

A Support Framework for SMME Success in the Eastern Cape Province, South Africa

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DECLARATION

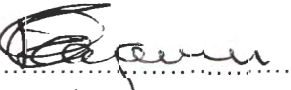
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November 2017

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ABSTRACT

Policy makers and researchers are in agreement to the fact that entrepreneurship is crucial for the development of any economy, and therefore it is seen as the economic engine of many countries. Majority of entrepreneurs operate as small, micro and medium enterprises (SMMEs) and they contribute significantly to employment creation, gross domestic product (GDP), poverty reduction and equitable distribution of income in both developed and developing countries. The main purpose of this study was to develop a support framework for the success of SMMEs in the Eastern Cape province of South Africa.

The secondary objectives of this study were to determine the effect of financial and non-financial support on the success of the business as well as determining the perceptions of SMMEs on the relevancy of SMME support from both the private and public sectors. Furthermore, the study determined if monitoring and evaluation of SMMEs performance is done after training as well as ascertaining if successful SMMEs plough back to the SMME sector. A post-positivistic paradigm was adopted and a mixed method research design was followed in conducting this research. A census of three hundred and fifty SMMEs registered in the Eastern Cape Development Agency formed part of the research population. The Statistical Package for Social Sciences (SPSS) was used to analyse data. Descriptive statistics, t-test, Chi-Square tests, Pearson Correlation, simple linear regression and multiple regression were used to analyse data. It was found that there is a significant relationship between financial support given by the public sector and SMME success used in the model however, there is no significant relationship between non-financial support given by the private and public sector and SMME success used in the model, there is concurrence in business interventions delivered by private and public sector institutions and SMMEs needs used in the model, a gap exists between SMME expectations and support provided by both the public and private sectors, monitoring and evaluation of business success after intervention and support by the private and public sector is not done and the majority of SMMEs (95%) highlighted that do not plough back to the public and private sector. These results are useful for the development of the SMME sector, which is important to South Africa. Some recommendations, including the new SMME support framework were provided to entrepreneurs, aspiring entrepreneurs, public and private sectors.

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LIST OF AYCROMOM

ABSA	Amalgamated Banks of South Africa
AMFISA	Pro-Poor Micro Finance Institutions for South Africa
BERR	Business Enterprise and Regulatory Reform
BBBEE	Broad Based Black Economic Empowerment
CSDF	Corporate Small Business Development Forum
CIPRO	Companies and Intellectual Property Registration Office
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Agency
EU	European Union
FDC	The Free State Development Corporation
FNB	First National Bank
GEM	Global Entrepreneurship Monitor
GEDA	Gauteng Economic Development Agency
GEP	Gauteng Enterprise Propeller
GDP	Gross Domestic Product
HDI	Historically Disadvantaged Individuals
IDP	Integrated Development Plan
IDPF	Industrial Development Policy Framework
Khula	Khula Enterprise Development Fund
LED	Local Economic Development
LIBSA	Limpopo Business Support Agency
LimpDev	Limpopo Economic Development Enterprise
MIF	Micro Finance Institutions
MFSA	Micro Finance South Africa
MEGA	Mpumalanga Economic Growth Agency
MFIs	Micro finance institutions
NGO	Non-Governmental Organisations
NEDBANK	Netherlands Bank of South Africa Limited
NCR	National Credit Regulation
NBFI	Non-Bank Financial Intermediaries
NCEDA	The Northern Cape Economic Development Agency
NGOs	Non-Governmental Organisations
NYDA	National Youth Development Agency

OECD	Organisation for Economic Cooperation and Development
P-O - L- C	Planning Organising Leading and Controlling
POSDCORB	Planning Organising Staffing Directing Coordination Reporting Budgeting
RBT	Resource Based Theory
RBV	Resource Based View
SETA	Sector Education and Training Authority
SQAM	Supplier Quality Assurance Manual's
SEDCO	Small Enterprises Development Corporation
SMME	Small Micro Medium Enterprises
SME	Small and Medium Enterprises
STATS SA	Statistics South Africa
SABC	South African Broadcasting Corporation
Seda	Small Enterprise Development Agency
SADC	Southern African Development Community
TEA	Total Entrepreneurship Activity
USA	United States of America
WCDEDT	Western Cape Department of Economic Development and Tourism
WTO	World Trade Organisation
WB	World Bank



CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

The economic growth of developing economies could be fostered and enhanced by the expansion of the private sector, since this sector is the engine of economic growth. Therefore, it is essential to accelerate the success of Small, Micro and Medium Enterprises (SMMEs) in order to achieve sustainability in this sector of the economy. SMMEs emerged during the 1970s and 1980s as the new rescuers of industrialised economies and it was only at the beginning of the 1990s that detailed strategies were deliberately directed at the improvement of economic conditions for SMMEs. These strategic developments became a novel subject that was ranked high on the political agenda in South Africa. Recently, much has been done to create and improve the business environment for SMMEs in the country.

A series of specific and suitable legislation has been introduced to support stability and growth of SMMEs and to address some of the specific difficulties they face. This intervention is essential since research indicates that the rate of failure of SMMEs is specifically high within the first years after inception. More than 85 per cent of SMMEs face significant survival challenges, and in the face of these challenges there is need for a dynamic SMME sector development plan that assigns priority to the promotion of entrepreneurship and small business development for economic growth in developing economies. On the cusp of this narrative, scholars and researchers also began to concentrate on various but specific aspects of SMME development and success.

This chapter provides the introduction and background to the study. It further highlights the problem statement of the study as well as the research questions and objectives. It subsequently provides the hypothesis, the conceptual framework, theoretical framework and also an overview of the research methodology utilised in this research.

1.2 Background to the study

Many SMMEs are unable to achieve their business goals by themselves. They need support and resources from different stakeholders both internal and external, such as government and private institutions and also from close associates who might be friends and relatives. The role of SMMEs is increasingly recognised all over the world in terms of their capacity for employment creation, social development and economic growth. Yet, the full potential of SMMEs remains untapped. According to the National Planning Commission (2011), SMMEs were identified as labour intensive and less capital intensive since little capital is needed for them to operate and they often use local resources. Therefore, in a country with a growing and developing economy such as South Africa, channelling resources towards the SMME sector ultimately leads to a range of benefits for the entire South African population and economy.

According to Statistics South Africa (Stats SA, 2015), the SMME sector currently contributes approximately 42% to South Africa's Gross Domestic Product (GDP) and accounts for 60% employment, as well as providing an incubator and breeding ground for entrepreneurship and innovation. Therefore, it is important to understand what contributes towards SMME success and linking it these contributions to enhancing successful enterprises. The National Treasury (2015) indicates that job creation, wealth generation and improved standards of living for all South Africans are major issues that are capable of transforming the South African economy. However, Machirori and Fatoki (2013:115) point out that existing large firms and the public sector have been unable to solve major economic problems, hence the importance of the SMME sector as a contributor to resolving the economic crisis should be acknowledged.

The number of SMMEs in South Africa increased over the past seven years by only 3% from 2.18 million in the first quarter of 2008 to 2.25 million in the fourth quarter of 2015 as reported (Stats SA, 2015). This growth is significantly less than the 14% growth expansion in GDP over the same period. Amongst the provinces, Limpopo holds the highest growth rate in the number of newly registered SMMEs (34%), followed by Gauteng (14%). Even though the new SMME growth has declined in comparison to economic growth, SMMEs' contribution to GDP has increased, justifying the conclusions that SMMEs contribute to social development and economic growth in both developed and developing economies.

Given the important role of SMMEs in various economies, developing countries often take a favourable position towards SMME development. South Africa responded to the needs of SMMEs through the National Strategy and Promotion of Small Businesses in South Africa, as stipulated in the White Paper of 1995. According to this strategy, small businesses are to be developed as there is a need to create an enabling environment at both national and local level. However, according to SME South Africa (2015), a major concern during the past decade has been the difficulty of transforming SMMEs into large firms, both regionally and globally.

According to the Global Entrepreneurship Monitor Report (GEM) (2015), the top performing African economies with regards to entrepreneurship are Botswana and Senegal with a total entrepreneurship Activity (TEA) of 33% and 38.6% respectively, and South Africa's TEA rate continues to lag behind at only 9.2%. According to this report, a country at South Africa's level of economic development is expected to have a TEA rate in the range of 13%. This therefore paints a bleak picture of the SMME sector's current potential to meaningfully contribute to economic growth, job creation and more equal income distribution in South Africa. In spite of this encumbrance, there seems to be a growing optimism around entrepreneurship and the transformation of new SMMEs into established businesses.

In South Africa, the ability of SMMEs to create jobs is clearly a major attraction for both public and private sector investors. Therefore, there is a dire need for supporting SMMEs so that they can grow and flourish (Booyesen, 2011:67). One major challenge in business support interventions for SMMEs in South Africa is a lack of emphasis on the crucial areas that enhance the success rate and sustainability of SMMEs (Mashombo, 2014:5; Pergelova & Angulo-Ruiz, 2014:663). Given the relative scarcity of the typical SMME achieving substantial growth, academics, management experts and government have been keen to discover ways in which SMME success could be encouraged (Fin Mark Trust, 2010).

Given that an alarming percentage of SMMEs is unsuccessful, it is relevant to investigate the causes of poor performance and failure faced by SMMEs. According to Gray, Saunders and Goregaokar (2012:573), the failure of SMME is an important area for research and they rightly state that no policy can be formulated for SMME without a central understanding of how the business malfunctions. This comprises the identification of major problems that impede SMME performance. Numerous research studies have been done on the success and growth factors of new firms (Fatoki, 2012:179). In contrast, little has been done to examine factors contributing towards the poor performance and failure of established SMMEs in developing economies.

Against this background, the objective of this study is to identify a new paradigm for the success of SMMEs. Literature abounds with research on the factors that affect the success of SMMEs and some scholars refer to factors such as social capital, human capital and financial capital, as well as keeping up with developments relevant to business success. Other researchers refer to psychological factors, education, experience and founding team composition as the major factors to SMME success. There are also those scholars that refer to entrepreneurial variables, industry structure variables, business strategy variables, resource variables, organisational structure, systems and process variables as the major SMME success factors. All these scholars, in essence, agree that the success of SMMEs depends on supporting structures which are interconnected and sustainable. Thus, a sophisticated and well developed Small Micro and Medium Enterprise support structure is bound to yield improved success rates for SMMEs in South Africa.

1.3 Research Problem

Nurturing small enterprises into medium enterprises with the principal objective of enhancing job creation in South Africa has become a top priority both for the government and the SMMEs. However, a key challenge lies in the business skills required to grow the small enterprises through the various stages of business transformation (Lampadarios, 2015:32).

According to the Department of Trade and Industry (DTI, 2015), five out of seven SMMEs in South Africa fail within one year of operation. In addressing the problem of the unsatisfactory success rate of SMMEs, government and the private sector crafted numerous SMME development support programmes with some being paid for and some are provided for free to SMMEs. One of the typical challenges in Business Management research is the contribution of both the public and private sector to SMME success and development. Therefore, there is need to scrutinise the impact and relevance of public and private sector support for SMMEs in South Africa. The disturbing situation of the high failure rate of SMMEs as highlighted in the Global Entrepreneurship Monitor Report (GEM, 2015) also indicated that this situation could possibly be minimised through the right type of intervention at the right time by relevant stakeholders. One of the greatest difficulties confronting policy makers is how best to develop an approach for SMMEs that achieves a sufficient degree of co-ordination between the supply effort and demand potential. Hence the research problem of this study focuses **on developing a proposed framework to identify the support intervention required in order to reduce the failure rate of SMMEs in South Africa.**

Although the effect of business support intervention has been investigated in the past, the concocted strategies have not been appropriately contextualised to the South African reality and it is essential to re-look at the contextual complexities of both the private and public sectors in the nation so that a framework is advanced to ameliorate the SMME business landscape over time. Furthermore, the need to create successful small businesses calls for new methods of evaluating the impact and relevance of both the public and private sector business support interventions directed at the SMMEs. Therefore, it is inaccurate to assume the relevance, applicability and validity of public and private sector support in an SMME context without re-examining the business intervention models over time and across different provinces in the country. In order to answer the research problem, the main research question and sub-questions provide the basic structure of this study.

1.4 Research question

To assist in answering the research problem, this section discusses the research questions emanating from the research problem addressed by this study.

What type of support is needed for the sustainable development of SMMEs in South Africa?

SMMEs are established to foster economic growth and development in an economy. However, the fact that too many of these businesses are unsuccessful should be seriously considered because of the adverse effect they have on the economy in the short and long run (Nkonge, 2013:194; Lampadarios, 2015:32). The support and promotion of SMMEs over the years has become a major priority in South Africa. However, one major challenge in business support interventions for

SMMEs in South Africa is a lack of emphasis on the contingencies that improve the success and sustainability of SMMEs in South Africa (Mashombo, 2014:5; Pergelova & Angulo-Ruiz, 2014:663).

Therefore, it is imperative to develop a framework for defining the right type of support that is needed to improve the SMME success rate and thus bolster the effectiveness of public and private sector business support interventions. In particular, there is need to take a closer look at the application of the Business Management model for the provision and development of SMME support programmes by both the government and the private sector.

1.5 Research sub questions

In order to answer the main research question of this study, the following are the sub-research questions addressed by this study.

- 1) How relevant is the business support provided by both the private and public sector to the success of SMMEs in South Africa?*

The quality of the support provided to SMMEs from both the public and private sector is very important for the success of SMMEs. Therefore, there is a need to evaluate the manner in which business support interventions, as perceived by SMMEs, and the relevance of these support interventions to the success of SMMEs using a demand side approach.

This study determines if there is a mismatch between the supply and demand of SMME business support interventions. There is need to evaluate the relevance of the available support that SMMEs receive in comparison to the success rate of SMME businesses.

Are SMMEs receiving applicable support in respect to the right functional areas of business, for the proper duration, at the correct stage of the business life cycle and by the relevant people?

One of the greatest difficulties confronting policy makers is how best to develop an approach for SMMEs which achieves a sufficient degree of co-ordination between supply effort and demand potential. There is thus a need to evaluate the available functional support SMMEs receive compared to what they actually need to improve the success of their businesses. Thus, this study formulates a framework that could be used to gauge the support needed to improve the success rate of SMMEs in South Africa to the benefit of policy makers, researchers, academia, and ultimately the business community in South Africa.

- 2) How do government and the private sector monitor business success and performance of SMMEs after business intervention and support?*

It is necessary to determine if there are any monitoring and evaluation tools used to track the performance of SMMEs after receiving support. This is bound to assist SMMEs and service providers in determining the need for retraining of SMMEs who would still exhibit a lack in

particular skills, and the need to provide new skills to those SMMEs who would have shown improvement.

3) *How could government and the private sector get SMMEs to plough back after successful business intervention?*

Due to the substantial investment government and the private sector make in the SMME sector, it is imperative to determine if there are any mechanisms where successful SMMEs plough back into the sector through sharing experiences and best practices in order to improve the business success with other SMMEs who need support.

Providing answers to the above questions should assist in understanding the underlying factors influencing SMME success in South Africa and to construct a workable conceptual framework that could be used to improve the success rate of SMMEs in South Africa.

1.6 Objectives of the study

In order to create a clear link between the research problem and research questions, this section deals with the research objectives pertinent to this study.

1.6.1 Primary objective

The main objective of this study is to:

- develop a framework which could be used as a theoretical and practical basis to drive and improve business support intervention and the success rate of SMMEs in South Africa.

1.7 Secondary objectives

The primary objective of the study is achievable through the attainment of the following secondary objectives, which are set to:

- examine the effect of financial support (from both public and private institutions) on the overall success of SMMEs.
- determine the impact of non-financial support (from both public and private institutions) on the overall success of SMMEs.
- establish and ascertain how SMMEs in South Africa perceive the relevance of business interventions (from both the private and public sector) on business success.
- establish if SMMEs receive support in all functional areas at the right stage of business development from both the private and public sector.
- assess if a gap exists between SMME expectations and the support provided by both private and public sector.

- identify if monitoring and evaluation of SMME performance after business intervention and support (by both public and private institutions) takes place.
- determine if successful SMMEs plough back into the private and public sector after their own success.
- compare the South African SMME business support interventions with international best practices for SMME support and provide policy recommendations on an effective SMME business support intervention model.

1.8 Hypotheses of the study

A hypothesis is a statement that can be proved or disproved. It is typically used in quantitative research and predicts the relationship between variables. When conducting quantitative research, the researcher seeks to answer a research question or hypotheses that set at the beginning of an investigation. Thus having well-defined hypotheses is a key factor in the research process of a quantitative study because this ensures the right construct is tested. Furthermore, hypotheses make it easier to communicate the results of a research study (Gill & Johnson, 2010).

This study used hypotheses to state specific relationships between variables in such a way that the relationships can be empirically tested. Furthermore, the hypotheses were used to validate the theories used in the research and to allow logical analysis of relationships of variables so as to deduce of the interplay of those variables other than those stated in theory. According to Bradly (2010), two-sided hypotheses should be used unless there is a good justification for using a 1-sided hypothesis. Thus, the justification why this study adopted two-sided hypotheses.

The following are the hypotheses of this study:

H_{01a} There is no significant relationship between financial support given by the public sector and SMME success.

H_{1a} There is a significant relationship between financial support given by the public sector and SMME success.

H_{01b} There is no significant relationship between financial support given by the private sector and SMME success.

H_{1b} There is a significant relationship between financial support given by the private sector and to SMME success.

H_{02a} There is no significant relationship between non-financial support given by the public sector and SMME success.

H_{2a} There is a significant relationship between non-financial support given by the public sector and SMME success.

H_{02b} There is no significant relationship between non-financial support given by the private sector and SMME success.

H_{2b} There is a significant relationship between non-financial support given by the private sector and SMME success

H_{03a}: There is no concurrence in business interventions delivered by public sector and SMMEs needs.

H_{3a}: There is concurrence in business interventions delivered by public sector and SMMEs needs.

H_{03b}: There is no concurrence in business interventions delivered by private sector and SMMEs needs.

H_{3b}: There is concurrence in business interventions delivered by private sector institutions and SMMEs needs.

H_{04a}: There is no statistically significant relationship between the functionality score of intervention and SMME performance.

H_{4a}: There is a statistically significant relationship between the functionality score of intervention and SMME performance.

H_{04b}: Functionality score of SMME intervention is not the same for public and private sector institutions.

H_{4b}: Functionality score of SMME intervention is the same for public and private sector institutions.

H_{05a}: Monitoring and evaluation of business intervention and support by the public sector does not have any effect on SMME success.

H_{5a}: Monitoring and evaluation of business intervention and support by the public sector does have any effect on SMME success.

H_{05b}: Monitoring and evaluation of business intervention and support by the private sector does not have any effect on SMME success.

H_{5b}: Monitoring and evaluation of business intervention and support by the private sector does have any effect on SMME success.

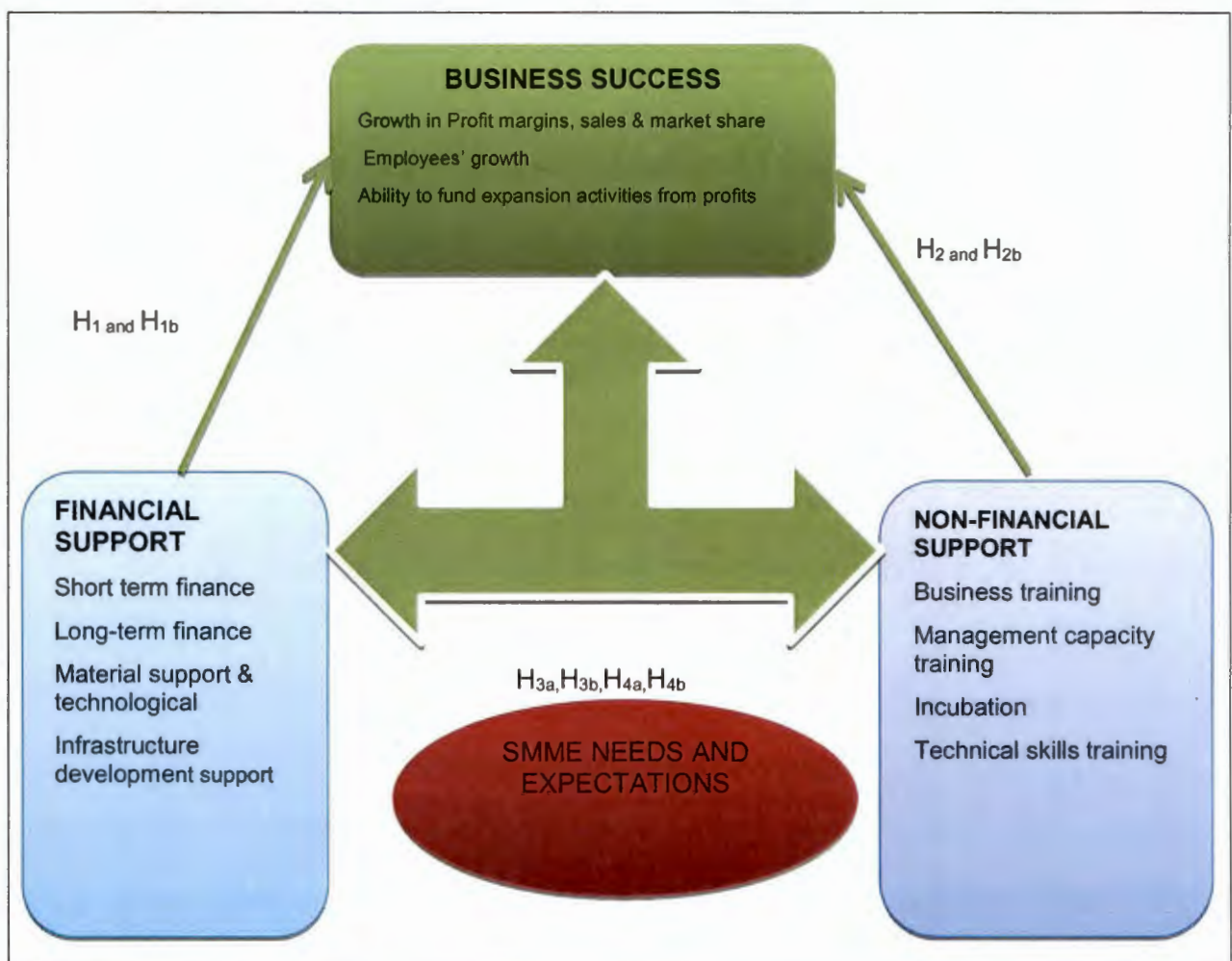
H₀₆: SMMEs who received support from the public sector do not plough back the same as those supported by the private sector.

H₆: SMMEs who received support from the public sector do plough back the same as those supported by private sector.

1.9 Framework

The dependent variable for this study is success/performance and it is measured using profitability, sales growth, employee growth and period of operation. Ganotakis (2010:12) argued that growth is an essential indicator of firm performance and success.

FIGURE 1.1 FRAMEWORK OF THE STUDY



To measure SMME performance, the following growth indicators were adopted namely: growth in sales, growth in market share, growth in employees, growth in profitability, increase in profit margins and the ability to fund expansion activities from profit. These indicators are preferred as they highlight the effectiveness of a business in expanding in existing markets or opening new markets. Financial performance is often measured through profit measures such as return on assets and return on sales. Profit measures shed light on the operational efficiency of a business.

