined difference of 36% hold diplomas and degrees whilst 10% of the sample population did not respond to the questionnaire. These findings complement the argument raised by the researcher on issues relating to skills shortages. South Africa's skills shortages are widely regarded as a key factor preventing the achievement of targeted growth rates. There is some dispute as to the nature and extent of these shortages, given that the country also has a large pool of unemployed graduates (Erasmus, *et al.*, 2009).

The findings indicate that 54% of the sample population do not have post-school qualifications and run small businesses. For small business to thrive and grow small businesses owners and managers need to have sufficient levels of skill to run it properly. The researcher does not, however, imply that small business owners and managers who only have matric cannot run their own businesses properly. The argument simply underlines that lower levels of education create higher levels of risk as some of the business owners and could make unintended mistakes which could be costly.

The researcher further argues that 36% of sample population have better chances as they have more exposure and possibly they possess a much higher level of experience and expertise. The researcher, however, acknowledges that the above-mentioned 36% of sample population are still faced with other challenges such as access to the

market, access to technology as well as access to finance. 70% of respondents clearly highlighted that access to finance had a serious bearing on survival and growth of their businesses. This clearly confirms the researcher's argument that once the other hurdles have been successfully overcome, others emerge. As a result SMEs find it very difficult to progress to the next stage. This causes their businesses to die prematurely. Over and above the few empirical findings mentioned, the majority of SMEs do not calculate how much waste they incur in their own business and they do not calculate their labour and machinery utilisation as well as monitoring of inventory. The challenges mentioned above clearly show that small business owners do not measure results, and it becomes difficult for them to manage their businesses.

5.4. Theoretical and empirical findings

Both theoretical and empirical findings confirm the arguments of the researcher. Theoretical findings highlighted, amongst other things, lack of skills, access to technology, access to the market and access to funding. Furthermore access to information and infrastructure also plays a prominent role in success and failure of small businesses.

There is a clear correlation between theoretical and empirical findings. They clearly highlight that most of the respondents do not have the requisite skills to run their businesses, a finding that is confirmed by the literature survey of this study. Considering work experience, the majority of small businesses do not have adequate experience to help them run their businesses, a finding that is emphasised by the literature survey above.

5.5. Conclusion

The study made some interesting findings and following conclusions were drawn.

The South African government and its development agencies have various SMME support mechanisms in place. There are clear policies and incentive programmes that are put in place to ensure support of small businesses. Institutions such as National Empowerment Fund (NEF), Industrial Development Corporation (IDC), Small Enterprise Finance Agency (SEFA) and Small Enterprise Development Agency (Seda) are established, and they are vested with different mandates to support, develop and promote small businesses. The challenge, however, is that all these institutions operate individually on their own. Small business owners and managers need to move across all these offices and given limited resources they end up giving up in the process.

One other limiting factors include limited knowledge and experience. Most of the information required to acquire assistance from aforementioned institutions is cumbersome, and as a result most of small business owners and managers find it difficult to understand the requirements.

Shortage of or limited skills capacity creates a bigger challenge for small business owners and managers. Small business owners and managers need to take informed decisions in their daily business routines. However, with limited or no experience in handling business activities, small business owners run the risk of being exploited and even worse, lose lots of money in their business dealings.



Despite government support programmes in place and establishment of development finance institutions, small businesses still find themselves challenged by access to funding. Stringent qualifying criteria also serve as a stumbling block to access funds. One of the major challenges is the inability of small businesses to develop bankable business plans which will demonstrate an ability to run the business as well as affordability.

Small business managers and owners spend little or no time calculating factors of production such as labour, waste and efficiency. That becomes very difficult to identify

areas of improvement. This eventually leads to failure as small businesses cannot pick up early warning signs at the right time.

Both theoretical and empirical findings gives a clear direction as to what really leads to small medium enterprises failure to survive and grow within their first few years of being established. The findings can play a fundamental role in relation to development of guidelines that could help improve survival and growth of small business around Rustenburg.

Of significant importance to note is that the entrepreneurship environment is continually changing and dynamic. South African history also plays a major role in the mind set of small business owners and managers. In the past historically disadvantaged individuals could not become own entrepreneurs, as they were subjected to continued employment of the ruling and dominant colonial regime. Now that there has been change on the economic landscape of the country alongside the new realities, it has become possible for a myriad of opportunities such as those of SMMEs to be available for all, irrespective of race, colour, gender or creed. The biggest concern then becomes the level of readiness when opportunities arise. That becomes a big concern as people have to understand the difference between daily routine employment as well as entrepreneurship with benefits and risks associated with it.