The independent variables for this study are financial and non-financial support. The financial support variables were adopted from the resource based theory and the non-financial support variables were adopted from the human capital theory. The measurement scales for financial support variables were adapted from Chilya and Roberts-Lombard (2012:465) and Machirori (2012).

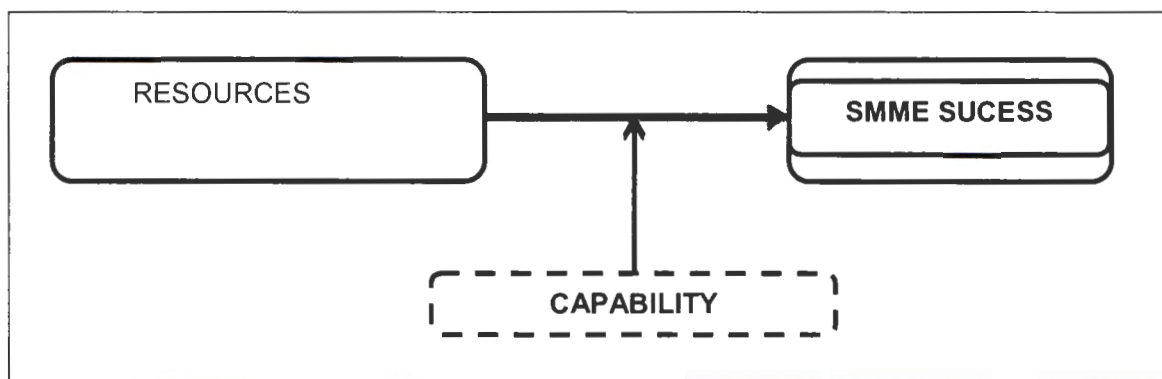
1.10 Theoretical background

A theoretical background is provided to formulate the structure that holds a theory of a research study. This section provides the theoretical framework that explains why the research problem under study exists. The following discussion provides the theoretical background to this study.

1.10.1 Resource Based Theory

The Resource Based Theory suggests that business resources and capabilities influence the growth and performance of a business. The Resource Based Theory emphasises the importance of resources and the capabilities of a business (Davis & Cobb, 2010:21) as illustrated in Figure 1.2.

FIGURE 1.2 RESOURCE BASED THEORY



Source: Geoffrey & Christos, (2015:321)

For sustainable competitiveness, businesses should have their own resources and capabilities that cannot be imitated by other businesses. This business-specific ability is important, as well as its technological and managerial environment. Resources include financial assets, manufacturing

equipment, brand name, technological knowledge, marketing know-how, and management skills. Capabilities refer to special abilities of efficiently managing, utilizing and increasing business-specific resources. The more business-specific resources and capabilities a business professes to hold the more valuable the business is compared to competitors. Therefore, businesses that have competitive resources could enter a new market easily. Using these resources and capabilities, businesses have advantages in entering the market and gaining more profit (Geoffrey & Christos, 2015:321).

The Resource Based Theory offers a background to explain how businesses could identify appropriate measures to overcome growth impediments, have improved access to technology resources, infrastructure, manpower resources, financial resources, natural, manpower, and access to the market. Thus, SMMEs have to develop and maintain long-term relationships with their suppliers and customers in order to achieve the required resources which are critical for their survival and success.

1.10.2 Human Capital Theory

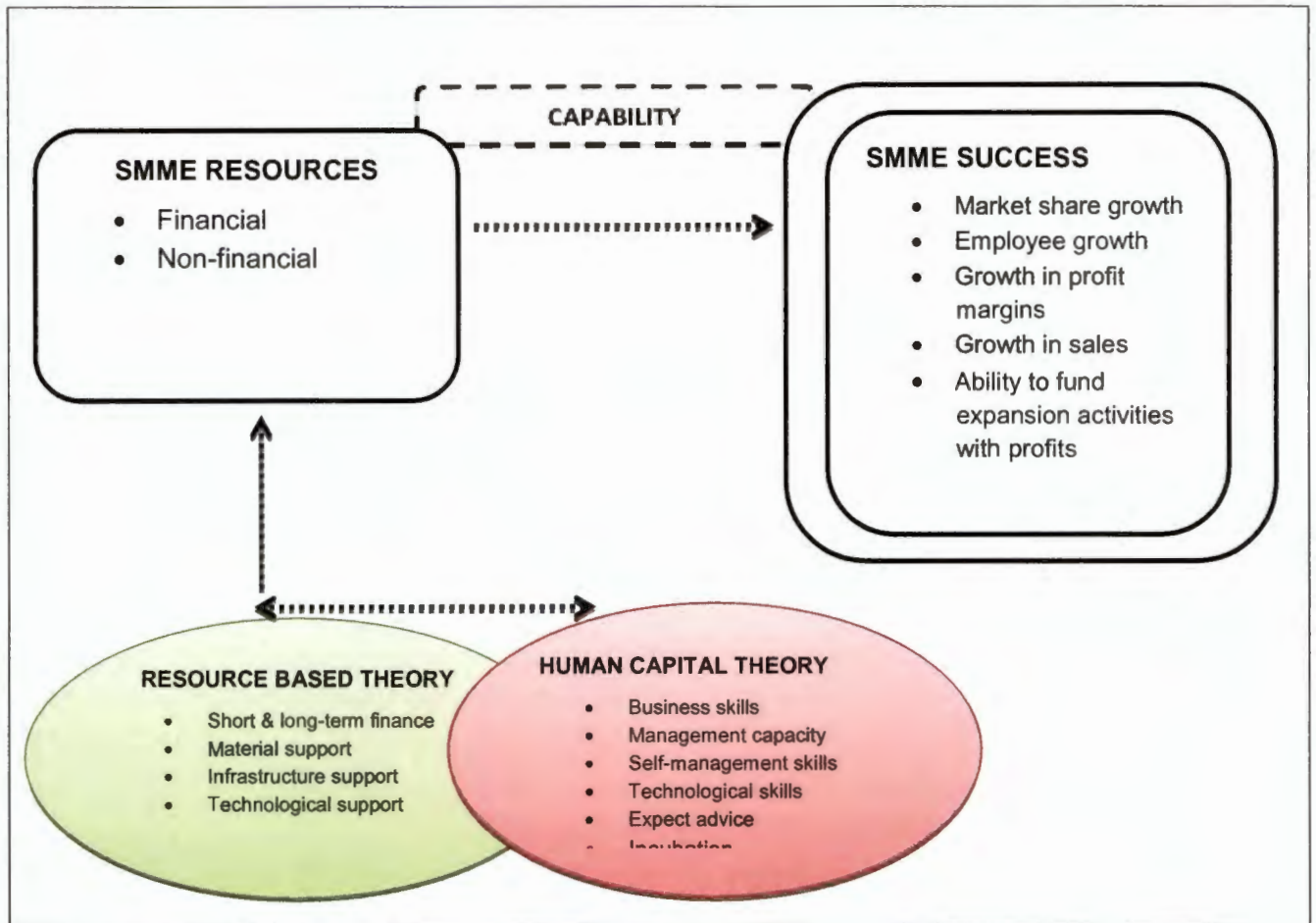
The Human Capital Theory was developed by Becker in 1964 (as cited by Madya 2015:59) and deals with adding value to human resources. The concept of human capital is equivalent to the concept of capabilities as defined in the Resource Based Theory. The Human Capital Theory encompasses the formal education, experience, gender, age, skills and knowledge of entrepreneurs and is developed through education, training and personal experience. From the economic perspective, human capital is as important as physical resources such as land, factories and machines, and one could invest in human capital as in any other resources. According to this theory, explicit and codified knowledge and skills can be transferred. However, although human capital may be substitutable, it is difficult to transfer because it is connected to experiences within a specific business. Human capital has proven vital to the creation of successful businesses, as well as their performance, growth and survival in both developed and developing economies.

This theory is relevant to this current study since a closer look is taken at the contribution of both non-financial and financial support in terms of SMME success. Under non-financial support, human capital is one of the variables to be tested.

1.10.3 The theoretical framework of the study

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical assumptions. The theoretical framework is the structure that directs a research study. The key variables for this study are highlighted in Figure 1.3.

FIGURE 1.3 THEORETICAL FRAMEWORK OF THE STUDY



Source: Geoffrey & Christos (2015:321)

The Resource Based Theory and the application of the Human Capital Theory cannot be separated. The main argument is that, in gaining access and utilizing specific resources, businesses need to establish suitable locations, construct strategic alliances or networks in a group of businesses. This facilitates the accrual of critical mass needed to create support infrastructure. These theories also emphasise the role of supporting businesses as agents for facilitating the development of business clusters and networks, thereby improving technology flow. Furthermore, the context of economic transition in South Africa requires a conceptual framework in order to examine how SMMEs could pool resources together and effectively seek support from government and institutions (both private and public) to sustain SMMEs and to create a favourable business environment for their sustained growth and development.

A study on SMME success and business supporting strategies clarifies the difficulties SMMEs face in South Africa and provides an understanding of the support structures that could improve SMME development in developing countries. It is thus argued that a well-defined support framework for both the private and public sector could improve the success rate of SMMEs.

The role of resources in SMMEs' success is indisputable and the argument provided above indicates that there is an association between human capital resources and other physical resources in a business. Theories suggest that SMMEs prefer to use internal resources from human skills, assets and financing.

1.11 Research methodology

The ontological assumption that is taken for this study is the objectivity perspective of viewing reality. It is assumed that reality exists independently of its comprehension and it is possible to establish and explain universal principles and facts through robust and replicable methods. Therefore, objectivity and neutrality are observed as far as possible in the interpretation and presentation of this research.

The post-positivist approach is followed due to the nature of this study. The research focuses on factors and causality and fundamental laws which call for a post-positivist approach. Furthermore, because the study has hypotheses that need to be tested, the post-positivist approach is the most suitable. In this study, the researcher remains independent from the phenomena that are researched.

1.11.1 Information types and sources

There are two types of data researchers use when conducting research. Both primary and secondary data is used for this study.

1) Primary data

Primary data was collected directly from a research population through fieldwork. For the purpose of this study, primary information was obtained by means of a survey and a self-administered questionnaire.

2) Secondary data

The sources of secondary data that were utilized for obtaining information required for this study are contained in published and electronic form such as:

- Academic books
- Research journals
- Databases and electronic thesis.

1.11.2 Population

This section discusses the target population of this study as well as the population frame and criteria.

1) Research population

This research seeks to establish the relevance and effectiveness of business support intervention for SMMEs from the demand side by looking at the support provided to SMMEs by the public and private sectors. The population for this study are formal SMMEs in the Eastern Cape province of South Africa. The Eastern Cape was chosen because it is one of the provinces with low levels of SMME growth (Stats SA, 2015). Also, the province has two metropolitan municipalities and six district municipalities that host both urban and rural SMMEs. The Eastern Cape Development Corporation (ECDC) indicated that there are 350 formal active and registered SMMEs conducting business activities under their jurisdiction. This study is delimited to this population frame because it only looks at the formal sector.

2) Population frame

The population list provided by ECDC served as the sample frame for this study. The sample frame consisted of registered SMMEs in the formal sector of the Eastern Cape.

3) Population size

The research frame contains the names and contact details of 350 SMMEs registered with ECDC. A census was undertaken and due to the number of SMMEs formerly registered this enabled:

- (i) a true measure of the population (no sampling error);
- (ii) benchmark data may be obtained for future studies; and
- (iii) detailed information about small sub-groups within the population is available.

4) Accessibility of respondents

The researcher liaised with different municipalities and the local Chamber of Commerce dealing with SMMEs to obtain access to SMME representatives who acted as respondents during training and business expos.

1.11.2 Research instrument

Because of the objective ontology and a positivist epistemology, the quantitative approach was deemed suitable for this study. In this case, the research approach commenced with a theoretical background to the research topic and then derived testable hypotheses from it.

A questionnaire survey was used to collect data from respondents. A structured format was used and the same questions in the same order were asked to different respondents to create a database of answers for analysis. A survey allows the exploitation of the natural variation in variables and establishes associations. The measurement scales used in the questionnaire were adopted from tried and tested instruments after an extensive literature review. Only measurement scales with a Cronbach's Alpha of more than 0.70 were adopted.

1.11.3 Data analysis

The analysis of data was done with the help of a statistician. In addition, the Statistical Package for Social Sciences (SPSS) version 24.0 for Windows was used for data analysis. To summarise and describe data the researcher used descriptive statistics. The Pearson correlation test was used to test the strength and skewness of the relationship between variables in accordance with the objectives of this study. Inferential statistics to test the hypotheses were in the form of tests from means, notably the t-Test (to compare means of variables) and the Anova test to compare variation within and between two or more variables. In addition, regression analysis (simple and multiple) was employed to obtain the prediction power of explanatory variables on the dependent variables.

SMME success is measured by profitability, growth in employees, increase in sales and period of operation and is expressed in the form of the following equation.

$$Success_i = \alpha_0 + \beta_n X_{n,i} + \varepsilon_i$$

α_0 is the value of success if all explanatory variables have a value of 0.

β_n represents the coefficients of interest. Statistical significance is observed from the p-value of each of the β values.

X is a vector of explanatory variables used in the model, from 1 up to n^{th} variable. If simple regression is tested, $n = 1$.

ε this is the error term capturing all unobservable characteristics of the SMMEs.

i this is a subscript which represents the i^{th} SMME.



1.11.4 Validity and reliability

Internal validity was sought through an extensive literature review as well as piloting the questionnaire. To ensure face, criterion-related, content and construct validity the researcher made use of a statistician and experts to assess the research instrument for theoretical and conceptual clarity as well as pre-testing the research instrument in a pilot study. In addition, all assumptions were clearly stated in order for other researchers to identify underlying assumptions following similar research. Reliability was tested using the Cronbach's Alpha test.

1.11.5 Ethical considerations

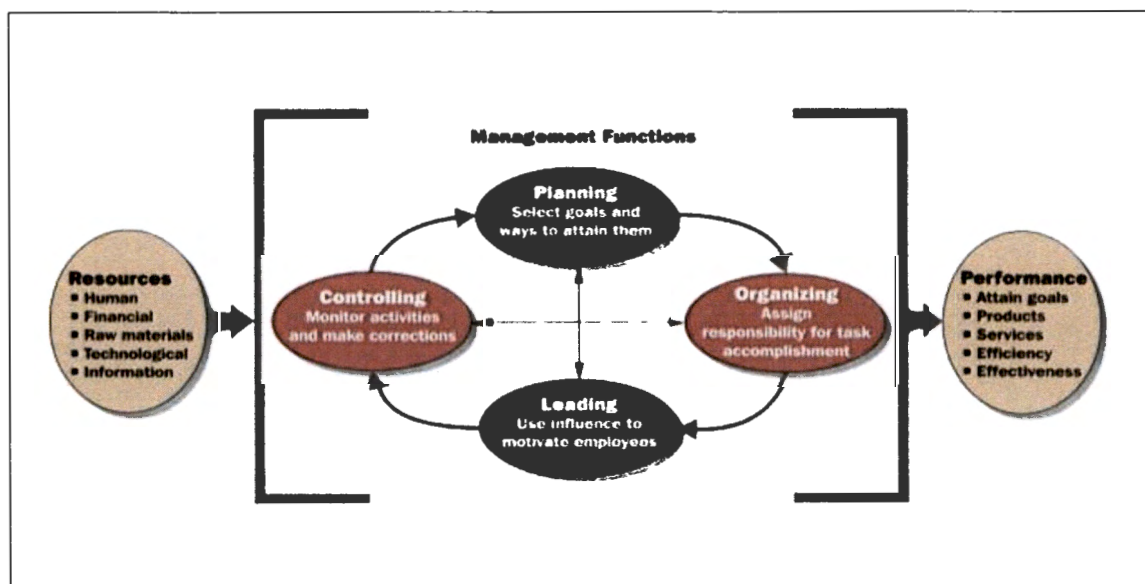
All ethical standards for this research were observed and confidentiality was maintained by keeping the data confidential and not revealing respondents' identities when reporting or publishing the study. Respondents were informed about the purpose of the study and the procedures that would be used to collect the data. Written ethical clearance was obtained from the North-West University and the ECDC and the Research Committee of the university (see Annexure A). Permission was also obtained from all participating SMME owners and/or managers. Consent from respondents was also obtained before they participated in the survey.

1.12 Contributions of this study

The main contribution of this study was developing a conceptual framework for monitoring and improving the low success rate of SMMEs in South Africa. This study used the Business Management model to develop SMME support structures by both the private and public sectors. The principles of management have been categorized into the four major functions of planning, organising, leading, and controlling, popularly known as the P-O-L-C framework as illustrated in Figure 1.4.

As SMMEs grow there is need to refine the Management Model to accommodate the functional areas that emerge in the maturation process. Therefore, the P-O-L-C framework is redefined as indicated in Figure 1.5 to show how business functions change as an SMME grows. The change in the business functions of an SMME also lead to the business requiring more resources and skilled labour which ensure the smooth running of the business, ultimately culminating in the success of a business.

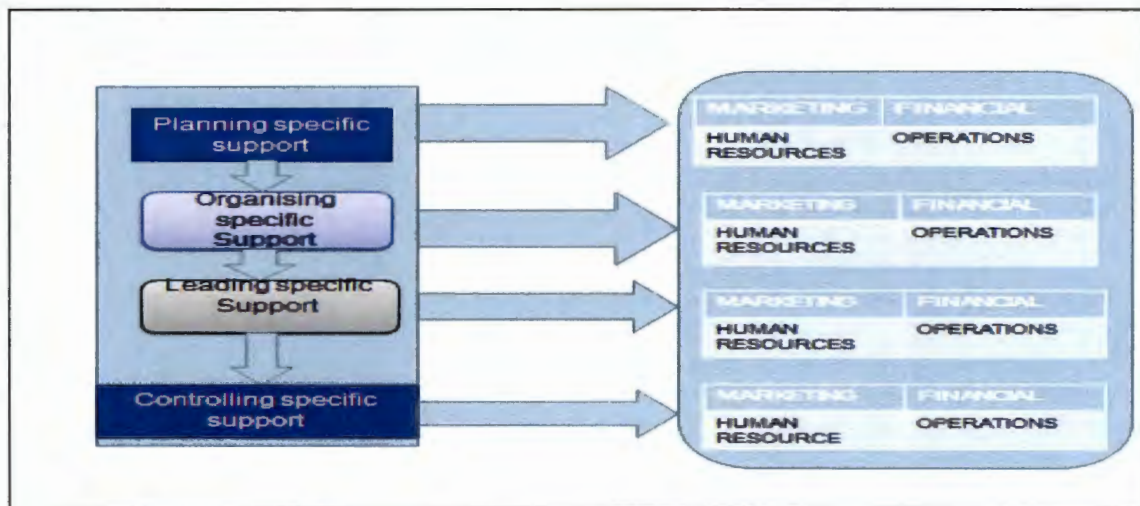
FIGURE 1.4 THE P-O-L-C FRAMEWORK/ BUSINESS MANAGEMENT MODEL



Source: Lukovic (2014:779)

This study endeavoured to develop a framework to assist the public and private sector in providing SMME support in the right order and ways to enable the monitoring and evaluation of SMME performance. Such evaluation determines the need for retraining or reasons for non-progression. Furthermore, as and when applicable, the framework is bound to assist the public and private sector in determining which support to offer and to whom, as well as establishing a synergy between the public and private sector in terms of SMME support.

FIGURE 1.5 REFINED P-O-L-C FRAME WORK



1.13 Limitations of the study

There are limitations in the scope and method of any study. This study concentrated on both the public and private sector sources of support for a closer look at the perception of beneficiaries (SMMEs) but does not incorporate the views of service providers due to time, geographical and financial constraints.

1.14 Research protocol

This section describes in detail the plan followed in conducting this study. The study protocol explains the purpose and function of the study as well as how it was carried out.

Chapter 1: Introduction and background to the study

The introduction and background of the study is discussed in this chapter, as well as the problem statement. This chapter also discusses the objectives of the study. A brief background of the theoretical framework is also given as well as the research design and method followed. The chapter ends with an exposition of the chapters that frame this study.

Chapter 2: Nature of strategic business management

This chapter delineates the nature of business management and explains the functional areas of business management. Different management models are also discussed as well as the foundational theories of this study.

Chapter 3: Small business management and development

The focus of this chapter is on the small business development support structures, in particular the rationale for business support in developed and developing countries. The types of business support programmes are discussed as well as the assessment models used in developing countries and lessons learnt. The role of the public sector in the development of SMMEs in developing countries is also discussed. The chapter also highlights the similarities and differences in respect of business support in developed and developing countries. This chapter ultimately discusses the literature review on what to measure in the study, the measurement scales used in similar studies, as well as the variables and relationships tested in line with the research objectives.

Chapter 4: Research methodology

The research design and method of this study are dealt with in this chapter. The research process is discussed, including each step followed during the research process. The data analysis procedures are also discussed as well as the variables applicable to this study. **Chapter 5:**

Research results

The research results that emanated from the primary data were statically analysed and presented in this chapter. The chapter also presents the results from the hypotheses tested and provides a summary of the results as per the objectives of the study.

Chapter 6: Conclusions and recommendations

This chapter revisits the objectives of the study and provides the conclusion to the study at hand. The chapter also discusses the recommendations emanating from the study as well as the framework developed. The limitations of the study are discussed and recommendations concerning future research submitted.

CHAPTER 2: STRATEGIC BUSINESS MANAGEMENT

2.1 Introduction

Chapter one argued that strategic business management is critical to the success of any business. Substantial evidence shows that strategic management and planning leads to increased business performance. Yet, many SMMEs do not plan and the reasons for this are not well understood. The failure and success of a business is a normal part of the business processes, however, effective strategic planning, developing good business acumen, adequate skills, mentoring and sound business principles and practices combined with a high degree of business integrity ensure that the predominant environment does not propagate a culture of failure, but rather a winning culture. That is why it is important to identify the variables that directly contribute to the success of the small business sector.

The body of academic literature on SMME management has expanded immensely and this signifies the importance of this economic activity. In particular, the role of SMMEs has been linked to technological advancement, employment creation and economic development. Volatile markets, as well as the possibilities brought about by new technologies demand strategies to ensure the contribution of small businesses. Consequently, in order to develop sustainable SMMEs that surpass the economic challenges and global competitive environment, there is a need to scrutinise the way these businesses are supported and managed.

This chapter discusses the theoretical anchor of the study. It is organised into different sections starting with the management concept by emphasising what management in a business context entails. This section provides an overview of the management discipline. This is followed by the management functions section which highlights the main functions of managers, as well as the implementation of those functions by SMME managers. The next section discusses the management framework. The framework links business resources, management functions and the output of a business. The section that follows discusses the theories underpinning this study. The last section discusses strategic management in a SMME context.

2.2 The business management concept

This section presents an overview of the history of Business Management by highlighting some business management concepts, with definitions and descriptions of various contributions by selected theorists. This explanation illustrates how the study domain of business management has developed over time and assists the reader to appreciate contemporary thinking in this regard. The formulation of policy requires an intense analysis of all factors having an impact on short and long term business results. The size of management can range from one person in a small business to multi-layered management hierarchies in large and more complex businesses. The application of

scientific principles to decision-making is called management science. Therefore, it is vital to comprehend the business management concept the business management processes and its functions.

The birth of business management as an academic field can be traced to the 1960s and in its first decades of existence, business management almost exclusively examined strategic issues in large established enterprises. Management is significant because it leads a business towards achieving goals. In today's modern society, managers and management are essential to the success of any business (Wehrich, Cannice & Koontz, 2010).

Du Toit et al. (2010) describe management as the art of making efficient and effective use of resources to achieve organisational goals. They further highlight that management involves planning, coordinating and implementing an organisation's operations in a manner which fulfils the organisation's aims. Smit et al. (2011) further define management as the skill of planning, organising, staffing, directing and controlling the business resources efficiently and effectively to achieve business goals. Schermerhorn (2011) also indicates that business management involves the process of leading and directing all or part of an organisation through the deployment and manipulation of human, financial, material and intangible resources.

Various scholars such as Du Toit et al. (2010), Wehrich et al. (2010), Schermerhorn (2011), Smit et al. (2011) and Botha and Musengi (2012) are in agreement on the definition of management and describe it as an organisational process that includes strategic planning, setting objectives, managing resources, deploying the human and financial assets needed to achieve objectives, and measuring results. When comparing the explanations given by these scholars on the meaning of management, it is evident that management functions are not only limited to managers and supervisors because every member of an organisation has some management and reporting functions as part of their job. The basic definition of Management explains that:

- As managers, people carry out the managerial functions of planning organising, staffing, leading and controlling.
- Management applies to any kind of organisation.
- It applies to managers at all organizational levels.
- The aim of all managers is the same, to create a surplus.
- Managing is concerned with productivity, which implies effectiveness and efficiency.

Comparing the views of Botha and Musengi (2012) as well as Dumbu and Chidamoyo (2012:201) it can thus be concluded that management plays a key role in improving the standard of living of the people in society through developing an ideal organisational structure and making economic use of available resources. The knowledge of management theory and practices enables managers to take a more realistic view about organisational and social problems and to discover

their effective solutions. Therefore, for the purpose of this study, management is interpreted as the combined fields of policy and administration and the people who provide the decisions and supervision necessary to implement an owner's business objectives and achieve stability and growth (Botha & Musengi, 2012).

Management includes the discipline, process, system, and collection of those involved, the activities, the roles and the functions. Collectively, all are geared towards the effective and efficient achievement of organisational goals. This is because, as stated earlier, management is universal and occurs in all spheres of life. It is practised in every kind of philosophy and it is applied at every level of an organisation in all sizes of organisations, both small and large. However, the roles of a manager in a small business differ from those in large organisations due to the very nature of a small business. Business management entails various functions and these functions facilitate achieving organisational dynamics. These functions are now be discussed in the following sections.

2.2.1 Nature of business management

Management is an important factor for the success of any organised activity. Today management is basically concerned with changes and challenges that organisations face. Management is necessary for all types of organisations, such as the public sector, the private sector, government departments, hotels, hospitals, hostels and educational institutions all require management for growth and expansion purposes (Booyens, 2011:62; Dumbu & Chidamoyo, 2012:201; Fatoki, 2014:178; Hayton, 2015).

Management principles are universal in nature and authors such as Wren and Storey (2002:334), Schermerhorn (2011) and Botha and Musengi (2012) concur that management makes use of science as well as art. These authors believe that it is a science because it collects knowledge with the methods and data, analyses and measures it and a decision is taken with the help of experimenting. They further highlight that it is a systematic body of knowledge as well as an art since it involves application of knowledge for solving various problems. Figure 2.1 provides the characteristics of management, which supports the notion that management is an art as highlighted in literature.

FIGURE 2.1 MANAGEMENT AS AN ART

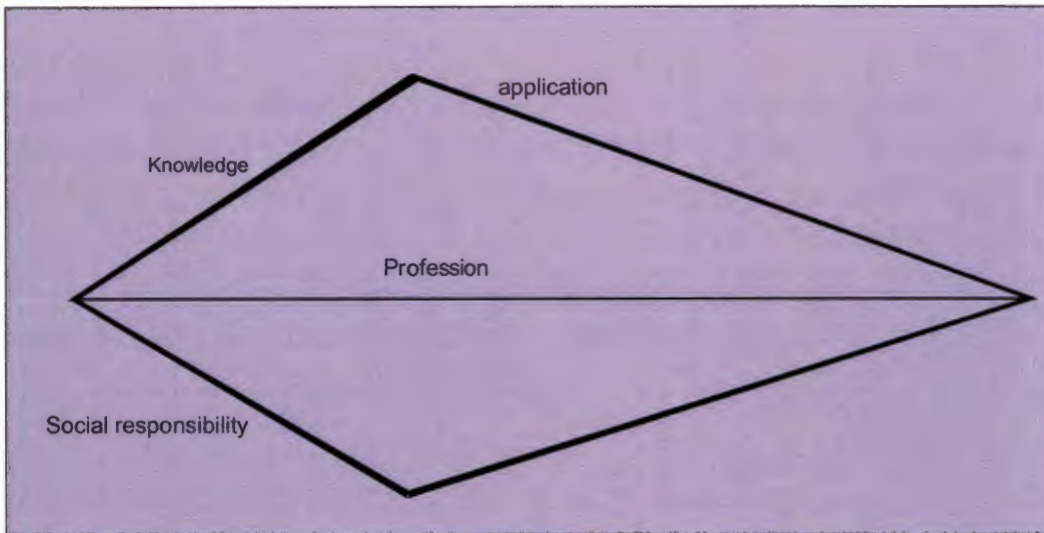


Source: Dumbu & Chidamoyo (2012:202)

However, authors such as Dumbu and Chidamoyo (2012:202) oppose the notion that management is a science; they rather believe that it is an art. In general, an art can be well-defined as personalised solicitation of general theoretical principles for achieving best possible results. Thus, Dumbu and Chidamoyo's argument is based on the fact that management entails application of certain principles, making it a skill of the highest order because it deals with moulding the attitude and behaviour of people at work towards chosen objectives and outcomes.

Over a few decades, factors such as the expanding size of a business unit, separation of ownership from management, rising competition have led to an increased demand for professionally qualified managers. The duty of a manager is fairly specialised. Due to these developments management has reached a phase where everything is managed professionally. This has led other scholars such as Davis and Cobb (2010:22) and Lukovic (2014:779) to maintain that management is a profession since it involves knowledge and application. Management as a profession is a modern concept and different from the traditional point of view. Figure 2.2 highlights the factors which support the notion that management is a profession.

FIGURE 2.2 MANAGEMENT AS A PROFESSION



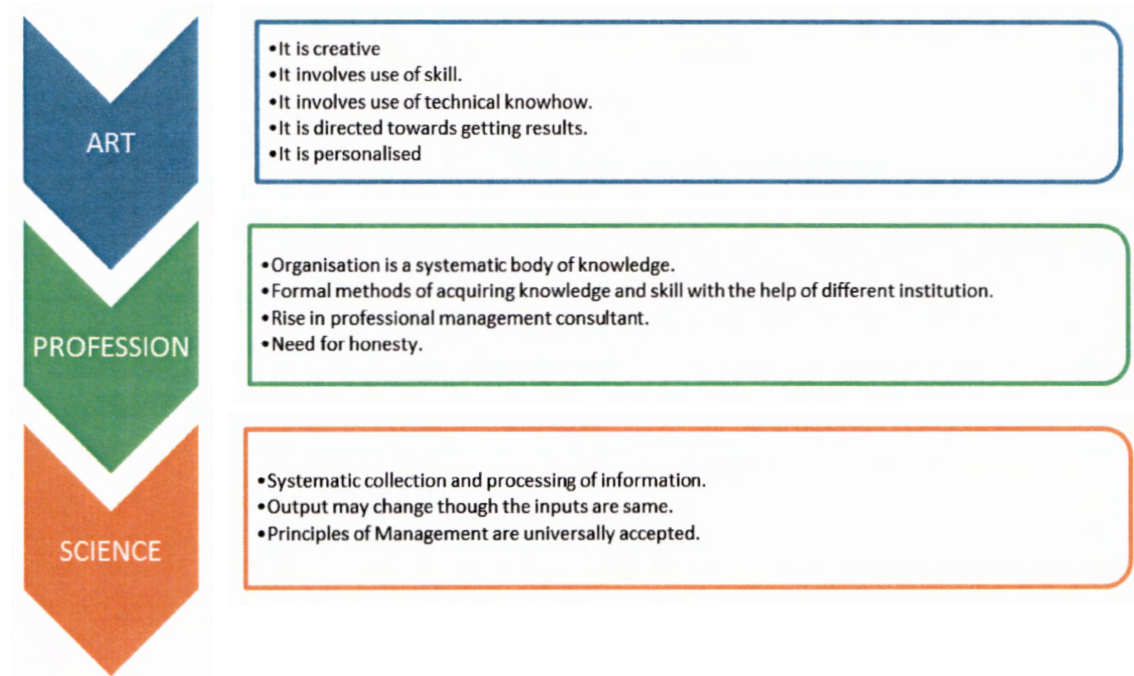
Source: Lukovic (2014)

A profession is an occupation which requires special skills, backed by knowledge and training. Lukovic (2014:779) considers management as a profession because it consists of special knowledge, has formal training methods, fees, has a code of conduct, and has a representative organisation.

Due to other developments in the field of management, scholars such as Hayton (2015) view management as a science because it is a methodical body of knowledge based on certain principles which are universally approved. This argument stems from the fact that science is characterised by scientific principles about a particular field of enquiry. These principles may be applied in all situations, at all-times and in all places.

Accordingly, management also contains some fundamental principles which can be applied universally, such as the Principle of Unity of Command that is one –man-one boss. This principle is applicable to all type of organisations, businesses and non-businesses. Therefore, it is suggested that management can be viewed as an applied science since it has a systematic body of knowledge but it is not as exact as that of other physical sciences such as biology, physics, and chemistry. Thus, the main reason for viewing management as a science is that it deals with human beings and it is very difficult to foresee their behaviour perfectly. Since it is a social practice, therefore it falls in the area of social sciences. It is a flexible science and that is why its theories and principles may produce different results at different times and therefore it is a behavioural science. Taylor was the first person who considered management as a science because it deals with human beings. Figure 2.3 depicts a summary on the nature of management and its different characteristics.

FIGURE 2.3 SUMMARY OF NATURE OF MANAGEMENT



Source: Hayton (2015)

Looking at the different arguments provided in defining management, it is concluded for the purpose of this study that management is not only an art, a science or a profession but it is a combination of all three. This is because, for a manager to be effective in their profession the person must attain the science and the art of applying it. Thus, management is a judicious blend of science as well as an art because it demonstrates the principles and the way these principles are applied is a matter of art.

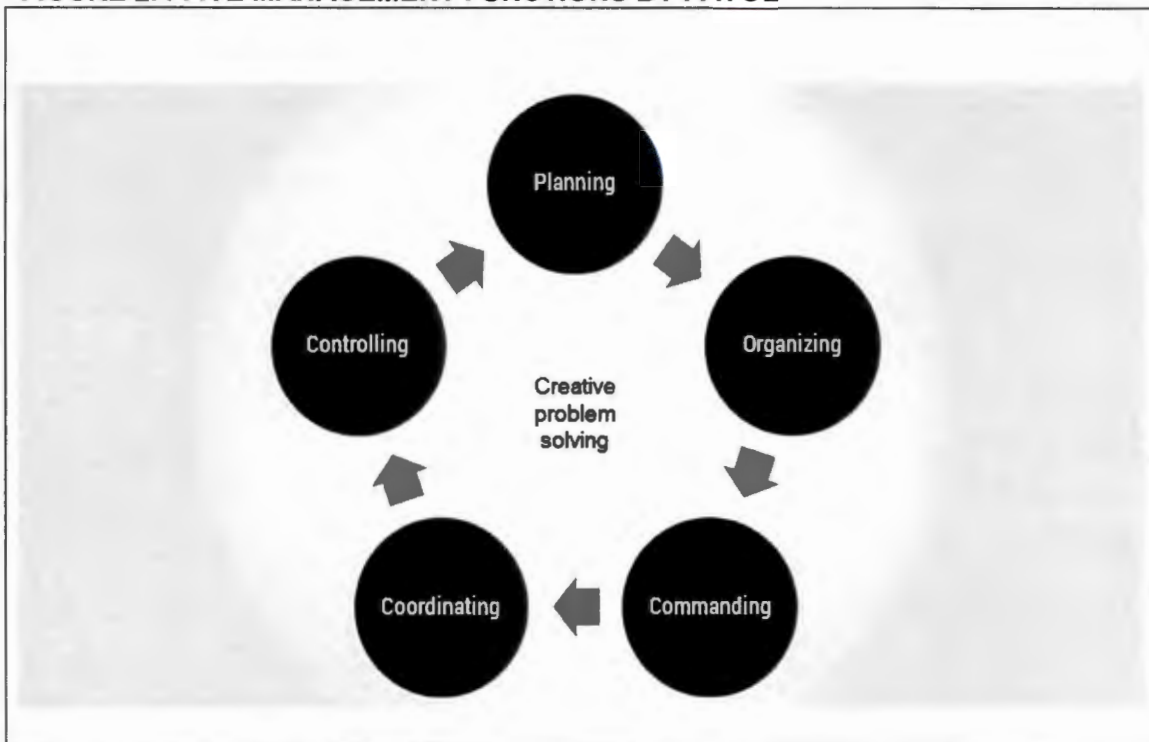
However, it is not necessary for managers to first know the principles but they must also apply them in solving various managerial problems and that is why science and art are not mutually exclusive but are complementary to each other. The old saying that 'Managers are Born' has been rejected in favour of 'Managers are Made'. It has been aptly remarked that management is the oldest of art and the youngest of science. To conclude, it can thus be said that science is the root and art is the fruit.

Management determines how an organisation can achieve the highest possible output. The study of management entails comprehensive and on-going research and the examination of management problems, the testing of approaches and principles, experimentation with methods and techniques, and also the continuous weighing up of environmental variables.

2.2.2 Management functions

Various scholars such as Du Toit et al. (2010), Weihrich et al. (2010), Schermerhorn (2011), Smit et al. (2011) and Botha and Musengi (2012) agree that management is a process of getting activities completed efficiently with and through other people, it is affected by setting and achieving goals through the execution of four basic management functions. However, scholars such as Fayol (2016) maintain that there are five main managerial functions (see Figure 2.4). Therefore, it is imperative to discuss these main management functions so as to have an understanding of how these functions affect the success of a business.

FIGURE 2.4 FIVE MANAGEMENT FUNCTIONS BY FAYOL



Source: Wren & Storey (2002:334)

Fayol originally proposed a set of five management functions as depicted in Figure 2.4 and which entail that managing is the ability to predict and plan, to organise, to command, coordinate and to control. Luther Gullick has coined a keyword 'POSDCORB' where P stands for Planning, O for Organising, S for Staffing, D for Directing, Co for Co-ordination, R for Reporting and B for Budgeting.

However, as management evolved many scholars of management condensed the managerial functions into four: planning, organising, leading and controlling (see Figure 2.5) and this took away the fifth function which was staffing as it was combined with organising. The most widely accepted functions of management are those given by Du Toit et al. (2010) and these are: Planning, Organising, Leading, and Controlling.

FIGURE 2.5 REVISED MANAGERIAL FUNCTIONS



Source: Du Toit et al. (2010)

Management has been described as a social practice involving accountability for economic and effective planning and regulation of operation of an enterprise in the fulfilment of given purposes. It is a vibrant process consisting of various elements and activities (Fatoki, 2014:179). These activities are different from operative functions such as marketing, finance and purchasing. Rather, these activities are common to each manager irrespective of the status. Different experts have classified the functions of management and for theoretical purposes, it may be convenient to separate the functions of management but practically these functions are overlapping in nature. That is, the functions are highly inseparable. Each function blends into the other and each affects the performance of others. This study adopts the four managerial functions as referred to Du Toit et al. (2010) and these functions are discussed accordingly.

(1) Planning

Planning is one of the most important management functions as argued by Du Toit et al. (2010), Kamange et al. (2014:12) and Hayton (2015) and it involves the preparation of a sequence of action steps to achieve some specific goals. Effective planning reduces the time and effort to achieve a goal. It is much easier to adjust a plan to avoid or foresee a crisis, rather than to deal with a crisis. Planning in any organisation occurs in different ways and at different levels. The plan provides a business with its goals and lays down the procedures to achieve it. As part of the

planning process, a manager develops strategies for achieving goals and implementing the strategies and resources that ought to be acquired. Planners must also determine the standards, or levels of quality, that need to be met in completing the specified tasks (Du Toit et al., 2010). Various scholars such as Wehrich et al. (2010), Schermerhorn (2011), Chimucheka (2012) and Krajcovicova (2012) have undertaken research in this domain with findings covering a variety of backgrounds.

Dumbu and Chidamoyo (2012) and Krajcovicova (2012) maintain that planning provides an opportunity to take a look into the future and to visualise the future position of the business and mapping a way to get there. The actions undertaken in the business are deliberate in that they are envisaged in the strategic business plan. Since business goals and activities are determined by the plan, it appears that planning sets the stage for the other management functions, for example; organising, leading and controlling (Wehrich et al., 2010). Similarly, Schermerhorn (2011) and Hayton (2015) state planning can be strategic, tactical or contingency in general, and it requires managers to contemplate activities in advance of undertaking them.

Extant literature indicates that SMMEs do not sufficiently provide strategic planning for the future long term operation of their businesses (Schermerhorn, 2011; Chimucheka, 2012; Krajcovicova, 2012; Fatoki, 2014; Hayton, 2015). Consistent with this, Tuluce and Yurtkur (2015:28) ascertained that irrespective of high SMME failure rates within the first five years of operation, most SMMEs consider strategic planning as either unnecessary or too hard to implement.

To further support the notion of SMMEs not doing strategic planning, Krajcovicova (2012), Collett et al. (2014:120), Abdullahi et al. (2015:10) and Albuquerque et al. (2016:11) indicate that most SMME decision makers in the USA are convinced that entrepreneurs are not in need of formulating a business plan or simply do not plan. Instead, SMMEs assume that real entrepreneurs must rather make use of their limited time to conduct operational activities instead of wasting time on strategic planning. Furthermore, SMMEs in the USA consider prescribed planning as restricted to larger firms and not readily transferable to the inevitabilities of the fast moving and flexibly structured SMMEs. From an entrepreneur's perspective, three major objections against the use of strategic planning in SMMEs, as explained by Mazzarol (2015:27), are:

- Strategic planning restricts flexibility and innovativeness.
- Strategic management is too bureaucratic.
- It is better to use limited time for research and development rather than for planning business expansion.

Since SMME planning is moulded by context, some authors such as Krajcovicova (2012), Fatoki (2014:142), Madya (2015) and Gumbo (2015) have shown that SMMEs who formulate strategies perform better than those who do not. Senge (2012) confirms that businesses who ensure that

management conducts strategic planning achieve superior financial results, signifying that costs invested in planning activities lead to compensated financial resources. This hypothesis was confirmed empirically in several studies such as Krajcovicova et al. (2012), Dumbu and Chidamoyo (2012), Fatoki (2013:28) and Madya (2015) who confirmed that the practice of strategic planning is positively correlated with the success of a business.

Consistent with this, Chimucheka (2011), Darrol (2013) and Collett et al. (2014) ascertain that the quality of planning rather than strategic planning per se is responsible for influencing business success. Despite all the evidence on the benefits of strategy and planning, smallest businesses do not plan. In practice, most small businesses focus primarily on short term operational plans rather than long term strategic issues, and their decision making is generally reactive and intuitive rather than proactive and deliberate. For those SMMEs that do plan, planning is frequently ad hoc rather than formal and subsequently provides little basis upon which business performance can be measured (Afrifa, 2013:187). Gumbo (2015) further suggested that SMMEs in South Africa do not implement strategic planning and the SMMEs who do adopt strategic planning often seem to revert to informal, irregular, incremental and unstructured strategic plans. However, this can be due to poor managerial competencies as planning is a significant component required of managers for effective planning and organising of resources.

Research into why small businesses generally do not plan strategically has suggested that SMMEs may be discouraged by a lack of time, lack of specialised expertise, inadequate knowledge of planning processes, or reluctance to share strategic plans with employees and external consultants.

This study therefore argues that for SMMEs to improve their success they need to plan at different levels of their business and that planning will differ according to the cognitive and emotional decision styles the SMMEs. Differences in the demographic characteristics of SMMEs are also perceived as influencing the types of plans and strategic orientation of the business.

The second function, as illustrated in Figure 2.5, is organising.

(2) Organising

The ability to organise business resources is the next step management after planning. The organising function of managers requires the classification of duties, the delegation of authority, and the accurate management of available resources to ensure that business goals are achieved. Du Toit et al. (2010) purposively suggest that organising includes developing a framework indicating how equipment, machinery, raw materials and human capital should be employed to achieve predetermined goals. The authors further indicate that organising is a very important aspect of the management process and it includes organisational structure. Organising is a

managerial function that allows SMMEs to achieve goals systematically and responsible for bridging SMMEs' gap between the current position and the anticipated future position.

Wehrich et al. (2010) points out that organising helps business to reap the benefit of specialisation in terms of the following:

- Efficient resource utilisation.
- Provides channels for business diversification.
- Quality administration.
- Achieves efficient and effective inter-departmentalisation.
- Creates sustainable opportunities for new change.

Schermerhorn (2011) defines organising as the process of allocating resources, assigning tasks and responsibilities, as well as coordinating work activities that are further indicated in the process of organising. Managers arrange a framework that links all tasks and resources so that organisational goals can be achieved, making it the first phase in the implementation of the business plan set by management.

One major issue is that large enterprise business operations are divided into different levels for ease of operation, whilst the SMME owner/manager is responsible for the entire operation of the business. This is because owner-managers of SMMEs tend to delegate their responsibilities and duties to family members. Trust is the reason why SMMEs delegate duties to family members when the owner is absent (Davis, 2010:21; Abouzeedan, 2011; Chimucheka, 2012). In terms of South Africa, SMMEs as observed by previous studies were found not to have proper organisational structures. SMMEs managers and owners handle all management duties of finances, marketing, operations and human resources. The 'one man can do it all' philosophy found in SMMEs is often the reason of their inefficiency (Chimucheka, 2012). This has led to SMMEs performing below their economic value. SMMEs under ideal circumstances need to organise resources after completion of the planning phase.

However, according to Adisa et al. (2014:12), the business structure of SMMEs is a 'one man can do it all'. This SMME structure emphasises a one leader framework and all employees are accountable to the leader. Furthermore, in the SMME structure, the owner takes full responsibility of all business activities, taking charge of production, sales, marketing and the rest. Therefore, compared to large businesses, SMMEs' employees can easily communicate with the business owner on a daily basis. In contrast, others communicate less frequently because of protocols or formal lines of communication between top management and employees at ground level. In addition, larger businesses have formal structures which enable operations to work more effectively and efficiently.