5.6. Recommendations

Based on evidence from this study, the researcher noted that there is a need for government departments and small business development institutions to create a common platform for sharing of ideas and information. This will enable them to complement each other's mandate and will assist small medium business owners to easily access information. The platform could be in the form of forums where challenges and possible solutions are discussed.

The researcher furthermore recommends that coaching and mentorship programmes be put in place in order to hold hands of small business owners and managers. This will reduce the gap related to skills shortage as those programmes will be capacitating small business owners. Regular workshops and outreach programmes are needed to

clarify issues relating to qualifying criteria to accessing various services and access to funding.

REFERENCES

- Abor, J. & Quartey, P. (2010). 'Issues in SME development in Ghana and South Africa', *International Research Journal of Finance and Economics*, 1(39), 218–228.
- Asian Productivity Organisation. (2007). *Entrepreneurship Development for competitive small medium enterprises*, APO. Bangkok
- Babbie E.R. (2007). *The Practice of Social Research*. London; Wadsworth Thomson Learning.
- Bailey K.D. (2001). *Methods of Social Research*, New York: Free Press.
- Best, J.W. & Kahn J. (2004). *Research in Education*, 7thed. New Delhi: Prentice-Hall.
- Biz Move Management Training Institute. (2009). *How to increase productivity in a Business, A step by step guide to business productivity improvement*. Biz Move Japan
- Brink H. I. (2003). *Fundamentals of research for Health professionals*, Cape Town: Juta & Company.
- Deloitte. (2015). *1st Quarter 2015 Global Economic Outlook*, Deloitte University Press, Los Angeles
- De Vos, A. S. (2005). *Research at Grassroots: For the social sciences and human service professions*. Pretoria: Van Schaik Publishers.
- Donath, B., Mazel, J. & Patterson, P. (2002). *The IOMA handbook of logistics and Inventory Management*, New York: John Wiley & Sons Inc.
- European Union. (2015). *European Economy 1/2015*, European Commission.
- Erasmus, J. & Breier, M. (2009). *Skills Shortages in South Africa: Case study of key professions*, Pretoria: HRSC Press.
- Gay, L.R. (1981). *Educational Research- Competencies for Analysis and Application* (2nd Ed.), Columbus: Merrill Publishing Company.

Glicken, M.D. (2003). *Social research: a simple guide*, Boston: Houghton-Mifflin.

Goddard, W., & Melville, S. (2001). *Research methodology: an introduction for engineering students*. Lansdowne: Juta & Co.

Guarda, T., Augusto, M. & Silva, C. (2012). 'Competitive advantage in e-commerce: the case of database marketing', *Advances in Intelligent and Soft Computing*, 143(1), 123–130.

Harvey, N. (2011). *Turnaround Management and Corporate Renewal: A South African Perspective*, Johannesburg: Wits University Press.

Jones, O. (2003). *Competitive advantage in SMEs: Organising for innovation and change*, New York: Wiley.

Klave, S. (1996). *An Introduction to Qualitative Research Interviewing*, London: SAGE.

Kurana, L. & Rosenfeld, G. (2011). *Challenges to businesses in the twentieth century*, Boston: American Academy of Arts & Sciences.

Leedy, P.D. (1989). *Practical Research and Design*. New York: MacMillan.

Lin, H. (2007). "Knowledge sharing and firm innovation capability: an empirical study", *International Journal of Manpower*, 28 (3/4), 315 – 330.

Makura, M. (2010). *South Africa's great Entrepreneurs*, MME Media.



Miltra, A. (2000). *Fundamentals of Quality Control and Improvement* (2nd Ed.), New Delhi: Prentice-Hall of India.

Neuman, W.L. (2000). *Social Research Methods* (2nd Ed.), London: Allyn & Bacon.

Olawale, F. & Garwe, D. (2010). 'Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach', *African Journal of Business Management*, 4(5), 729–738.

O' Sullivan, J. & Russel, P. (1995). *Theory and Research in Administration*. New York: McMillan.