From these different arguments, most agree that organising involves creating and designing an organisational structure, which assists the business in carrying out its activities. It is further concluded that the correct type of organisational structure should be identified and developed with the intention of attracting qualified employees to carry out required tasks. The management organising philosophy is founded on the concepts of division of labour and specialisation. The management of every business does have its own ambitions, missions and intentions and the organisation harmonises the distinct goals of employees and the overall mission of the business.

The third function, as illustrated in Figure 2.5, is leading and this is expatiated below.

(3) Leading

Directing, also synonymous with leading, is the process that many people would call managing. It involves leading employees to achieve the goals of a business (Du Toit et al., 2010; Wehrich et al., 2010; Fatoki, 2013). In many businesses and organisations, directing comprises supporting employees to carry out their duties, interpreting organisational policies, and informing employees of how well they are performing. For managers to successfully implement this function, they need to have leadership skills in order to get employees to perform effectively. Empowered employees usually work in teams and are given authority to make decisions about what activities will be carried out and how. Empowered employees have the support of managers who assist them in making sure that the goals of the business are being met. It is generally thought that workers who are involved with the decision-making process feel more a sense of ownership in their work, take more pride in their work, and are better performers on the job (Wehrich et al., 2010).

Similarly, Du Toit et al. (2010) noted that leading involves directing, guiding, monitoring and motivating the human capital of a business to enable them to realise the full economic value of the business. It is through good leadership that management shows their ability to develop employees to realise their full potential by means of coaching and directing employee skills. Wehrich et al. (2010) in a related position, pinpoints that for a supervisor to be successful in leading, it requires a great deal of time from supervisors and also a climate conducive for work and a culture compatible with the nature of the business objectives, because leading influences employee morale, productivity, communication and job satisfaction.

Wehrich et al. (2010) further suggest that the following are leading principles of managers:

- Matching personal goals of employees and the goals of the business.
- Integrity and consistency in written and oral messages.
- Complement the formal communication channels with the informal channels.
- Assessing accurately the employee reward structure.

The importance of leadership in SMMEs involves developing a strategic outlook and adapting to change. However, the major concern in SMMEs is the development of future leaders. Studies conducted concur that there is need for leadership development opportunities, specifically tailor-made for SMMEs in both developing and developed economies (Krajcovicova, 2012; Adisa et al., 2014:14; Hayton, 2015). The platforms of leadership development should be individual centred according to the particular requirements of the individual and the enterprise. Darrol (2013) proposed that a practical course assisting the development of skills such as time management, delegation and team work is beneficial and equips the owner-manager with the necessary skills to focus on long-term strategies rather than day-to-day operations. This process helps in recruiting future competent leaders thus increasing the quality of staffing resources available to SMMEs.

In reviewing research conducted on the importance of leading, Fatoki (2014:142) indicated that SMME owners/managers need both management and leadership skills. It is further highlighted that delegation is considered as perhaps the most important for effective leadership. Delegation releases owner-managers from day-to-day operational duties to rather focus on the longer-term future of the SMME. Moreover, the strength of a business lies in the owner-manager's willingness to create a working environment that is conducive for employees.

The fourth function, as illustrated in Figure 2.5, is organising, further explored below.

(4) Controlling

Controlling is the set of activities directing all staff members towards achieving organisational goals. It includes setting performance standards and taking corrective action whenever actual performance deviates from expected performance. The controlling function involves various evaluation activities that need to be performed. It is the process of determining if business goals and objectives will be met. This process also includes correcting situations that could cause objectives and goals not being met. There are several activities that are part of the controlling function. However, for controlling to be effective, managers must first set standards of performance for employees. These standards are levels of performance that should be met; these must then be communicated to managers supervising employees, and to the employees so as to know what is expected of them (Davis et al., 2010; Du Toit et al., 2010; Hayton, 2015).

Davis et al. (2010), Sarakunze (2015) and Mqaba (2015) ascertained contend that controlling is the obligation of managers in ensuring that actual performance is in line with desired performance and being proactive (taking corrective action). This ensures that management consistently reviews whether its operations are accomplishing goals stipulated in the strategy and plans. Therefore, management must ensure that the course of action is continuously monitored and revised to realise goals and this can be benchmarked against best practices.

Similarly, Green and Martinez- Solano and Martinez-Solano (2011) and Madya (2015) indicate that for SMMEs to realise the full potential of their businesses, they need competent managers who implement the control function effectively. The manger or management team should proactively respond to change, recognise when change is necessary, and comprehend the change management process. This permits the manager or management team to learn and have strategic anticipation of future business problems and opportunities.

After the standards have been set and communicated, it is the manager's responsibility to monitor performance, ensuring that standards are being met. Once the actual results are analysed and compared to expectations, then corrective action is implemented if there are any deviations. Normally, managers would take corrective action by working with the employees who are causing deviations. Perhaps it might not be the fault of an employee but instead it might be associated with inadequate equipment or an insufficient number of employees. Whatever the problem, corrective action should be taken without delay even if it implies revising the goals and strategies previously decided upon (Dumbu & Chidamoyo, 2012:201).

Buhler (2010), Gorgievski et al. (2014:106) and Madya (2015) maintain that SMMEs ought to have full control of their businesses because they adopt the 'I can do it all' philosophy. Moreover, lack of skilled personnel means that the owner cannot delegate and has to do the work single-handedly. Therefore, control is not always practical as an owner cannot check for any deviations from set plans. This is because owner-managers implement a system and cannot detect deficiencies in their own systems.

Many scholars such as Abdullahi et al. (2015), Gumbo (2015), Madya (2015) and Albuquerque et al. (2016) emphasise the importance of control as a contributor towards the success of a business. Consistent with this, Botha and Musengi (2012) ascertain that control facilitates coordination and helps in planning. The control function in both large businesses and SMMEs ensures that resources are utilised effectively and efficiently to accomplish business objectives.

However, even though it is acknowledged by Fatoki (2014:144) that control yields positive results, Fatoki also indicated that planning for the purpose of controlling was not practised by most SMMEs. This implies that SMMEs are not aware of the importance of planning today in rectifying any deviations from set plans to achieve future objectives. There is inconclusive evidence in literature on the implementation of control as a function by SMMEs.

From the discussions above, the essence of internal control is regulating, in the sense of making things happen according to a particular objective. In controlling a business, managers strive for the most effective and efficient techniques to control the various activities they are responsible for, so as to attain objectives such as cost minimization, quality maintenance and profit maximization.

However, the different management functions are, in practice, performed simultaneously and not sequentially. In addition, these functions are performed by business managers at all different managerial levels.

Having discussed the key management functions and its applicability in SMMEs, the subsequent section provides an explanation of the management model.

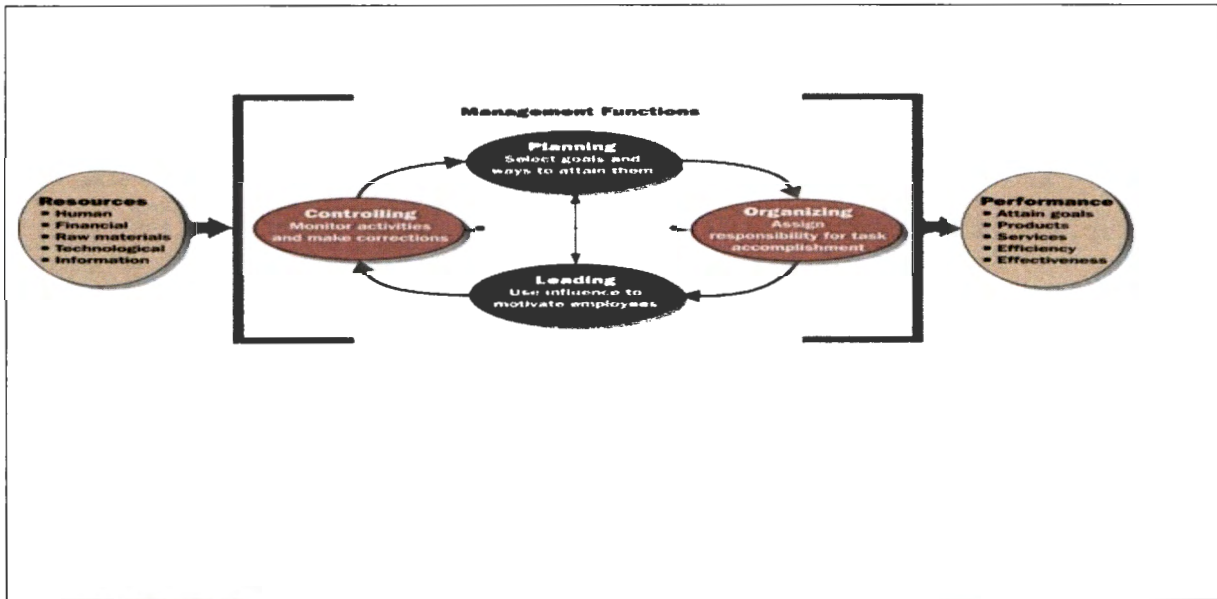
2.3 Management Models

The contribution of the management function to a business is epitomised in the management model. By definition, management consists of the people with their knowledge, experience, skills, as well as the environment they are in. Planning and controlling as management functions are positioned within the domain of learning, while leadership and organising functions mostly pertains personal management skills (Lukovic, 2014:779; Hayton, 2015; Madya, 2015; Sarakunze, 2015).

However, literature shows that the primary challenge faced by many businesses is to creatively solve business problems, and it is further indicated in literature that both the success and failure of a business depends on its management.

The management principles are procedures which managers follow to tackle business challenges. As indicated in the previous discussions, management consists of four major functions; planning, organising, leading, and controlling; popularly known as the P-O-L-C framework. The fundamental notion of principles of management was developed by French management theorist Henri Fayol between 1841 and 1925 (Du Toit et al., 2010). He is credited with the original planning-organising-leading-controlling framework (P-O-L-C), which, while undergoing very important changes in the content, remains the dominant management framework in the world. Figure 2.6 is an overview of the P-O-L-C framework.

FIGURE 2.6 THE P-O-L-C FRAMEWORK



Source: Lukovic (2014:779)

The four business management functions encapsulated in the P-O-L-C framework and illustrated in Figure 2.6 are actually highly integrated when carried out in the day-to-day realities of running a business. Therefore, managers should not get caught up in trying to analyse and understand a complete, clear rationale for categorizing skills and practices that compose the P-O-L-C framework. On the input side of the framework, the business process commences by identifying the resources that are available and needed. Subsequently, utilising the financial, human, physical and informational resources in order to ensure a sustainable competitive advantage, a manager has to create an organisational context such as a family business, franchise, home-based business, sole proprietorship, an SMME, partnership or large organisation, in order to implement the business concept (Lukovic, 2014:779; Hayton, 2015; Sarakunze, 2015).

The output component of the model requires entrepreneurial intensity such as innovation, risk taking and proactiveness. In addition, the output component establishes a venture, creates or adds value along with new products, services, processes, technologies to ensure profit, employment, asset and revenue growth, and even personal benefits. All these components of output ultimately contribute to economic, social and organisational growth and development. The model applies to all types of entrepreneurial ventures, whether start-up, new or established enterprises (Lukovic, 2014:779; Gumbo, 2015; Chimucheka, 2016).

It is important to note that this framework is not without criticism. Specifically, these criticisms stem from the observation that the P-O-L-C functions might be ideal but that they do not accurately portray the day-to-day actions of actual managers. The typical day in the life of a manager at any level can be fragmented and chaotic, with the constant threat of having priorities

dictated by the rule of the insignificant many and important few (that is the 80/20 rule). However, the general conclusion seems to be that the P-O-L-C functions of management still provide a very useful way of classifying the activities managers engage in as they attempt to achieve organisational goals.

A business, according to Townsend, Busenitz and Arthurs (2010:192), must identify whether it can experience growth by maintaining the status quo. Management must decide if it wants to grow by selling the same products or services to existing customers or increase its risk by attracting a new market segment and/or offering a new product or service.

Tlhomola, Rankhumise and Van Niekerk (2010) indicate that about 80% of all the problems businesses experiences are caused by lack of management skills. This is because most business owners come from outside the business profession and they lack the critical business skills needed to run their businesses successfully. However, this problem can be dealt with by providing training and assistance to the unskilled or employing experienced managers to run the business or through mentoring and coaching of SMME owners and managers.

The constantly changing business environment requires businesses to strive for superior competitive advantage by means of dynamic business plans, which incorporate creativity and innovativeness (Schermerhorn, 2011). Evidence from Chimucheka (2011) further shows that human resource input plays a significant role in enhancing the competitiveness of a business. To support this notion Moorth et al. (2012:227) highlights that lack of managerial experience, skills and personal qualities, as well as other factors such as adverse economic conditions, poorly thought out business plans and resource starvation, were found as the main reasons why business fail. They further assert that the most distinguishing features of high growth and low growth small business is the education, training and the experience of senior managers.

Several challenges facing SMME development in South Africa as suggested by Fatoki (2014:141) have been isolated. Based upon scholarship, a number of key issues have been identified which relate, inter alia, to market access and marketing, business management skills, skills and training, finances, regulation and inadequate institutional support.

The managerial capability as indicated by Mohammed and Obeleagu-Nzelibe (2014) of a management team is strongly associated with performance and business growth. Consistent with this Sehhat and Fooman (2014:392) ascertained the influence of management to the success of a business. They assessed managerial skills measured by the level of education of the founder, managerial experience, entrepreneurial experience, start-up experience and functional area experience versus new venture performance. The results showed that relative profits tend to be high when an entrepreneur has more education and experience in the line of business. On the other hand, profit tends to be low when the entrepreneur has only start-up and managerial experience, but lacks an educational background. The results confirm there is a positive

relationship between education and new venture success.

Empirical studies conducted by Lucas (2010:543), Krajcovicova (2012), Kasseeah (2012:85) and Kamange et al. (2014:19) all found that management skills positively impact on the performance of especially new SMMEs. Several scholars such as Mitchelmore and Rowley (2010:93), Makhbul (2011:9), Sehat and Fooman, 2014 and Fooman (2014:391) and Mazzarol (2015) have highlighted that many SMMEs wish to expand and be sustainable businesses but in many cases lack the resources and the skills, such as managerial abilities, to achieve that.

In their findings, Smit and Watkins (2012:25) established that many businesses proved commitment to growth via sending member(s) from the top management team on special courses in strategic growth. In a recent investigation concerning the business success factors of SMMEs as indicated by Chimucheka (2012), Dumbu and Chidamoyo (2012:201), (Fatoki (2014:141) and Gumbo (2015:25), it was revealed that a lack of technical and management skills has a significant negative impact on business development. For example, Gray (2012) categorically stated that an SMME's success depends on the level of education and experience, as well as the dynamism of the environment in which the business operates.

Factors that lead to failure of SMMEs are a lack of management skills and the unfamiliarity with management techniques in dealing with the problems of a business. These include poor or no access to finance, inadequate internal controls, inadequate marketing knowledge and skills, inefficient production systems, absence of financial systems, and a general lack of business acumen and above all, an absence of strategic planning (Mazzarol, 2015; Kamange et al., 2014).

Hayton (2015), Gumbo (2015) and Chimucheka (2016) point out that a lack of education and training, however, reduce management capacity amongst SMMEs in South Africa. This could be described as one of the inside reasons for the low level of new entrepreneurial incentives and the high failure rate of new ventures. Lack of managerial skills, inexperience and also insufficient knowledge were also highlighted as key limiting factors for entrepreneurship in South Africa. SMMEs in South Africa often lack the expertise, experience and training relevant to the type of business they establish.

Similarly, Madya (2015), Sarakunze (2015), and Collet et al. (2015:124) purposively suggest that entrepreneurs need a sound foundation in traditional management skills in the functional areas (marketing, finance, production and operations) and the cross-functional areas (administration, law and taxation) of a business. An entrepreneur's capacity to gain new knowledge and abilities during the start-up process of the business is seen as critical for new venture success and this knowledge is essential for directing the business towards superior performance. It is at this stage guaranteed that funders, investors and support providers would most likely be interested entrepreneurs with business management expertise, financial knowledge and general technical expertise.

Hayton (2015) indicates that one of the most important reasons for the failure of SMMEs is their insufficient application of essential business and management practices. Therefore, training for small business owners and managers and their subordinates in all the functional areas of business management would enable them to acquire skills necessary to ensure the survival and success of their businesses.

Smit et al. (2011), Krajcovicova et al. (2012) and Hayton (2015) further indicate one of the major issues affecting SMMEs is management skills, such as inexperience and a lack of training; human resources (for example low productivity); marketing (for example poor location or inability to identify markets or opportunities); and, management behaviour (for example reluctance to seek advice or lack of commitment).

Therefore, this study argues that the concerning situation of the SMME high failure rate in South Africa as highlighted in the GEM report (2015), could possibly be reduced through the right type of intervention at the right time by different stakeholders. Thus, it is necessary for SMMEs to be able to apply the P-O-L-C framework as illustrated in Figure 2.6 so as to capitalise on the benefits this will contribute towards the success of the business.

The preceding section discussed the theoretical framework of this study. The theoretical framework introduced and described the theory that explains the research problem of this study. Following is the theoretical background underpinning this study.

2.4 Management Theories

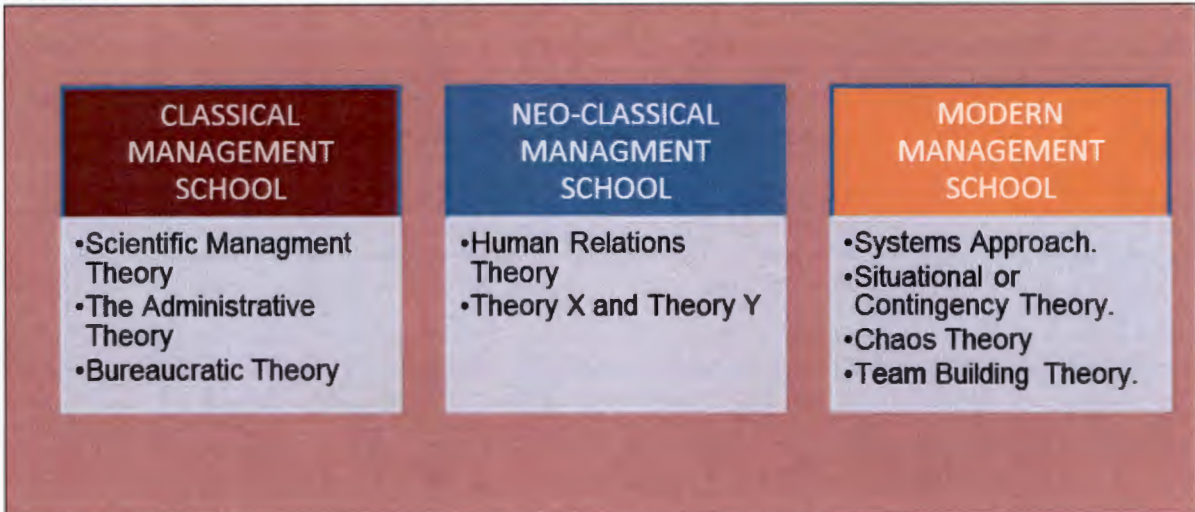
Managing is regarded as a unique human activity which is essential for the coordination of individual effort (Du Toit, 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015). A society constantly relies on group effort and the duty of managers has been growing in significance and complexity. Consequently, managerial theory has become vital in the way managers manage complex organisations.

There are numerous management theories proposed and a manager needs to decide which theory to follow, depending on the prevailing circumstances and market situation a business manager has to deal with. It could be that a manager needs to change from one theory to another or even follow multiple theories in various combinations, thus the dynamic nature of business management. Contemporary management theories tend to describe and help interpret the rapidly changing nature of today's organisational environments. This section deals with a selection of key management theories as depicted in Figure 2.7 which are broadly classified into different schools of thought:

- Classical management School

- Neo- Classical Management School
- Modern Management School

FIGURE 2.7 EVOLUTION OF MANAGEMENT THEORY



Source: Du Toit et al. (2010)

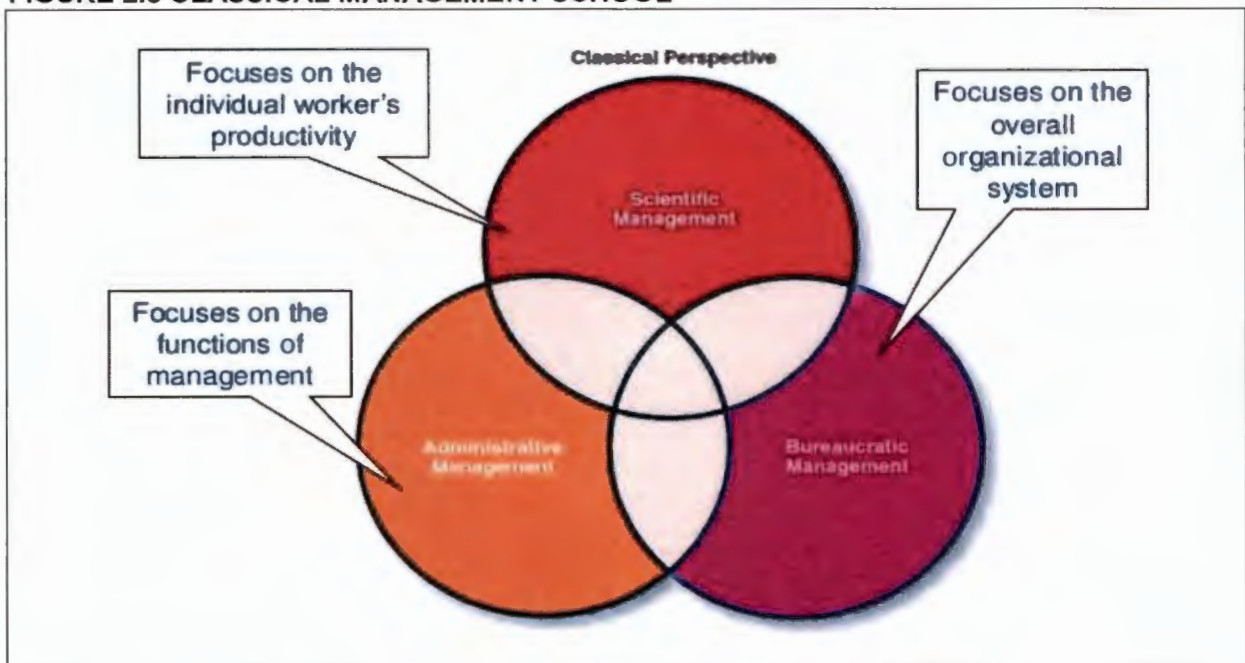
This discussion provides a general description of some of the scholars in each of these management theories and the key constructs.

2.4.1 Classical Management School

The classical management school is the oldest formal school of management thought. Its origins pre-date the twentieth century and the general concerns were ways to achieve work and organisations more efficiently. Classical management theory tried to address issues of industrial management, including specialisation, efficiency, higher quality, cost reduction and management-worker relationships.

While other management theories have evolved since then, classical management approaches are still used today by many small-business owners to build their companies and to succeed. The body of the classical management thought was that employees have only economic and physical needs, and that social needs and the necessity for job satisfaction either do not exist or are insignificant. Accordingly, this school supports high specialisation of labour, centralised decision making, and profit maximization (Du Toit et al., 2010; Hayton, 2015; Lampadariou, 2015). Figure 2.8 is a graphical representation of the classical management school.