- Otti, L.R. (1993). *An Introduction to Statistical Methods and Data Analysis*. (4th Ed.). California: Wadsworth Publishing Company
- Paneerselvam, R. (2004). *Research Methodology*, New Delhi: Prentice-Hall of India.
- Polit, D.F. & Hungler, B.P. (1999). *Nursing Research: Principles and Methods*, Philadelphia: Lippincott.
- Phusavat, K. (2013). *Productivity in an organisation, Measurement and Analysis*, London: To know press
- Rubin. A. & Babbie, E. (2001). *Research Methods for Social work*, Wadsworth: Thomson Learning.
- Saunders, M., Lewis, P. & Thornhill, A. (2004). *Research Methods for Business Students* (3rd Ed.), Singapore: Pearson Education Limited.
- Sekaran, U. (2000). *Research Methods for Business. A skill-Building Approach*, (3rd Ed.), New York: John Wiley & Sons Inc.
- Shi, Z. (2011). 'Foundations of Intelligence Science', *International Journal of Intelligence Science*, 1(1), 8–16. <http://dx.doi.org/10.4236/ijis.2011.11002>
- Shih, M., Liu, D.R. & Hsu, M. (2010). 'Discovering competitive intelligence by mining changes in patent trends', *Expert Systems with Application*, 37(4), 2882–2890. <http://dx.doi.org/10.1016/j.eswa.2009.09.001>
- Skidmore, D. (2004.) *Discourse*. In: Mitchell, D. R., ed. *Special Educational Needs and Inclusive Education: Major Themes in Education*, London: RoutledgeFalmer.
- Strydom, H. (2002). *Research at Grass Roots: For the Social Sciences and Human Service Professions*, (2nd Ed.), Pretoria: Van Schaik.
- Slack, N., Chambers S. & Johnston, R. (2010). *Operations Management* (6th Ed.), New York: Prentice Hall.

The EY enterprise barometer (2013). The power of three, together government, entrepreneurs and corporations can spur growth across G20. EYgm Ltd.

Ungerer, M. (2007). 'A comparative analysis of strategy disclosure reporting trends in South Africa in 2010', *Southern African Business Review*, 17(3), 2013 44-55

Viale, D. (1996). *Basics of inventory management*, USA: Axzo Press



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
MAFIKENG CAMPUS

**Graduate School of Business and
Government Leadership (GSB&GL)**

Private Bag x 2946, Mmabatho
South Africa, 2735
Tel: 018-389 2437 Fax: 018-389 2335
Email: Graduateschool@nwu.ac.za

28 September 2015

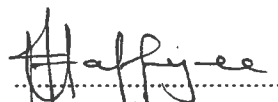
To whom it my concern

Permission to conduct research- Mr N Lekaowa -MBA student

This letter serves to introduce Mr N Lekaowa who is presently a registered student for Master in Business Administration (MBA) programme at the Graduate School of Business and Government Leadership of the North West University. He is conducting a research project on, "**Factors that hinder small business growth/survival in Rustenburg**" towards a partial fulfillment of his MBA programme.

In this regard, your office is requested to afford him full co-operation to conduct this research. In particular, Mr N Lekaowa requires permission to access information, data or even to distribute questionnaires.

Your cooperation will be highly appreciated.


Ismail Haffejee
Research Unit



Declaration

This is to declare that I, Annette L Combrink, accredited language editor and translator of the South African Translators' Institute, have language-edited the mini-dissertation by

JN Lekaowa (22577572)

With the title

Factors that hinder small business growth/survival in Rustenburg



**NWU
LIBRARY**

Prof Annette L Combrink

Accredited translator and language editor

South African Translators' Institute

Membership No. 1000356

Date: 4 December 2015

QUESTIONNAIRE FOR SUPPORTING AGENCIES

Dear Respondent

I am carrying out a survey as part of my studies with North-west University. The purpose of this questionnaire is to gather data on **Factors that hinder small business growth/survival in Rustenburg**. This is purely an academic research and all response you provide will be treated in strict confidence.

INSTRUCTIONS

Do not write your name

Tick in the box that describe your opinion

Give details where you are required to do so

SECTION A

1. Sex

Male

Female

2. Race

African

White

Indian

Other, specify.....

3. Highest professional qualifications

Matric

NQF 3

NQF 4

Diploma

Degree

4. Working experience

0-5 years

6-10 years

11-15 years

16-20 years

21+

5. Position

Independent Consultant

Government Agent

Other

Other, specify.....

QUESTIONNAIRE FOR OWNERS/ MANAGERS

Dear Sir/Madam

I am carrying out a survey as part of my studies with Northwest University. The purpose of this questionnaire is to gather data on **Factors that hinder small business growth/survival in Rustenburg**. All information you provided will be treated as strictly confidential. This is purely an academic research and all responses you provide will be used for this purpose.

INSTRUCTIONS

Do not write your name

Tick in the appropriate box that describe your opinion

Give details where you are required to do so\

GENERAL INFORMATION: SECTION A

1. Sex Male
 Female

2. Race African
 White
 Indian
 Other, specify.....

3. Highest professional qualification
Not Matriculated
Matriculated
Diploma
Degree

4. Working experience
Less than 1 year
2 years
3 years
5 years
More than 5 years

5. Position
Owner
Manager
Other, specify

6 Average Annual Turnover
Less than R100k
R100K-R500K

8. Do you monitor staff absenteeism?

Yes

No

9. Do you calculate waste percentage?

Yes

No

10. Give any challenges which you face in your business.....

.....

.....

.....

.....