FIGURE 2.8 CLASSICAL MANAGEMENT SCHOOL



Source: Lampadarios (2015)

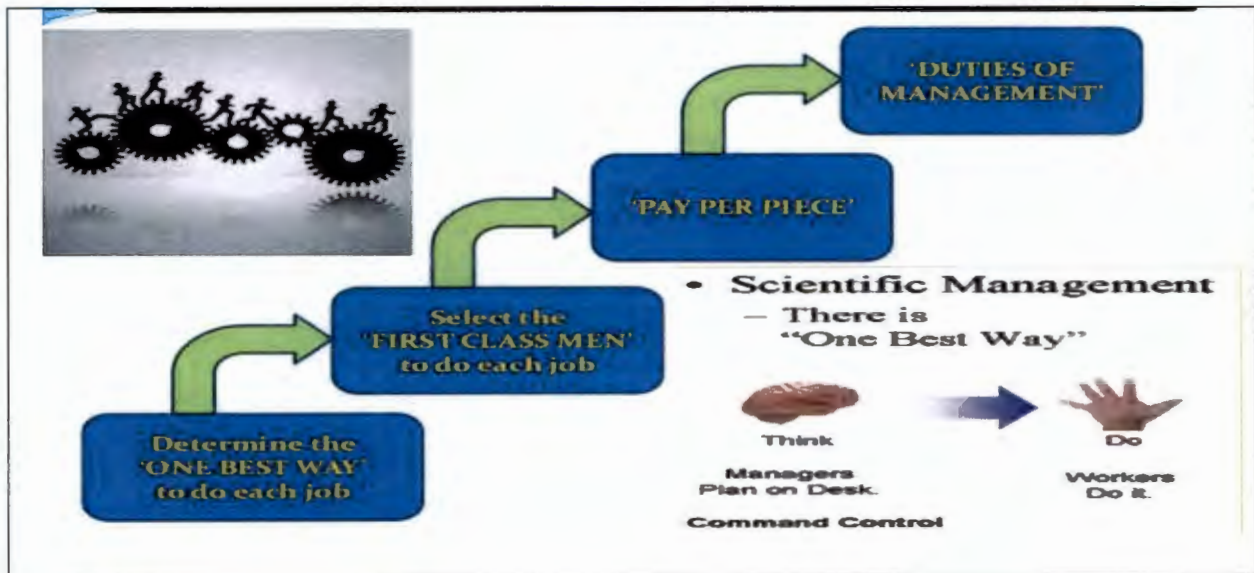
Three areas of study that can be grouped under the classical school are scientific, administrative, and bureaucratic management and these are further explored in the following presentation.

2.4.1.1 The Scientific Management School

This is the first Management Theory commonly referred to as Frederick Taylor's Scientific Management. Frederick Taylor started the era of modern management in the late nineteenth and early twentieth centuries, criticising the inefficient and uncooperative movement of men as national loss. Taylor consistently wanted to take over management by rule of thumb and substitute it with actual timed observations leading to best practice. He also supported the systematic training of workers in the one best practice rather than allowing them personal decision making in their tasks. He further believed that workload would be evenly shared between workers and management with management performing the science and instruction and workers performing the labour, each group doing the work for which it was best suited (Du Toit et al., 2010; Lampadarios, 2015). Figure 2.9 summarises the basic elements of the scientific management.

Taylor's strongest positive legacy was the concept of breaking a complex task down into a number of subtasks and optimising the performance of the subtasks; hence, his stop-watch measured time trials. However, many critics, both historical and contemporary, have pointed out that Taylor's theories tend to dehumanise workers. It has to be acknowledged that from an economic standpoint, Taylorism was an extreme success. Application of his methods generated significant developments in productivity. Taylor proposed four great underlying principles of management.

FIGURE 2.9 BASIC ELEMENTS OF THE SCIENTIFIC MANAGEMENT



Source: Schermerhorn (2011)

Taylor's four principles and how they affect organisations are listed below:

- Scientific research and analysis of work – Taylor insisted that the duty of a manager was to examine a task so that the task could be performed faster and better. According to Taylor, the ultimate goal of any manager was to increase production. Taylor did a number of studies relating to the tasks of workers and formulated ways in which production could increase.
- Scientific selection, training, and development – Taylor argued that every worker should be trained as to how best to achieve or complete a task and once trained the worker or employee must strictly follow the adopted practice.
- Intimate, friendly, and hearty cooperation for scientific work principles – Taylor felt that workers should be paid for production. He advocated paying workers based on what they achieved and thus workers were placed into an incentive system. Many businesses have implemented and continue to implement this incentive plan through a variety of plans including 'merit pay', career ladder, and is currently the National Board standards in South Africa. The idea is that those employees that put forth more effort than others should be financially rewarded.
- Planning work tasks is the responsibility of management. Workers should be closely supervised to ensure their completion of any assigned tasks. The formal and informal employee evaluation processes of today somewhat mirrors Taylor's idea concerning the duty of management to closely supervise employees.

Alongside Taylor's claims is Gilbreth's motion study. The crucial outcome of this study led to the privileging of competence in organisations. Gilbreth was mostly concerned in how he could decrease the redundant motions originating from bricklaying at a construction site; he thrived in decreasing the motions from 18 to 4. He then proposed that each employee should be involved in doing their own work, prepare for the next higher level, and train their successors. Although it is accepted that the scientific management theory enables management to put resources to its best possible use and manner, yet it has not been spared severe criticism. Taylor's Scientific Management is criticised on the following grounds.

(1) Exploitation of Workers

Taylor's Scientific Management put unnecessary pressure on employees to perform work faster. Importance was given to productivity and profitability. This resulted in the exploitation of employees and therefore, many employees joined trade unions. This also resulted in mistrust between management and employees.

(2) Problem of Unity of Command

Taylor used functional foremanship and this resulted in workers having to report to up to eight bosses. This breaks the principle of unity of command where workers have to report to only one boss. Lack of unity of command can create confusion and chaos in an organisation.

(3) Mechanical Approach

Taylor's approach was a mechanical approach. He accredited too much importance to efficiency and did not consider the human element. Taylor considered workers as robots, which could speed up the work at any cost.

(4) Problem of Separation of Planning from Doing

Taylor sought to separate planning from doing. In reality, planning cannot be separated from doing because planners should also be engaged in doing, then only will they be able to make realistic plans for the organisation.

(5) Individualistic Approach

Taylor's scientific management gives too much importance to individual performance and not to group performance. However, the success of an organisation depends not only on the individual performance of workers, but also on the collective group performance of workers.

(6) Wrong Assumptions

Taylor assumed that workers are motivated only by financial gains. However, in reality, workers are motivated not only by financial incentives but also by social needs and personal egos.

(7) Narrow Application

Taylor's scientific management has a very narrow application. It can be applied only in situations when the performance of workers ought to be measured quantitatively. However, it cannot be used in the service sector because in this sector the performance of a person cannot be measured quantitatively.

(8) Expensive

Scientific management is a costly system and a huge investment is required in the establishment of a planning department, standardization, work study and also the training of workers. This theory may be beyond the reach of small firms who cannot yet invest large amounts of capital into robotic production processes.

(9) Time Consuming

Scientific management requires mental revision and the complete reorganizing of an organisation. Substantial executive time is required for work, study, standardization and specialisation and it could cause a situation where during the organising of a business, work and output suffers.

The following theory, the Classical Management School as illustrated in Figure 2.8 is the Administrative Theory, which will now be dealt with.

2.4.1.2 The Administrative Theory

Henri Fayol's Administrative Theory mainly emphasises the personal responsibilities of management at a much more micro level. In other words, his effort is more concentrated at the management level. Fayol assumed that management has five principal roles: to forecast and plan, to organise, to lead, to co-ordinate, and to control. Predicting and planning is seen as the act of anticipating the future and performing accordingly. Organisation is the improvement of the resources of a business, both human and material. Leading refers to keeping the organisation's activities and processes running. Co-ordination is the arrangement and harmonisation of the group's efforts.

Finally, control means that all these actions are accomplished in harmony with suitable rules and procedures. Fayol further established fourteen principles of administration to go along with management's five primary roles. These principles are: specialisation/division of labour, authority with responsibility, remuneration of staff, centralisation, scalar chain/line of authority, order, equity, stability of tenure, initiative, discipline, unity of command, unity of direction, subordination of individual interest to the general interest, and lastly esprit de corps. Fayol clearly postulated that personal effort and team dynamics are part of an ideal organisation (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015).

Fayol's five principle roles (Plan, Organise, Leading, Co-ordinate, and Control) of management

are still actively practiced today. The idea of giving suitable authority with responsibility is also widely remarked on and is well practiced. Unfortunately, the principles of 'unity of command' and 'unity of direction' are constantly violated in 'matrix management', which is the structure of choice for many of organisations today (Fayol, 2016).

Following are some of the major limitations of the Administrative Theory:

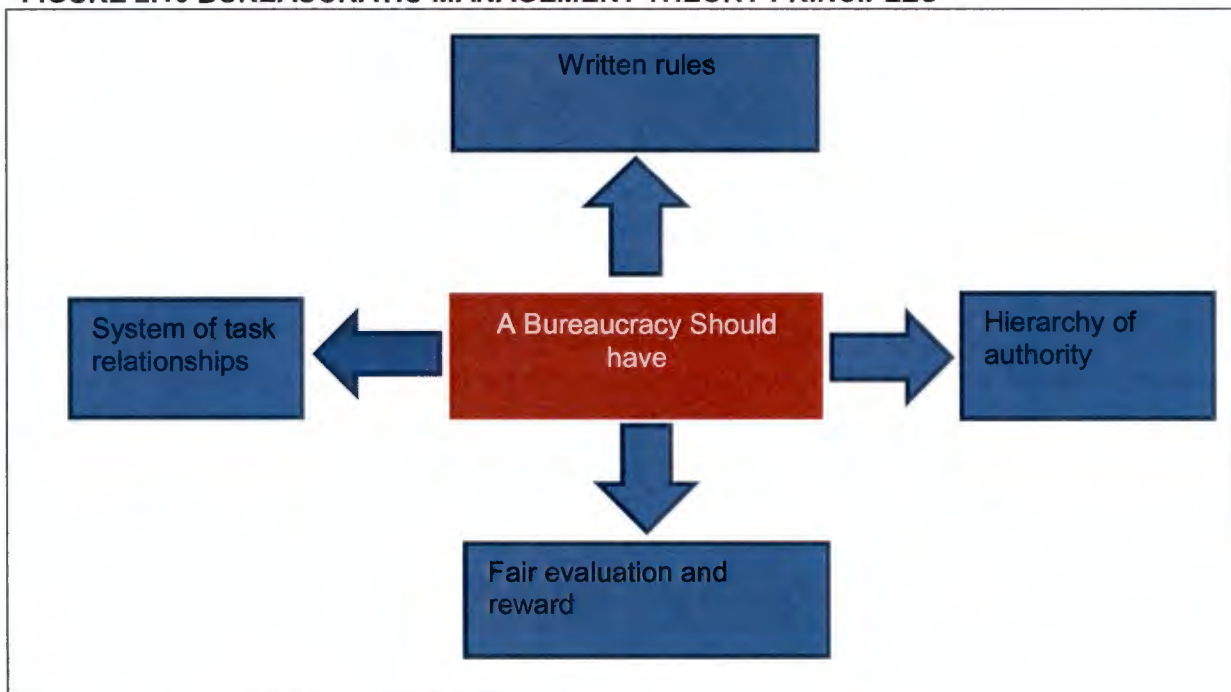
- The theory only recognised and concentrated on the structure of formal organisations.
- Fayol's theory perceives management as critically paternalistic and does not consider the wishes and necessities of individuals and groups.
- The theory lacks appropriateness towards structures and behaviours of people as individuals and groups, as such the 14 universal principles set forth only fit into an organic organisation.

The following theory under the Classical Management School as illustrated in Figure 2.8 is the Bureaucratic Theory.

2.4.1.3 The Bureaucratic Management Theory (Webber)

This theory can be regarded as an effort to nurture a rational and legitimate basis for authority and a procedure for the purpose of choosing individuals and undertaking numerous types of activities. Weber predicted a completely impersonal organisation with little human level interaction between its members.

FIGURE 2.10 BUREAUCRATIC MANAGEMENT THEORY PRINCIPLES



A Bureaucratic type of organisational structure has the following characteristics:

- Works of specialisation. Work is broken down into different classes of simple, daily, and detailed tasks.
- Hierarchy of authority. Responsibilities and positions are organised by hierarchy. Each low-grade position is supervised and controlled by a high or grade position.
- Formal selection. All organisational members are nominated on the basis of qualification of technique, which is certified by training, education and/or formal examinations.
- Impersonality. When applying rules and guidelines, it is essential to avoid the involvement of character and personal preference.
- Orientation of employment. Managers are professional leaders. They work for a fixed salary and develop their careers within the organisation.

A major limitation of this theory is that bureaucratic structures can discourage creativity and innovation throughout an organisation. No matter how ingenious a business owner is, it is virtually impossible for a single individual to generate the range of strategic ideas possible in a large, interdisciplinary group. Front-line employees may receive less satisfaction from their jobs in a rigidly bureaucratic organisation, thus increasing employee turnover rates. Organisations bound by rigid controls can also find themselves less able to adapt to changing conditions in the marketplace, industry or within the legal environment (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015). The following group of theories, discussed as per Figure 2.7, form part of the Neo-Classical Management School.

2.4.2 Neo-Classical Management School

The Neo-classical Theory was an attempt at incorporating the behavioural sciences into management thought in order to solve the problems caused by classical theory practices. The premise of this inclusion was based on the idea that the role of management is to use employees to get things done. Rather than focus on production, structures, or technology, the neo classical theory was concerned with the employee. Neo-classical theorists concentrate on answering questions related to the best way to motivate, structure, and support employees within an organisation (Gordon, 1974).

Studies during this time, including the popular Hawthorne studies, revealed that social factors, such as employee relationships, were an important factor for managers to consider. It was believed that any manager who failed to account for the social needs of employees could expect to deal with resistance and lower performance. Employees need to find some intrinsic value in their jobs, which they certainly do not get from a job that is highly programmed and standardised. Rather than placing employees into job roles, where they completed one specific task all day with little or no interaction with co-workers, employees could be structured in such a way that they frequently share tasks, information, and knowledge with one another. The belief is that once employees are placed into an alternate structure, their needs for socialisation will be fulfilled, and

thus they will be more productive (Smit et al., 2011; Krajcovicova et al., 2012; Hayton, 2015).

The Neo-Classical Theory encompasses approaches and theories that focus on the human side of an organisation. There are two main sources of Neo-Classical Theory: The Human Relations Movement and the Behavioural Movement. The Human Relations Movement arose from the work of several sociologists and social physiologists who concerned themselves with how people relate and interact within a group. The Behavioural Movement came from various psychologists who focused on the individual behaviour of employees. To better understand these movements, a closer look is taken at how the work of these various sociologists and psychologists influenced management thought (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015). The first theory under the Neo-Classical management schools the theory related to behaviour.

2.4.2.1 Human Relations Theory

The Behavioural Management Theory is often called the human relations movement because it addresses the human dimension of work. Behavioural theorists believe that a better understanding of human behaviour at work, such as motivation, conflict, expectations, and group dynamics, improve productivity. The theorists who contributed to these school view employees as individuals, resources, and assets to be developed and worked with, not as machines, as in the past. Several individuals and experiments contributed to this theory (Smit et al., 2011; Krajcovicova et al., 2012; Hayton, 2015).

Elton Mayo is the key scholar in this category. Mayo and his companions challenged Taylor's views that science dictates that the maximum productivity is to be established in a one best manner and that this approach could be attained by controlled experiment. The Hawthorne studies endeavoured to define the effects of lighting on worker productivity and when these trials revealed no clear correlation between light level and productivity the experiments then started considering other factors. These factors that were considered when Mayo was working with a group of women comprised rest breaks, no rest breaks, no free meals, more hours in the work day/work week or fewer hours in the work- day/work-week. With each of these changes, productivity increased. When the women were positioned back to their usual hours and conditions, they set a productivity record.

These experiments proved five things. Firstly, work satisfaction and hence performance is basically not economic but rather depends more on working conditions and attitudes, communication, positive management response and encouragement, and also the working environment. Secondly, Taylorism is irrelevant and the importance is now on employee self-interest and the claimed over-riding incentive of monetary rewards. Thirdly, large-scale experiments involving over 20 000 employees showed highly positive responses to, for example, improvements in working environments such as improved lighting, new welfare and rest facilities

and expressions of thanks and encouragement as opposed to coercion from managers and supervisors. Fourthly, the influence of the peer group is very high – hence, the significance of informal groups within the workplace. Finally, it criticized ‘rabble hypotheses’ that society is a group of disorderly individuals (acting) in a manner premeditated to secure his or her survival or self-interest.

These outcomes displayed that the group dynamics and social makeup of an organisation are enormously significant forces either for or contrary to higher productivity. This result caused the call for greater contribution of workers, greater trust and openness in the working environment, and greater attention to teams and groups in the workplace. While Taylor’s influences were the founding of industrial engineering, quality control and personnel departments, the human relations movement’s greatest influence came in the form of what the organisation’s leadership and personnel department were doing. The seemingly new concepts of ‘group dynamics’, ‘teamwork’, and organisational ‘social systems’, all originate from Mayo’s work in the mid-1920s.

One major weakness of the behavioural theory is that just because people can learn practices and behaviours do not mean they enact the theory properly. It is easy to learn why or how to do behaviours but knowing when to behave one way or another and becoming adept in these behaviours is a far more challenging task. Furthermore, there is a lack of knowledge on how behaviour theory can be used in various cultural contexts and situations. One behaviour that works in one situation may not be universal enough to work in another situation. More research is beginning to support the notion that leadership is developed through learning and experience (Krajcovicova et al., 2012; Hayton, 2015). Similarly, DeRue et al. (2011:16) ascertains that there has been a lot of new behavioural theory research done, but not much of it has been compared to previous research. The following theory under the Neo classical Management School is the Behavioural Theory X and Y.

2.4.2.2 Theory X and Theory Y

Douglas McGregor (1906-1964) postulated management ideas as contained in Theory X and Theory Y. Using human behaviour research, he noted that the way an organisation runs depends on the beliefs of its managers. Theory X gives a negative view of human behaviour and assumes that most individuals are essentially undeveloped, need direction and control, and are unable of taking charge, are regarded as lazy, hate work and need a combination of financial incentives and threat of loss of their job to make them work (‘carrot and stick’ mentality).

Theory Y, the opposite to Theory X, postulates that individuals need to fulfil themselves by seeking self-worth, self-development, and self-fulfilment at work and in life in general. The six basic assumptions for Theory Y are: firstly, work is as natural as play or rest and the average human being does not naturally dislike work, whether work is a basis of pleasure or a punishment

(to be avoided) depends on the nature of the work and its management. Secondly, effort at work need not depend on threat of punishment and if a person is committed to objectives, then self-direction and self-control will feature rather than external controls.

Thirdly, obligation to objectives is a function of the rewards related with this accomplishment. Gratification of ego and self-actualisation needs can be focused towards the objectives of an organisation. Fourthly, the regular human being learns, under appropriate conditions, not only to obtain but to seek responsibility. Fifthly, high level imagination, originality and creativity are not limited to a narrow group but are extensively distributed in the population. Finally, under the circumstances of modern industrial life, the intellectual potentials of the average human being are being only moderately utilised (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012).

One major weakness of Theory X and Y management style is that it fosters a very hostile and disruptive atmosphere because it involves a fair amount of threat and coercion. This theory is also tough to uphold in reality because every individual is different from one another, creating an environment which fits all does not sound very practical in the current era of organisations. Therefore, it might be more beneficial for an organisation to utilise a single theory and hire employees that can be consistently managed with that theory alone. In addition, there are many other factors that influence employee behaviour within an organisation in this current era, so Theory X and Y may even be slightly obsolete (Krajcovicova et al., 2012; Lukovic, 2014; Hayton, 2015). The last category of management theory is discussed in the subsequent section.

2.4.3 The Modern Management Science School

Under this category, the following theories are discussed:

- Systems Approach
- Situational or Contingency Theory
- Chaos Theory
- Team Building Theory

2.4.3.1 The Systems Theory

The Systems Theory has had a significant effect on management science. A system is a collection of parts unified to accomplish an overall goal. If one part of the system is removed, the nature of the system is changed as well. A system can be looked at as having inputs (for example resources such as raw materials, money, technologies, and people), processes (for example planning, organizing, motivating, and controlling), outputs (products or services) and outcomes (for example enhanced quality of life or productivity for customers/clients, productivity). Systems share feedback among each of these four aspects of the system (Schermerhorn, 2011;

Krajcovicova et al., 2012; Hayton, 2015).

The Systems Theory may seem quite basic. Yet, decades of management training and practices in the workplace have not followed this theory. Only recently, with tremendous changes facing organisations and how they operate, have educators and managers come to re-examine this new way of looking at things. The effect of the Systems Theory in management is that it helps managers to look at the organisation more broadly, enabling managers to interpret patterns and events in the workplace and recognising the various parts of the organisation, and, in particular, the interrelations of the parts.

One major limitation of this theory is that it is not a perspective management theory because it does not specify tools and techniques for practicing managers. The theory does not adequately address power and social inequalities and their causes.

2.4.3.2 The Situational or Contingency Theory

The Situational or Contingency Theory states that when managers make a decision, they must take into account all aspects of the current situation and act on those aspects that are key to the situation at hand. Basically, it is the approach of 'it depends'. For example, if one is leading troops in Iraq then an autocratic style is probably the best. If one is leading a hospital or university, a more participative and facilitative leadership style would probably be better (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015).

One major weakness of this theory is that it suffers from inadequacy of literature. Therefore, it has not adequately spelt out various types of actions which can be taken under different situations. It is not sufficient to say that managerial action depends on the situation - instead the approach should provide different situations and the action that needs to be taken by the manager (Schermerhorn, 2011; Krajcovicova et al., 2012; Sarakunze, 2015). Contingency brings complex organisations and present problems in testing the precepts of the theory and, it is necessary that some methodology is available, but because of the involvement of too many factors testing becomes difficult.

Other scholars believe that contingency is basically reactive in nature, it only suggests what managers can do in a given situation. Therefore, managers are responsible to manage the environment in such a way that they avoid the undesirable aspects of the environment.

2.4.3.3 The Chaos Theory

The Chaos Theory was advocated by Peters (1942). As chaotic and random as global events seem today, there are equally chaotic organisations. Yet, managers have for many decades acted on the basis that organisational events can always be controlled. Thus, a new theory, known as the Chaos Theory, emerged to acknowledge that events are rarely controllable.

Chaos theorists suggest that systems are naturally vowed to lean towards complexity, and as they do so, they become more volatile and must, therefore, expend more energy to maintain that complexity. Essentially, as more energy is expended more structure is needed to maintain stability. This trend continues until the system splits, combines with another complex system or falls apart entirely. It will need a very effective manager for the latter worst scenario not to happen (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015).

A major limitation of this theory is that the presence of nonlinearities in physiological interactions imposes a limitation to linear analysis in providing a wide description of the underlying dynamics.

2.4.3.4 The Team Building Approach or Theory

The last management theory is the Team Building approach. This theory underlines quality circles, best practices, and continuous improvement. It is a theory that mainly centres on teamwork. It also stresses the flattening of the management pyramid and reducing the levels of the hierarchy. Finally, it is all about consensus management, essentially involving more people at all levels in decision-making.

A major limitation of this theory is that team based organisations group employees based on functions. This limits contact and exposure to other organisational functions. Individual teams may develop ideas and products in isolation without realising their impact on other employees, customers, products or services of the organisation. This leads to less organisational collaboration and sharing best practices, which could result in higher costs, increased waste and decreased customer satisfaction. It also causes instability within an organisation due to the chaos and confusion caused if team leadership is not effective (Du Toit et al., 2010; Schermerhorn, 2011; Krajcovicova et al., 2012; Hayton, 2015).

To conclude the discussion on the various management theories, it is important to note that the development of management theory involves the development of concepts, principles, and techniques. There are many theories about management and each contributes something to the body of knowledge of what managers do. Each approach has its own characteristics and advantages, as well as its sum set of limitations. The operational approach, or management process, draws on each school and systematically integrates the theories. Therefore, it is imperative to expand on management as a practice.

2.5 Management as a practice

Management, like all other practices such as music composition, medicine, accountancy, engineering, or even baseball is an art; it is a competence. It is undertaking things in the light of

the realities of a situation. Yet, managers can work well by means of the organised knowledge about management. It is this knowledge that constitutes science.

However, the science behind managing is impartially basic and vague. This is correct since the numerous factors managers have to deal with are tremendously complex. However, such management knowledge can surely improve managerial practice. Managers who endeavour to manage without management science must put their trust in luck, instinct, or what they did in the past (Vinod & Uma, 2010:394; Gorgievski et al., 2014:110; Gumbo,2015; Hayton, 2015).

It has to be reiterated that management is the procedure of designing and sustaining an environment for the purpose of efficiently achieving certain aims. Managers convey the functions of planning, organising, staffing, leading, and controlling and managing is a necessary activity at all organisational levels. However, the managerial abilities required vary with the organisational levels. The goal of all managers is to create a surplus and to be productive by achieving a favourable output-input ratio within a specific time period with due consideration for quality (Weihrich et al., 2010; Smit et al., 2011; Van Scheers, 2011:48; Senge, 2012).

Furthermore, an organisation is an open system that functions inside and interrelates with the environment. The systems approach to management comprises inputs from the external environment and from claimants, the transformation process, the communication system, external factors, outputs, and a way to reenergize the system. No doubt, a manager who creates serious efforts to transform theory into reality is guaranteed to increase productivity more than a manager who selects to use the 'fire brigade' or trial-error approach. In any business or organisation, every manager wants to lead a successful business (Madya, 2015; Mapfumo, 2015; Sarakunze, 2015).

All managers must develop three sets of skills, namely; conceptual, technical, and human skills for practical purposes. Conceptual skills permit a manager to improve relationships between factors that other individuals may not comprehend. Managers who have well-developed conceptual skills are able to apply different management theories to the similar situation. For a manager to be practical, it infers that he or she should act professionally. Professionalism stresses that the manager implements her duties within established procedures, rules and regulations. Any behaviour that compromises the manager's professional etiquette is certainly bound to inhibit unfavourably on the organisation's productivity.

Lastly, a manager should be capable of appreciating members of the organisation as human beings who have desires and psychological feelings and emotions. These necessities and feelings must be positively connected for the good of the organisation and the motivation of employees, therefore, it is a serious factor in increasing productivity (Gorgievski et al., 2014:110; Madya, 2015; Mapfumo, 2015; Sarakunze, 2015).

- Technical skill is knowledge of and proficiency in activities involving methods, processes, and procedures. Thus, it involves working with tools and specific techniques.
- Human skill is the capability to work with people; it is cooperative effort; it is teamwork; it is the creation of an environment in which people feel secure and free to express their opinions.
- Conceptual skill is the ability to serve the “big picture”. It is also about recognizing significant elements in a situation, and to understand the relationships among the elements.

It is vital for management to have an ‘inside-out’ view on why businesses succeed or fail in the market place. Therefore, it is imperative to discuss the theoretical background of factors that improves the success of the business. In this discussion specific focus will be given in the resources and capabilities that reside within the business. The preceding section will discuss theories and factors relating to the success of the business.

2.6 Business success theories

It has been highlighted by Gorgievski et al. (2014:110) that for a business to succeed managers require three main kinds of skills, namely: technical, human and conceptual. Similarly, Van Scheers (2011:394) asserts that for a business to be successful it needs both tangible and intangible resources. He further argues that how these resources are utilised in the business contributes the failure and success of the business.

Many scholars (Barney and Clark., 2010; Davis & Cobb, 2010; Green and Martinez- Solano, 2011; Gumbo, 2015) indicate that the resources of the business are the primary determinants of competitive advantage. The scholars further argue that the actual source of sustained competitive advantage depends on the business’s capability to deploy and integrate its resources. Therefore, it can be noted that between the two business performance extremes of success and failure resources, skills and capabilities play an important role. It is thus necessary to highlight and discuss the major theories of business success. The subsequent sections discuss the theories on business success namely:

- Resource Based Theory
- The Human Capital Theory
- The Iceberg Theory

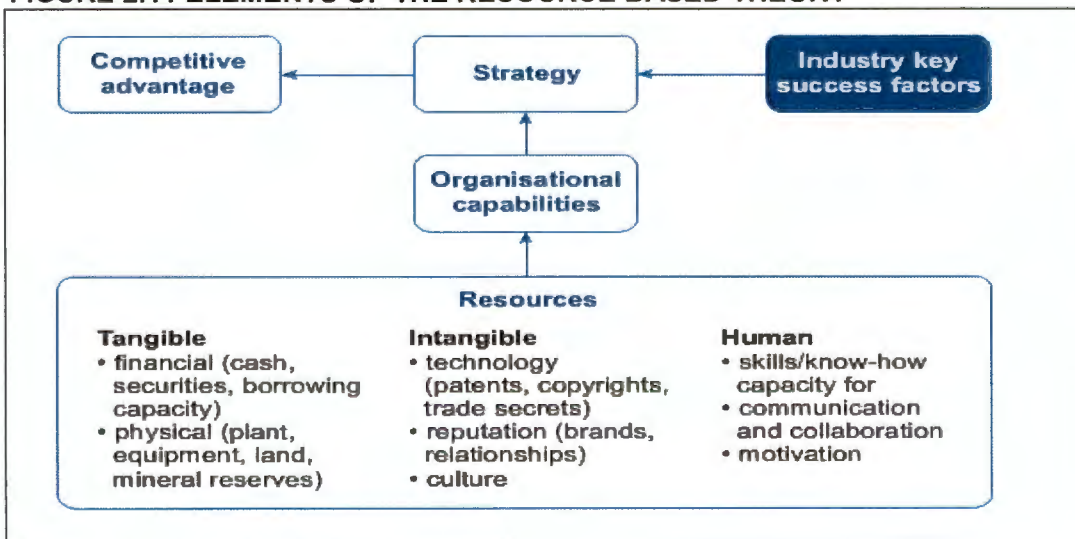
2.6.1 Resource Based Theory

The Resource Based Theory (RBT) was formed under the Theory of the Firm. This theory

highlights one of the various conceptions for strategic management which tries to explain the background of enterprise existence, as well as its various occurrences in broader outlines of the Theory of the Firm. The Resource Based Theory states that an enterprise is defined as the summation of strategically important resources culminating in the determination of long term competitive advantage. Initially this theory was established in the field of strategic management but later on it gained popularity also in other approaches to business administration studies, such as organisational behaviour and international business amongst others (Barney and Clark, 2010; Davis & Cobb, 2010:22; Chimucheka, 2011; Gumbo, 2015).

The Resource Based Theory has become the basic theoretical basis on which much of the present strategic management research concerning knowledge-based views of an organisation, human capital and dynamic capabilities are derived. The theory provides a framework to explain how business can identify suitable measures to have better access to technology resources, manpower resources, financial resources, natural resources and infrastructure, access to the market, and, how to overcome growth obstacles (Barney & Clank, 2010; Kraaijenbrink, Spencer & Groen, 2010:372). Figure 2.11 summarises the elements of the Resource Based Theory.

FIGURE 2.11 ELEMENTS OF THE RESOURCE BASED THEORY



Source: Gumbo (2015)

The RBT states that an organisation develops competitive advantage by not only obtaining but also developing, combining, and effectively organising its *physical, human, and organisational* resources in ways that add distinctive value and are hard for competitors to replicate. The RBT proposes that all organisations should look internally at their resources for sources of competitive advantage (Davis & Cobb, 2010: 21; Kamange et al., 2014:15; Gumbo, 2015).

Authors such as Barney and Clank (2010) and Fatoki (2011:194) view the Resource-Based Theory as the combination of all enterprise capabilities, both financial and non-financial as well as enterprise abilities to maintain these resources and knowledge about the market and the products and services of the organisation. The RBT is related to the view of Krajcovicova (2012) who argues that resources, core competencies and capabilities are critical for the competitive advantage of a business. Therefore, sufficient support in the form of resources and policies is critical for SMME growth as this creates capabilities that are needed by small businesses.

The RBT Theory underlines the need for a specific Human Resource Management Strategy, which seeks to achieve competitive advantage by increasing commitment and competence of the workforce. Some authors, such as Dumbu and Chidamoyo (2012:201), assert that the source of sustained competitive advantage lies in Human Resources themselves, and not in the practices used to attract, utilize or retain those. By contrast, scholars like Rosenbusch, Brinckmann and Bausch (2011:441) arguably indicated that human resource management practices can be viewed as organisational competencies, such as the ability to motivate employees, handle internal politics, and so forth.

Kasseeah (2012:85), Davis and Cobb (2010:22) and Gumbo (2015) claim that some of the resources accumulated in this process include human, social, physical, financial and organisational capital. A link between entrepreneurs' human capital and the probability of venture failure, survival and or success was detected. Chandler and Hanks (as cited by Ramnath & Ketkar, 2012) found that ventures with higher levels and broader varieties of resources tend to grow faster and are larger in size.

Several authors such as Chimucheka (2013:8), Gumbo (2015:22), Madya (2015:33) and Röhl (2016) emphasise that resources and assets (both tangible and intangible) are accumulated throughout entrepreneurial careers. However, scholars such as Gorgievski et al. (2014:111) arguably indicated that best practices are not a necessary consequence of the Resource Based Approach.

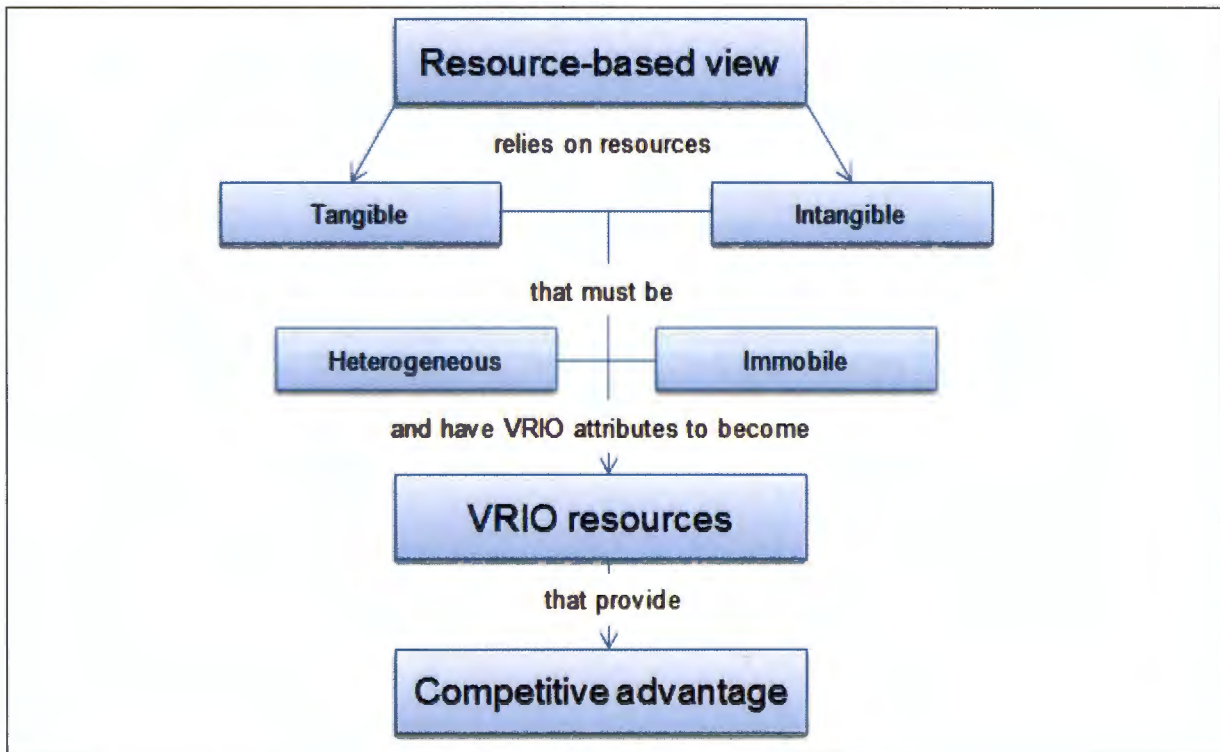
From the discussions above it can be noted that the RBT, as a basis for the competitive advantage of a business, lies primarily in the application of a bundle of valuable tangible or

intangible resources at the organisation's disposal. The success of an organisation is determined by how well resources are allocated and efficiently utilised by that organisation, which makes this theory appropriate for this study. Business management deals with the setting up of appropriate management systems, processes and procedures in a business in order to take care of areas such as production, marketing, finance and human resource management.

Kamange et al. (2014:14) purposively suggests that vital general management skills include strategy skills, planning skills, marketing skills, financial skills, project management skills and time management skills, while the people skills would include leadership skills, motivation skills, delegation skills, communication skills and negotiation skills, and these are some of the main variables of this study. Figure 2.12 provides a summary of the RBT.

Important to note and as depicted in Figure 2.12, VRIO is an acronym for the four question framework asked about a resource or capability to determine its competitive potential: the question of Value, the question of Rarity, the question of Imitability (Ease/Difficulty to Imitate), and the question of Organisation (ability to exploit the resource or capability).

FIGURE 2.12 SUMMARY OF THE RESOURCE BASED THEORY



Source: Madya (2015:33)

Furthermore, an organisation resource diversity (also called resource heterogeneity) pertains to whether an organisation owns a resource or capability that is also owned by numerous other competing organisations, then that resource cannot provide a competitive advantage.

In spite of the wide recognition of the RBT, it is not without criticism consistent to this Priem and Butler (2001a:22; 2001b:44), Buhler (2010:10), Chilya (2012) and Grey and Saunders (2012) suggested that the RBT does not constitute an accurate theory. Their argument centres predominantly on two basic issues. It is suggested that the RBT is basically redundant because its primary validations are true by definition and, thus, not subject to empirical verification. In other words, without definitional dependence (that is 'valuable resources'), the diametrical statement that unique organisations possess competitive advantage does not logically follow. Secondly, another major criticism of the RBT is that it has a narrow prescriptive ability. Four aspects of the theory that limit its applicability are: (1) the attributes of resources that can create strategic advantage and sustained strategic advantage, identified by the theory are not amenable to managerial manipulations; (2) the context within which the theory applies is not specified; (3) the definition of resources is all inclusive; and (4) the theory is static and not dynamic.

The shortcomings of the Resource Based Theory are further categorized by Gumbo (2015) into cost, constraints and information. Consistent with this, Gulati, Dialdin and Wang (2005) indicated another weakness of the theory which assumes an atomistic environment where information is accessible to all. This assumption is not accurate as information asymmetry is common in the business world. The RBT base business success on market influence and control but, the business environment is generated through a process of consistent attention and interpretation of market forces (Pfeffer & Salancik, 1978:13). This means that SMMEs' behaviours are largely molded by learning, selecting and processing information about the environment. The theory is inconclusive on whether it is based on management uncertainty or ensuring profitability and efficiency of businesses.

However, in spite of these criticisms the effect of the RBT on strategic management research has been vital. This is mainly because the RBT has moved emphasis in the strategy literature away from external factors (such as industry position) toward internal business resources as sources of competitive advantage. Rising acceptance of internal resources as sources of competitive advantage has brought acceptability to the affirmation that people are strategically significant to business success.

Although the Resource Based Theory emerged from management studies based on corporate management and large multinational organisations, some scholars and researchers (Kim, 2011; Chimucheka, 2012, Krajcovicova, 2012; Kamange et al., 2014:12; Collett et al., 2014; Gumbo, 2015; Sarakunze, 2015) used the theoretical conclusions of these concepts in terms of

management issues in small and medium-sized enterprises in the context of growth and innovation implementation processes in these businesses.

The RBT is appropriate as a theory that supports business performance for a number of reasons. Firstly, there is a human capital pool encompassing of the stock of employee understanding, skills, motivation, and behaviours. Human Resources practices contribute towards and can help build the knowledge and skill base, as well as elicit relevant behaviours. Secondly, there is the flow of human capital through the business. This mirrors the movement of people (with their individual knowledge, skills, and abilities), as well as knowledge itself. Human Resources (HR) practices can certainly influence the movement of people. However, more importantly, the types of incentive systems, culture, and other aspects of Human Resources Management influence the extent to which employees are willing to create, share, and apply knowledge internally. Thirdly, the vibrant processes by which businesses change and/or renew themselves constitute the third area illustrating the link between Human Resources Management and the resource-based view of an organisation. Human Resources practices are the primary levers through which an organisation can vary the pool of human capital as well as attempt to change employee behaviour that all contribute towards business success.

Based on the above arguments, RBT supports the associations described in this study. This is because employees' knowledge, skills and abilities are improved, and their motivation is improved through the system of HR practices they experience. This highly skilled workforce has a greater potential to constitute a source of competitive advantage because of the productive behaviours they exhibit (Barney & Clark, 2010; Davis & Cobb, 2010:120; Gumbo, 2015; Hayton, 2015). According to Fatoki (2014:143), the competitive advantage of a business is considered an important antecedent to its performance because this should lead to organisational performance. On the basis of both theoretic conceptions, business growth is affected by the internal accumulation of knowledge rather than by external sources from the market or in society. It is suggested under these approaches that business competitive strength is affected by the position of its resources rather than by its business market position, which is confirmed, for example, by the model of Porters' five forces analysis model. Thus, this theory is applicable to this study.

The success of an organisation is also affected by the quality of the human resources of the organisation. Therefore, it is necessary to discuss the theories that pertain the human capital of an organisation, hence the following section discusses the Human Capital Theory.

2.6.2 Human Capital Theory

The Human Capital Theory, proposed by Becker (1964), represents an attempt to modify the basic neo-classical model of supply and demand in the labour market. This theory recognises that

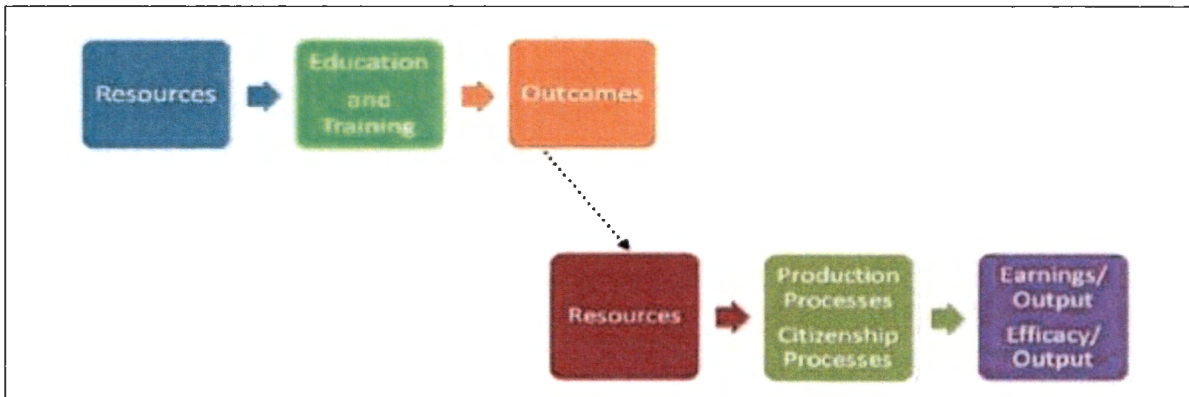
differential education, training, and experience levels produce differential costs/earnings in many different labour markets. Remuneration levels are directly related to profitability of the products in those markets and to the level of skills, which are developed through training and experience in order to produce given products. Training is seen as an investment in human capital and the decision to undergo training and acquire skills is seen as a rational choice in time-preference, deferring current gratification in exchange for anticipated future earnings. Supply in each labour market is rationed by the time (which also reflects individual ability and the quality of training) and other costs involved in acquiring skills. Figure 2.13 is an illustration of the elements of the Human Capital Theory.

FIGURE 2.13 ELEMENTS OF THE HUMAN CAPITAL THEORY



Becker (1964) specifically emphasised the social and economic importance of human capital theory a number of years ago and noted that the most valuable of all capitals is the investment in human beings, and this is also still valid today. Becker also distinguished firm-specific human capital from general-purpose human capital. This form of human capital includes expertise obtained through education and training in management information systems, accounting procedures, or other expertise specific to a particular business. Human capital is knowledge gained through education and training in areas of value to a variety of organisation such as generic skills in human resource development. Regardless of the application, Becker (1964) mentioned education and training to be the most important investment in human capital. Figure 2.14 further highlights the main variables in the Human Capital Theory.

FIGURE 2.14 HUMAN CAPITAL THEORY



Source: Madya (2015)

Schultz (1961) professed some time ago that both knowledge and skill are a form of capital, and that this capital is a product of deliberate investment and this though is still relevant today. The concept of human capital implies an investment in people through education and training. Schultz compared the attainment of knowledge and skills to attaining the means of production. The difference in remunerations between people relates to the variances in access to education and health. Schultz proposed that investment in human capital will lead to a rise in human productivity, which in turn leads to a positive rate of return.

Early researchers to fit Human Capital Theory into the entrepreneurial context were Bruderl et al. (1992:243) who said that even though the general application of human capital is on employees, there is no intention why it should not relate to entrepreneurs as well. Accordingly, entrepreneurs with higher common and specific human capital can be anticipated to achieve higher levels of performance than those with lower levels of common and specific human capital. This is termed as entrepreneurial human capital, social capital, as well as skills and training (Dumbu & Chidamoyo, 2012:201; Chimucheka, 2012; Chiliya & Roberts-Lombard 2012; Gray & Saunders, 2012, Madya, 2015).

Buhler (2010:14) described human capital as the stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. Human capital represents investment made in people as well as by the organisation, to enhance economic productivity. Ganotakis (2010:19), Chimucheka (2012), Chiliya (2012), Madya (2015) and Sarakunze (2015), used the Resource Based Theory (RBT) to explain the importance of human capital to entrepreneurship. According to RBT, human capital is considered to be a source of competitive advantage for entrepreneurial businesses.

Ganotakis (2010:21) purposively suggests that human capital can be divided into general human capital and specific human capital. General human capital in an example of an entrepreneur is

generally measured by educational qualifications and by the total number of years of working experience. Specific human capital includes specific business education, specific skills, industry related experience, and managerial experience. However, Green and Martinez- Solano (2011), Madya (2015) and Sarakunze (2015) pointed out that empirical research has obtained a range of results regarding this relationship between human capital and performance, but these results are not consensual.

Managerial ability and outside options are demonstrated by Abouzeedan (2011), Green and Martinez- Solano (2011), Gray and Saunders (2012) and Fatoki (2012) as two different channels through which the level of education might influence the propensity to become self-employed. Some studies project that education as a key element of human capital would enhance an individual's managerial ability, which in turn increases the probability of entrepreneurship. Consistent with this Dumbu and Chidamoyo (2012:201) ascertained that the transfer of requisite knowledge and skills is the easiest part of training and is incorporated in most training programmes on entrepreneurship.

Human Capital Theory makes a very simple argument: investment in education (either formal or informal) increases individuals' level of productivity and improve their earning potential. Although it might not be shown, nearly every individual and business has or will make a decision based on this theory. However, the relationship between education and productivity is very important to an employer. Employee training can be divided into two types: firm-specific and general training. Firm specific training is non-transferable. This type of training is usually of little or no value outside of the specific business. An example of firm-specific training is learning to operate specially designed machinery not used elsewhere. General training, such as computer knowledge and typing, is useful beyond a specific business (Chiliya & Roberts-Lombard, 2012:463).

Chiliya (2012) further indicated that most successful organisations and the most successful countries will be those that manage human capital in the most effective and efficient fashion by investing in their workforce, encouraging workers to invest in themselves, and providing a conducive learning environment.

Booyens (2011:60), Chimucheka (2012) and Botha and Musengi (2012) in a related argument pinpoint that the capable level of talent of a small business founder is not the unique determinant of performance. Rather, investment in industry specific and entrepreneurship-specific human capital contributes significantly to the performance of small business founders. Research results show that human capital seems to influence the whole set of performance measures (profitability,

employment and survival). The former experience of a business founder appears to determine all performance measures. Moreover, experience in activities relevant to business ownership/management increases the survival ability of a business. Finally, highly educated people tend to make more profit, while those who have experience as an employee were found to create more employment (Fatoki, 2012).

Audretsch (2012) maintains that the profit and productivity of a business is driven by entrepreneurial human capital. The greater the human capital of an entrepreneur, the greater the possibility for business survival and the lower the probability of an early exit. Higher productivity of a founder means the business owner is more efficient in organising and managing operations or is able to attract more customers, to negotiate better contracts with suppliers, and raise more capital from investors.

Researchers such as Ganotakis (2010:111), Kasseeah (2012:83) and Adisa, Abdulraheem and Tangwo (2013) strongly agree that human capital, particularly prior business-ownership experience, can have an impact on the ability to identify business opportunities. Prior business ownership experience can be associated with assets such as extended networks, increased expertise or a good reputation with financiers and suppliers.

Studies such as Kim (2011), Kasseeah (2012:83) and Bosire and Nzaramba (2014:21) indicate that human capital is similar to physical means of production, such as factories and machines. Human capital is a means of production into which additional investment yields additional output. Human capital is substitutable, but not transferable such as land, labor, or fixed capital. Empirical literature, such as that of Chimucheka (2012); Fatoki (2014:140); Kamange et al. (2014:17) and Hayton (2015), all found a significant relationship between human capital and business performance. In view of the evidence provided in the review of empirical literature, this study hypothesizes that human capital of a business is positively associated with the performance of SMMEs.

Relatedly et al. (2014:217) and Chimucheka (2016) pinpoint that the relationship between entrepreneurship education and entrepreneurial intention and suggest that the Human Capital Theory was originally developed to estimate employees' income distribution from their investments in human capital. Researchers have employed a large spectrum of variables signifying human capital and these are: formal education, training, employment experience, start-up experience, owner experience, parental background, skills, knowledge, and others.

The Human Capital Theory maintains that knowledge enables individuals to increase their cognitive abilities, leading to more productive and efficient potential activity. It can thus be said that the knowledge and skills of entrepreneurs are due to their ability to transform in the learning processes. Experience should not be equated with knowledge because experience may or may not lead to increased knowledge. Therefore, human capital investment may or may not lead to

desired outcomes of human development. This kind of investment may then require a different process of knowledge acquisition and require that a distinction be made between human capital investments and the outcomes of human capital investment (Sehhat and Fooman, 2014 & Fooman, 2014:389).

Entrepreneurial human capital refers to an individual's knowledge, skills and experiences related to entrepreneurial activity. Entrepreneurial human capital is important to entrepreneurial development and thus relevant to SMMEs (Bosire & Nzaramba, 2014:19). It is therefore argued that entrepreneurial human capital increases the efficiency of a business and plays a key and central role in the market selection process and business environment.

Fatoki (2014), Sehhat and Fooman, 2014 and Fooman (2014:396) and Lampadariou (2015) asserts that it is also possible to claim that entrepreneurs with greater human capital will be less uncertain about their efficiency and will be able to learn faster about market conditions, adjust capacity and, therefore, reduce the probability of exit. On the basis of higher earnings and more prestigious professional status as employees, people with higher human capital are in a position to raise more capital and set up larger and better equipped businesses. Thus, people with higher human capital are able to detect profitable market opportunities that are still unexplored and to obtain relevant information about market conditions and, as a result, reduce uncertainty about their own efficiency.

Similarly, Kamange et al. (2014) noted that the reason for this is that better educated entrepreneurs normally own and manage large businesses, which are less likely to be constrained by finance. It can also be assumed that educated entrepreneurs are likely to have better managerial skills and are better equipped to go through difficult administrative procedures in the credit system, increasing their standing in lenders' eyes.

Other evidence from researchers such as Bosire and Nzaramba (2014:21), Collett et al. (2014:103), Gorgievski et al. (2014:106) and Geoffrey and Christosn (2015:309), also showed that education and entrepreneurial experience have a positive impact on performance. These scholars further suggest that SMMEs need training, because their owners are invariably less educated and therefore less able to be formally trained, compared to the managers in large firms. An entrepreneur's level of education increases the possibility of becoming an established business and this then leads to more jobs per business. The higher an entrepreneurs' level of education, the greater the ability to grow the business. There is a strong positive correlation between education and business success.

Fatoki (2014), Alayemi (2015:192), Chimucheka (2016) and Madya (2015) also found a positive relationship between higher educational qualifications and business growth. The reason for this is education affects an entrepreneur's motivation. Furthermore, education helps to enhance the exploratory skills and improves communication abilities and foresight. These enhanced skills are

positively related to presenting a plausible case to a financier for a loan at the time of preparing a loan proposal and in convincing a financier during an interview.

Therefore, research based on Human Capital Theory confer that high human capital endowment (education and experience) of the entrepreneur reduces the chances for entrepreneurial failure. Many studies, such as those of Green and Martinez- Solano and Martinez-Solano (2011), Chimucheka (2012), Fatoki (2014:14), Kamange et al. (2014:17) and Hayton (2015), have been conducted out on human capital and have identified it as the primary source of economic growth.

Alayemi (2015:192) arguably indicated that professional experience increases the probability of survival in the world of entrepreneurship. However, later on it was established in the same study that professional experience decreases growth of employment and turnover due to the correlation between professional experience, age, and a cautious attitude.

To keep up with changes in the global market and compete effectively, it is necessary for entrepreneurs to change their way of conducting business. Entrepreneurs with larger stock of human capital, in terms of education and/or vocational training, are better equipped to adapt their enterprises to constantly changing business environments. For business to be successful they do not only need resources and human capital investment. There is need for managers to have all competencies that lead to the success of business. Therefore, the subsequent section discusses the Iceberg Theory.

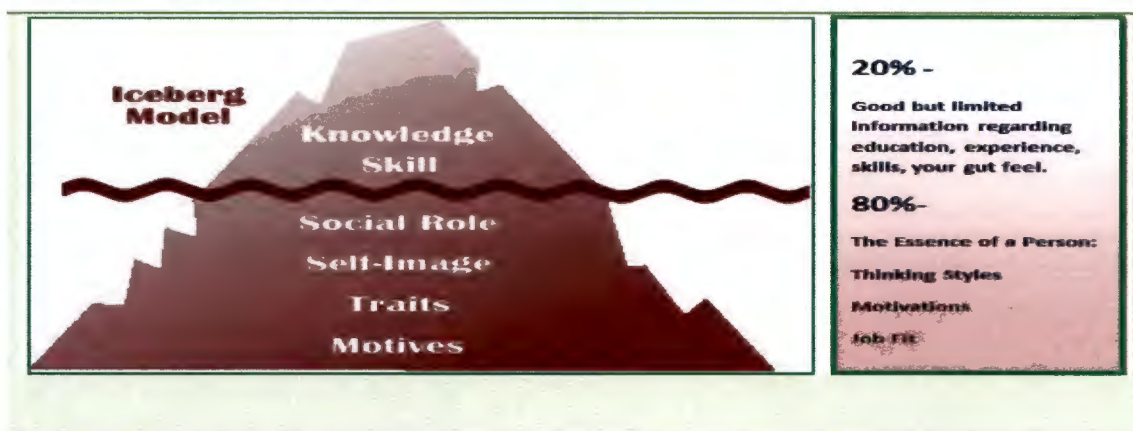
2.6.3 Iceberg Theory

Spencer and Spencer (2003) were the first to propose a model for the iceberg theory in the 1990s. They stated that, only a small fraction of information is visible in every situation whereas the bulk of the information is hidden. The Iceberg Theory on skills adopts the water iceberg idea to explain the concept of competencies. A water-iceberg has only one-tenth (1/10) of its volume above sea level with nine-tenth (9/10) under sea level, as illustrated in figure 2.15. Just as the water iceberg are the managerial skills as proposed in the iceberg theory. Correspondingly, an individual's competencies have some components which are visible (knowledge and skills) and behavioral components (attitude, traits, thinking styles) that are hidden. Kongolo (2010), Green and Martinez-Solano (2011), Krajcovicova (2012) and Madya (2015), indicated that, a competence is a distinct attribute of a person indirectly correlated with principle effective and superior performance on any given task or job activity. This is supported by Costin (2010) who said that competencies are not fixed and casually develop with effort and support. The iceberg model comprises of five competencies which, according to Costin (2010) are:

- Motive: thoughts that cause a particular action directed to ones-self not others.

- Skill: competencies furnished through consistent practice, ability to do something well accomplished through technical skill.
- Knowledge: understanding acquired through learning in the area of work. Enhanced by education and experience.
- Traits: the mental and physical attributes connected to a person's way of responding in certain situations (reaction time, mentoring, and being a good-listener).
- Self-concept: personal values, self-image, identity, confidence level. (Exercised through innovativeness and leadership).

FIGURE 2.15 ICEBERG MODEL



Source: Madya (2015)

The visible competencies are skills and knowledge while the other traits such as self- image and motives are invisible. Buhler (2010), Costin (2010), Lukovic (2014:779) and Sehat and Fooman, 2014 (2014:389) suggest that the visible competencies are adopted in the top motion of the iceberg and are easily developed and enhanced through on the job training and educational advancement.

The invisible, which take the form of the wave currents in a sea, are inherent to an individual since it comprises the innermost part of a person's personality. Invisible competencies are difficult to develop and reform through on the job training and education but consultation, mentoring and a conducive working environment may yield results (Buhler, 2010; Machirori & Fatoki, 2013:113 and Madya, 2015).

The visible and invisible competencies were later categorised into soft and hard skills. Buhler (2010) proposed that soft skills are connected with Behaviour needed for successful interpersonal interaction which is evaluated using the emotional quotient (EQ). Hard skills are intellectual in nature, thus the technical ability to perform through task oriented skills and professional knowledge and evaluated using the intelligent quotient (IQ), as augmented by Buhler (2010). The skills refer to the technical level of performance (professional knowledge) and task oriented skills. Professional

knowledge being attained information about a given subject over time and task oriented skills are basic requirements for an individual to perform using technology during production process.

However, the Iceberg Theory has been criticised due to its inability to clearly distinguish soft and hard skill (visible and invisible competencies). Unfortunately, available literature lacks exact definitions to categorise and itemize visible and invisible competencies. Most SMMEs require a complementary relationship between soft and hard skills in effective job performance. This is evidenced by SMME employers focusing on applicants' soft skills such as personal traits during recruitment and selection on hard skills provided through a degree or diploma.

Even though The Iceberg Theory has been criticised it is relevant to SMMEs because owners of these SMMEs are usually also the managers (Willemse, 2010; Machirori & Fatoki, 2013; Madya, 2015). The iceberg theory is in line with the required change in attitude due to the continuously changing business environment.

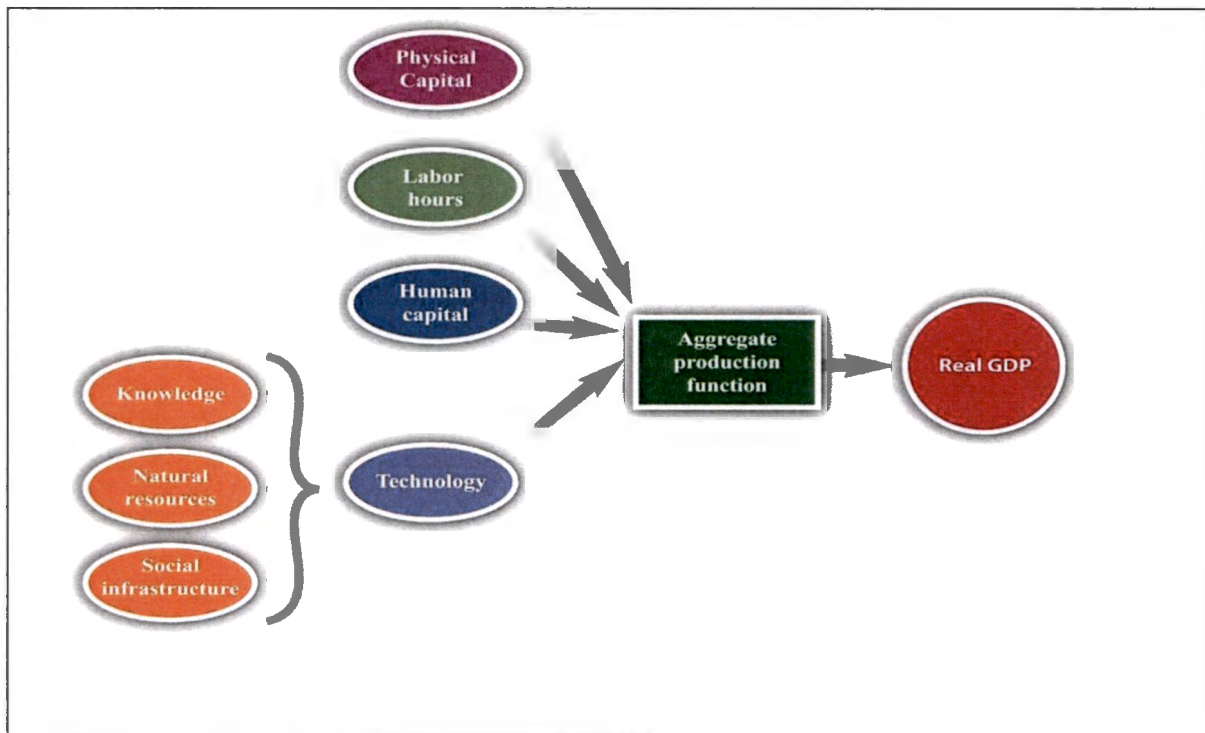
Consistent with this Buhler (2010) proposed that a mix of hard and soft skills (competencies) provides the basis for assessing SMME employee development, anticipating resistance, involving employees in decision making, increasing productivity of employees, and also that it warrant clarity on behavioral expectations. Fatoki (2014) concur with Willemse (2010), Machirori and Fatoki (2013) and Madya (2015) that SMME managers/owners should not only have adequate professional knowledge and be proficient at task-oriented skills, but also be sensitive to changes and adapt to new challenges in the workplace (Fatoki, 2014).

Gumbo (2015) reveals that the visible managerial competencies (hard skills) are one major assessment criteria for banks to grant financial assistance. Access to capital is critical SMME performance. Typically, a bank or financial institution is interested in the hard and soft skills of the SMME owner/manager.

A study by Madya, (2015) positively link managerial competencies to start-up venture performance. The higher the level of intellectual quotient (IQ), technical ability and professional knowledge exhibited by SMME owners/managers of a start-up business, the greater the feasibility and survival of the new SMME. Hence, the more successful the managers/owners will be in accessing credit finance.

After an in depth discussion of the various theories of business management it is very clear that there are many factors that affect the success of a business. Therefore, it is important for managers to make sure that they use their resources effectively and efficiently for a business to be successful. Figure 2.16 provides a summary of the main variables that affect the success of the business as highlighted in the literature review.

FIGURE 2.16 SUMMARY OF THE VARIABLES HIGHLIGHTED IN THE THEORETICAL BACKGROUND OF THIS STUDY



Source: Albuquerque et al. (2016)

From the literature review, the integration of entrepreneurial (opportunity-seeking) and strategic (advantage-seeking) perspectives seems to be a promising approach for contemporary management, and is probably even a necessary approach for coping with the effects of the new competitive landscape. Strategic management must therefore become more entrepreneurial, and shift from the traditional administrative approach to a strategic entrepreneurship approach. This would characterise a new management viewpoint that promotes strategic agility, creativity, flexibility and continuous innovation. Therefore, is important to offer a brief discussion on strategic management in an SMME context.

2.7 Strategic management in SMMEs

The application of strategy in SMMEs is a key portion of the connection between entrepreneurship and strategic management. Strategic management research is for a large portion concerned with pinpointing differences among the performance of businesses by scrutinising their efforts to develop sustainable competitive advantages as determinants of their ability to create value. Next to the content and process side (which are always interrelated, for example in the form of a business plan) of strategy within SMMEs, the role of the entrepreneur is particularly important. The

possession of valuable, rare, non-imitable and non-substitutable resources as well as a favorable market position is regarded as major sources for sustainable competitive advantages.

This builds the basis for the Resource Based View (RBV) of strategic management, which regards a business as a bundle of resources that needs to be deployed strategically in order to add value. SMMEs and start-ups have nearly by definition fewer resources than larger businesses, and the types of resources of these two groups of businesses are different. SMMEs possess such proficiencies as niche filling, speed and flexibility that allow them to exploit certain opportunities faster and more excellently than established businesses. Therefore, the role of entrepreneurial behavior in corporate strategy is increasingly emphasised (Buhler, 2010; Machirori & Fatoki, 2013:113; Gumbo, 2015; Gumbo, 2015).

Du Toit et al. (2010), Botha and Musengi (2012) and Fatoki (2013) confirm that a key distinction in strategic management is between content and process, that is the strategy itself (content) and its implementation (process). On the content side, there are three levels of strategy within a business:

(1) the corporate strategy which defines what businesses is in and how all of its activities are structured and managed,

(2) the business level strategy which is concerned with creating a competitive advantage in each of the business's product levels or strategic business units, and

(3) the functional level strategy of which examples are the marketing strategy, the human resources strategy and the research and development strategy.

In SMMEs, level 1 and level 2 mentioned above are usually the same due to the nature and size of the business.

According to Hayton (2015) strategic management gives the following advantages to the business.

- shapes the future of the business;
- encourages innovation and creativity;
- allows effective strategic idea formulation;
- decentralizes management;
- helps increase productivity;
- ensures discipline within the business;
- allows management to control the activities of the business.

SMME managers perform the strategy process mainly from an informal fashion by holding multiple functions and with limited application of strategy management tools and techniques. The owners and managers seem to be putting more emphasis on external environmental scanning (customers, suppliers, competitors and lenders) and then defining grand strategy and goals. This implies that

SMME strategy process is characterised by more of market based view. It is argued in literature that there is a need to understand whether and how managers in SMMEs have taken up the language and practice of planning, strategic analysis and execution. It appears that SMMEs are important for economic health and poor strategy management practices are proposed to be one of the reasons of inadequate success of SMEs (Buhler, 2010; Machirori & Fatoki, 2013:113; Gumbo, 2015; Sarakunze, 2015).

However, Alayemi (2015:192) pointed out that the strategic awareness of SMME managers is the critical determinant of the organisations' survival and achievements in the long term. Similarly, Gumbo (2015) indicates that SMME managers in successful businesses recognise that strategic management is an integral business activity performed either consciously and visibly or unconsciously and invisibly. Thus, SMMEs are important to the economy and it is thought that strategy management is a key area that SMME managers should emphasise in order to stay competitive in the long term.

Mqaba (2015) indicates that strategic management is a key pillar for corporate survival and may be adapted and applied to ensure better SMME performance, on a more consistent basis. However, Madya (2015) and Sarakunze (2015) asserts that strategic management materials appear to be written primarily for larger corporations. They suggest that an elaborate involvement, high cost and complex architecture are prerequisites for effective strategic management. The reaction of SMMEs to strategic management is naturally one of being intimidated; and therefore they prefer to operate in the usual manner and mind set.

In business management research strategic management and its implementation have become the main focus in SMMEs because of its capacity in generating economic wealth. Although, there are many advantages to use strategic management, there are still many SMMEs that resist using it, since some of them may think this process is only useful for larger organisations and they did not recognise that it's also very helpful for SMMEs as a whole.

According to Chimucheka (2016), the performance of a business is determined by the business strategy it adopts. Strategies which result in high performance are identified with activities that generally lead to success in the industry; that is key success factors. These activities are associated with initiatives in industry. Researchers have identified such initiatives to include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets (Buhler, 2010; Machirori & Fatoki, 2013:113; Gumbo, 2015; Madya, 2015). Strategy is classified into different schools. Table 2.1 shows Mintzberg (1990a) categorization of strategies, which was done after a review of about 1,500 published articles on strategic management.

Empirical evidence proposes that entrepreneurs in SMMEs plan in a manner that is fairly different from the typical textbook approaches. In the multitude of SMMEs, not top management teams, but the entrepreneur himself is the enterprise's main strategist and decision maker, developing the vision, mission and strategies, and also executing it. Strategic decisions mirror the subjective orientations and attitudes of the entrepreneur. The role and attitude of the entrepreneur towards strategic issues are therefore often critical for the implementation of strategy. Likewise, an entrepreneur's personal goals, traits and strategic orientation significantly impact the business's strategy. Many entrepreneurs routinely operate their daily business, but do not believe that strategic management applies to them. However, it has been argued that no business is too small to have a solid strategy. The question of whether or not to use sophisticated strategic management instruments, however, again depends on the entrepreneur's previous experience.

Previous research on strategic management in SMMEs has several limitations that have to be addressed in future research. First, it is often limited to those businesses that have already been acknowledged as conducting strategic planning or to the surviving businesses, whereas failed businesses are not considered (survivor bias). A major limitation is that the response rates to these studies have been rather low. It can be assumed that questionnaires are more frequently returned by businesses that apply strategic management instruments more than the others. The results relating to the use of strategic management instruments might therefore be unintentionally inflated. Furthermore, in previous studies the mixture of single functional plans has often been a sufficient condition for classifying SMMEs as using strategic planning, which might give a questionable image of the real nature of strategic management in the businesses.

TABLE 2.1 MINTZBERG'S SCHOOLS OF STRATEGY

Prescriptive Schools	Descriptive Schools I	Descriptive Schools II
Design school Conceptual strategy development through achievement of a "fit" between internal strengths and weaknesses and external opportunities and threats. Main instrument: SWOT analysis.	Entrepreneurial School Visionary strategy formation, vision and intuition of the entrepreneur instead of precise plans. Implicit perspective (vision) which is personal and unique Main instruments: Start-up, niche or turnaround strategies.	Political School Power-based strategy formation: The development of strategies within the organization is determined by politics and power, micro power. Main instruments: Strategy development is based on self-interest and fragmentation or tactics and positioning.

<p>Planning School</p> <p>Strategy as a formal process with single clear steps and techniques.</p> <p>Main instruments: Scenario planning, check lists, strategic control.</p>	<p>Cognitive School</p> <p>Regards strategy formation as a mental process, based on individual perceptions.</p> <p>Main instruments: Deals with the origin of strategies and the mental processes of strategy development.</p>	<p>Cultural School</p> <p>Strategy formation is a social process which builds on culture.</p>
<p>Positioning School: Analytical strategy formation, strategy being regarded as a generic competitive position depending on the industry situation.</p> <p>Main instruments: Boston Consulting Group matrix, McKinsey matrix, PIMS study.</p>	<p>Learning School</p> <p>Strategy development as an emergent learning process.</p> <p>Main instruments: Strategy formulation and development mesh with each other; frequently applied in entrepreneurship.</p>	<p>Environmental School</p> <p>The environment is not only seen as a factor, but moreover as the central actor which determines the strategy.</p> <p>Main instruments: Examination of the environmental conditions and the specific position, termed niche in population ecology.</p>

Additionally, previous research studies are difficult to compare with each other due to their differences in terms of business type, field of industry, sample size, and/or company size, or examination period. Similarly, prior studies are often limited to only one industry, which decreases the potential to derive generalisable conclusions. In this respect, it would be interesting to examine whether there are differences in the usage of strategic management instruments specific on industry sector. It can be presumed that in these industries, in which product development and order processing have a shorter time frame (for example in the services industry) or in those with a generally smaller range of products, strategic management instruments are less commonly used.

In order to have a broad understanding of the SMME strategy, Table 2.2 highlights the constitutive elements of SMME strategy.

Some authors have questioned the overall value of strategic management in SMMEs and argued that it does not work in a dynamic environment where flexibility and responsiveness are significant conditions for survival. However, this study has a diverse opinion since many of the strategic management instruments which have originally been developed for large enterprises, such as the SWOT analysis, can be essential for SMMEs as well, but need to be adapted according to their particularities. Since SMMEs considerably differ from large enterprises in their amount of resources, it is doubtful that 'standard' strategic management instruments work in the same manner in SMMEs as in large enterprises. The instruments therefore need to be aligned with the personnel as well as the cultural, organizational, and financial conditions of the specific enterprise in order to be successful. Since many strategic instruments are simply not known or applied in

SMMEs, a consciousness regarding the virtue of the use of proper strategic instruments needs to be raised.

TABLE 2.2: CONSTITUTIVE ELEMENTS OF SMME STRATEGY

	Entrepreneur	Strategy Content	Strategy Process	Business Plan
Characteristics	The Entrepreneur or the SMME manager is the main strategist and decision maker develops the vision, mission and strategies for the enterprise implements the vision, mission and strategies	Most promising market entry strategies for SMMEs niche strategy: allows targeting of customer needs by focusing the limited resources on a narrow market segment differentiation strategy: offers the customer a special advantage along a valued dimension (e.g. quality or price)	Strategic instruments which are suitable for SMMEs SWOT analysis PEST analysis industry analysis product life-cycle analysis Business portfolio matrixes	Written or formal documentation of the SMME"s strategy and strategic planning means of communication with external stakeholders internal control mechanism leads to actual company founding, ongoing strategic planning and employment growth
Other Issues and Challenges	Personal goals, traits and strategic orientation having a significant impact on the SMME"s strategy. Daily business is customarily regarded as more important than long-term strategies.	Other dimension of assessing an enterprise"s market entry: product/market strategy (four-field matrix with different combinations for implementing existing or new products in present or new markets).	Other strategic instruments (e.g. benchmarking, GAP analysis, BSC), which could also be used in SMMEs, are often unknown in SMMEs.	Business plans are rarely existent in young SMMEs. The question of whether to write a business plan is the entrepreneur"s decision, reflecting his thoughts and ideas.
(Main) Sources	Laiser (1990) Du Toit et al. (2010) Berry et al. (2010)	Ibrahim & Soufani (2002) Lucas (2010) Lukovic (2014)	Schermerhorn (2011), Senge (2012) Ladzani & Seelets (2012);	Ramnath & Ketkar (2012) Khana & Quaddus (2015)
Research Gaps and Areas for Future Work	Changes in strategy when the SME grows and the entrepreneur is no longer the only decision maker (e.g. entrepreneurial teams)	Possible correlations between the applied strategy and corporate success; industry-specific surveys	Possible correlations between the instruments and corporate success	Quality, quantity and content of the business plan and their possible correlations with corporate success

A solid managerial implication of the strategic entrepreneurship approach is the viewpoint to cultivate more entrepreneurial and original thinking, mainly in young SMMEs. This stands in

contrast with the traditional strategic management approach, which characteristically underlines administrative management and focuses on day-to-day business. Intuition and using “gut feelings” are essential elements of the entrepreneur’s strategy development, though they have to be augmented by wise use of strategic management instruments. It is also generally acknowledged that proper planning has its positive implications for successful implementation. Accordingly, planning complements and improves entrepreneurial behavior which determines the success or failure of a business.

2.8 Summary

This chapter discussed the concept of business management and highlighted the main managerial functions that are needed for the success of a business. Various management theories were discussed and their relevance to the SMME context. The importance of resources on the success of any business has been highlighted by various scholars. SMMEs and large organisations are likely to differ in form of their resources. Business resources include a variety of elements and these resources are often a key to sustainable competitive advantage and superior performance. This chapter discussed the theoretical background underpinning this study and identified the construct most beneficial to SMME success. While these constructs might not be in themselves unique it is felt that the applicability of many of the constructs to the SMME context might differ. Therefore, the subsequent chapter discusses the nature of relationships among the constructs and SMME success.

CHAPTER 3: SMALL BUSINESS DEVELOPMENT

3.1 Introduction

The impact that SMMEs have made on economies of many countries has become a major topic of discussion. Most countries have now adopted push factor initiatives aimed at increasing the performance and success of SMMEs, especially those still in evolving stages. These programmes provide SMMEs with one or the other of the following support structures: financial incentives, progressive motivation, export rebates, business networks, reduced SMME product restrictions and lastly, business knowledge needed for future decision making.

The perceived potential of small businesses to create employment has caused the governments of many countries to cluster more attention on the small business sector. Notwithstanding the fact that results almost everywhere do not match expectations, there is evidence that the SMME sector do make a meaningful contribution to economic growth, social development, and employment provision. SMMEs do not only form the backbone of most emerging economies, they are also the seedbed for micro economic stability and success.

This chapter begins with a general outline of the nature and definition of an SMME. A dynamic SMME sector is in different economies across the globe. The chapter then proceeds to describe the rationale for business support in developed and developing countries and elaborates on the current small business development support structures in South Africa. The types of business support programmes in developing countries are also highlighted as well as lessons to be learnt. In addition, this chapter also delves into the role of the public sector and private sector in the development of SMMEs in developing countries as well as the similarities and differences in respect of business support in such countries.

3.2 Small Business

Studies conducted worldwide on SMMEs reveal this business type is continuously gaining recognition as a critical tool for socio-economic development (Abor & Quartey, 2010:216; Fatoki & Odeyemi, 2010:29; Mahembe, 2012; Kasseeah, 2012:85; Khan, et al., 2013; Kira, 2013; Adisa et al., 2014:12; Collett et al., 2014:141; Lekhanya, 2015:140; Gumbo, 2015; Madya, 2015; Sarakunze, 2015; Chimucheka, 2016).

In almost all investigations in both the developed and less developed countries, the SMME sector is generally recognised as a key player towards economic integration and the major employment provider, as well as the seedbed for a vibrant economy (Abor & Quartey, 2010; Berry et al., 2010; Abouzeedan, 2011; Fatoki, 2014:141; Gumbo, 2015; Chimucheka, 2016).

However, Kamange et al. (2014) indicates that despite the significant importance of SMMEs across the whole world, small businesses still face numerous challenges that inhibit entrepreneurial growth. Similarly, the Global Entrepreneurship Monitor (GEM) (2001-2010) ascertains that SMMEs suffer from poor management skills stemming from a lack of sufficient training and education. This then ultimately results in a high rate of business failure. SMMEs particularly in South Africa have one of the lowest survival rates in the world and this is a major concern for policy makers. Fatoki (2014) affirms that a well nurtured SMME sector unquestionably provides more opportunities for economic growth and development.

Regardless of the dynamic contributions made by SMMEs in most economies, the SMME definition can as yet not be generalised to suit the nature and characteristics of all SMMEs on a worldwide scale. In developed nations such as the USA what is regarded as a small and embryonic business is in South Africa regarded as a big company (Mahembe, 2012; Adisa et al., 2014:12; Fatoki, 2014).

The definition of SMMEs is subjective from country to country and is dependent on the industry in which the business is operative. Thus, in order to understand the nature of SMMEs it is imperative to discuss the definition of small businesses in different economies as it applies to this study.

3.2.1 Definition of Small businesses

Several studies concede that the definition of SMMEs is subject to the qualitative and quantitative aspects of the business (Neiman & Nieuwenhuizen, 2009; Abouzeedan, 2011; Collett et al., 2014:125; Gumbo, 2015; Chimucheka 2016). For instance, the European Union (2005) define SMMEs using quantitative factors such as the number of individuals employed by a business, the level of annual income or the annual financial balance sheet of a business.

According to Neiman and Nieuwenhuizen (2009:8) the qualitative aspects of defining SMMEs are determined by the fact that the business should account for an insignificant market-share, the owner of the business should have diverse skills, the business should be owner-financed in most cases, the business should not be subsidised by larger businesses and all activities controlled by the owner(s). Some scholars such as Mahembe (2012) and Tangwo (2012) opine that businesses usually differ in their capitalisation, sales, and employment levels as a result, definitions which make use of size measures (the number of employees, total sales, and profitability), when applied to some industrial sectors, might lead to a business being classified as a small business, whilst if applied to other industrial sectors it might lead to a different conclusion.

Tlhomola et al. (2010) concedes that before the definition of SMMEs can be questioned, it is imperative to differentiate between small and large businesses. Similarly, Monks (2010) and

Kushnir (2011) emphasise that different definitions of an SMME exist but some common elements of defining a SMME can be picked out which include:

- Number of employees
- Total turnover
- Balance sheet total
- Amount of capital

In line with this Smit and Watkins (2012) indicate that there is no universal definition for an SMME because the grouping of business organisations into large, medium and small is based on a variety of judgments. Due to the complexities of the different characteristics of SMMES it is advisable to define them in accordance with the economic structure of a country or in reference to the country under study. It should, however, be noted that from the arguments raised by several scholars in literature, SMMEs cannot be generalised to suit all countries worldwide (Gumbo, 2015). Thus it is important for this study to identify the various definitions given to SMMEs looking at an international perspective and also a local perspective.

3.2.2 International Perspective on SMME definition

According to the report by Global Partnership for Financial Inclusion (2013), the number of formal and legally registered SMMEs globally is close to thirty million in developing countries. Although the significance of the SMME sector is recognised internationally, defining an SMME is a challenging task. Therefore, there is no single, uniformly accepted definition of a small business because of differences in their levels of capitalisation, sales and employment.

The subsequent section provides an overview of SMMEs definitions used across the globe with the objective of understanding an SMME. This understanding goes a long way in comparing and benchmarking results from different studies.

From the literature review, SMME definitions can be generally branded into two categories namely economic and statistical definitions. When using the economic definition, a business is viewed as small if it meets the following three criteria:

- (1) it has a relatively small share of their market place;
- (2) it is managed by owners, or part owners, in a personalised way and not through the medium of a formalised management structure; and
- (3) it is independent and not part of a larger enterprise.

The statistical definition, on the other hand, is used in three main areas:

(1) quantifying the size of the small firm sector and its contribution to GDP, employment and exports;

(2) comparing the extent to which the small firm sector's economic contribution has changed over time; and

(3) in a cross-country comparison of small firms contributing to the economy (Abor & Quartey, 2010:216; Fatoki & Odeyemi, 2010:129; Mahembe, 2012; Kasseeah, 2012:85; Khan, et al., 2013; Kira, 2013; Adisa et al., 2014:12; Collett et al., 2014:141; Lekhanya, 2015:140; Gumbo, 2015; Madya, 2015; Sarakunze, 2015; Chimucheka, 2016).

However, when looking at these two categories of defining SMMEs there are a number of weaknesses identified. For instance, the economic definition, which states that a small business is managed by its owners or part owners in a personalised way and not through the medium of a formal management structure, is mismatched with the statistical definition of a small manufacturing firm which might have up to 200 employees. This has led different countries to proffer different definitions of SMMEs. Table 3.1 provides a summary of the different SMME definitions according to the European Union.

TABLE 3.1 EUROPEAN UNION SMMEs DEFINITION

Enterprise Category	No of employees (Units)	Annual sales income	Annual financial statement total (Euros)
Micro	10	2 000 000	2 000 000
Small	50	10 000 000	10 000 000
Medium-sized	250	50 000 000	43 000 000

Source: McElherron (2013)

According to the European Union, as presented in Table 3.1, the definition of SMMEs is dependent on the following quantitative aspects:

- The number of employees.
- The annual sales income.
- The financial statement total.

The SMME definition from the European Union highlights that in order for a business to be defined as a micro-business, the number of employees should not be more than 10 individuals and its annual sales income, or financial statement balance, should be not more than 2 000 000 euros. In addition, for the business to be also defined as a small business it should not employ more than 50 employees and its annual sales income or financial statement balance should be not more than 10 000 000 euros. Lastly for the business to be defined as a medium- sized business it should employ

not more than 250 employees (Nkonge, 2013; Ngwenya, 2012; Gumbo, 2015; Madya, 2015), annual sales income should not exceed 50 000 000 euros and its financial statement balance should be close to 43 000 000.

The Brazilian SMME definition, unlike in Europe, is only determined from the annual sales income as a quantitative aspect. The definition streams from the general law which guides the activities of the Brazilian nation. Table 3.2 provides summary of SMME definition of Brazil (Gumbo, 2015; Madya, 2015; Sarakunze, 2015).

TABLE 3.2 BRAZILIAN DEFINITIONS OF SMMEs

Enterprise category	Annual sales income
Micro	Not exceeding \$ 240 000
Small	Not less than \$ 240 000 and not exceeding \$ 2 400 000
Medium- sized	Non-existent

Sources: Gumbo (2015)

The Brazilian definition suggests that medium sized businesses are not tied to an annual rule as everyone is nonexistent within all sectors across the economy of Brazil. In order for a business to be characterised as a micro business its annual sales income should not exceed \$240 000. In addition, for a business to be recognised as a small business its annual sales income should not be less than \$240 000 and at the same time not exceed \$2 400 000.

However, in Argentina the only quantitative aspect to determine the size of a business (micro, small and medium-sized) is its annual sales income, which differs between the various industrial sectors present in (Gumbo, 2015). Table 3.3 provides a summary of the definition of SMMEs in Argentina.

TABLE 3.3 ARGENTINEAN SMME DEFINITIONS OF SMMEs

Enterprise category	Agricultural Sector	Mining sector	Commercial Sector	Service Sector	Construction sector
	Annual sales income ('000)				
Micro	610	1 800	2 400	590	760
Small	4 100	10 300	14 000	4 300	4 800
Medium- sized	24 100	82 200	111 900	28 300	37 700

Source: Madya (2015)

Table 3.3 indicates that the commercial sectors contributing more towards the nation's annual sales income regardless of the enterprise category.

On other continents, such as Asia, SMMEs are defined as any business employing less than 300 employees while in Japan and Taiwan it is defined according to the level of capitalisation as provided by Ministry of International Trade and Industry (Japan:2000). On another part of the globe, from an African continental perspective, SMMEs purvey various definitions. For instance; SMME in Nigeria are businesses with a total cost (excluding land cost) of between Naira (N) 10 million and N100 million, employing 1 to 200 full time employees and a total turnover not exceeding N20 million. SMMEs in Tanzania, in contrast, are businesses employing between 5 and 99 employees with a capital outlay exceeding 5 million Tanzanian shillings (Tsh) but less than Tsh 800 million (Onugu, 2005:28; Collett et al., 2014; Kamange et al., 2014:15; Gumbo, 2015).

The definition of SMMEs in Zimbabwe is based on the variable of asset base and number of employees. According to the Zimbabwe Revenue Authority (ZIMRA, 2014), SMMEs are defined as any business with less than 75 employees, a maximum annual turnover of 1 million Zimbabwean dollars and a maximum of Z(\$) 2 million dollars in gross value of assets. In this case SMMEs are defined in reference to number of employees, total assets and legal structure. According to Botswana legislation, an SMME is a business which employs a maximum of 25 employees with an annual turnover between P60 000 and P1 500 000 (Dumbu & Chidamoyo, 2012; 201; Gumbo, 2015).

The varying international perspectives of SMMEs above indicate that SMMEs in different countries are defined using variable measurements. It should, however, be noted that it is nearly impossible (not easy) to generalise that businesses located in different countries are small or big businesses making use of the same variable measurements. This is because the measures employed to measure, as well as define, businesses into small or big differ across boundaries. With the SMME definition of some African and European countries outlined in this section, the next section provides the definition of an SMME in a South African context.

3.2.3 South African Perspective of SMME definition

In South Africa, it is estimated that 97% of all enterprises are SMMEs and the remaining 3% are large enterprises (Stats SA, 2010). SMME development and support in South Africa is governed by the following key legislation:

- White Paper on National Strategy for the Development and Promotion of Small Business
- National Small Business Act of 1996, as amended in South Africa, which highlights the following categories:
 - Survivalist Enterprises
 - Micro Enterprises
 - Small Enterprises

- Medium Enterprises

The National Small Business Act of 1996 as amended provides a schedule of the classification of SMMEs on the following basis:

- Sectors and sub-sectors in accordance with the Standard Industrial Classification (SIC)
- Size of the class
- The total full-time employment of paid employees
- Total turnover
- Total gross asset value

According to The National Small Business Act of South Africa of 1996, as amended in 2003, an SMME is a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards, and can be classified as an SMME by satisfying the criteria mentioned in the schedule of size standards (Government Gazette of the Republic of South Africa, 2003).

A brief classification of SMMEs as per the National Small Business Act of South of 1996 as amended in 2003 is provided in Table 3.4.

TABLE 3.4: SCHEDULE OF SIZE STANDARDS FOR THE DEFINITION OF SMMES IN SOUTH AFRICA

Business size	No of employees	Annual sales income (R'000)	Financial statement balance (R'000)
Small	Between 1 and 49	Not more than R13 000	Not more than R5 000
Medium	Between 51 and 200	Not more than R51 000	Not more than R19 000

Source: Government Gazette of the Republic of South Africa (2003).

The classification of SMMEs as depicted in Table 3.4 shows that businesses which employ between 1 to 49 employees, have a maximum turnover of South African Rand (R) 13 million and a maximum balance sheet value of R5 million falls under small enterprises, whilst those businesses which employ from 51 to 200 personnel have a full turnover equal to R51 million and a full financial statement value equal to R19 million falls under medium enterprises.

Businesses qualify to be categorised as micro-sized, small-sized and medium-sized businesses when they meet a certain threshold requirement. According to the National Small Business Act, (1996), as revised by the National Small Business Amendment Bill, (2003), businesses are usually categorised as micro-sized, small-sized and medium-sized subject to the threshold per industrial sector.

The SMME sector in South Africa is extremely diverse, both in terms of the goods and services produced and in the range of enterprise sizes, resources and opportunities it includes. The SMME sector comprises a spectrum of informal and formal businesses, ranging from survivalists barely breaching the poverty line, to dynamic medium-sized enterprises with access to adequate resources and growth opportunities (Wehrich et al., 2010; Schermerhorn, 2011; Chimucheka, 2012; Krajcovicova, 2012; Madya, 2015; Sarakunze, 2015; Chimucheka, 2016).

The South African Revenue Service (SARS) (2007) defines an SMME in accordance to their primary purpose of business. SARS prescribe the following parameters to outline what constitutes an SMME:

- For capital gains tax, an SMME has a total net assets valued less than R5m.
- For amnesty purposes, an SMME is an entity with a maximum turnover of R10m.
- For income tax purposes, an SMME has a turnover of less than R14m.

Based on the definitions stipulated in the Act, small enterprises are concentrated in agriculture, wholesale trade, catering and accommodation. It is also noticeable that micro enterprises are widely dispersed across sectors whilst very small businesses are largely found in wholesale trade, finance and business services, catering and accommodation, manufacturing and community, social and personal services. However, research has shown the following challenges associated with this classification:

- By revealing the number of paid full time employees, most SMMEs feel threatened by non-compliance with labour relations regulations.
- By revealing their annual turnover, most SMMEs feel threatened by non-compliance on VAT and other tax issues.
- Some SMMEs are not consciously aware of the asset value of their businesses.

Table 3.5 illustrates how SMMEs are defined across different industries in South Africa.

TABLE 3.5: THE CLASSIFICATION OF SMMEs BY INDUSTRIAL SECTOR

Sector or sub-sectors	Size or class	Total full-time	Total annual	Total gross asset value in Rands (R)
In accordance with the Standard Industrial Classification		equivalent of paid employees	Turnover in Rands (R)	(fixed property excluded)
Agriculture	Medium-sized	>100	>5.00 m	>R 5.00 m
	Small-sized	>50	>R 3.00 m	>R 3.00 m
	Very small	>10	>R 0.50 m	>R 0.50 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Mining and	Medium-sized	>200	>R39.00 m	>R23.00 m
Quarrying	Small-sized	>50	>R 10.00 m	>R 6.00 m
	Very small	>20	>R 4.00 m	>R 2.00 m

	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Manufacturing	Medium-sized	>200	>R51.00 m	>R19.00 m
	Small-sized	>50	>R13.00 m	>R 5.00 m
	Very small	>20	>R 5.00 m	>R 2.00 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Electricity, Gas and Water	Medium-sized	>200	>R51.00 m	>R19.00 m
	Small-sized	>50	>R13.00 m	>R 5.00 m
	Very small	>20	>R 5.10 m	>R 1.90 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Construction	Medium-sized	>200	>R26.00 m	>R 5.00 m
	Small-sized	>50	>R 6.00 m	>R 1.00 m
	Very small	>20	>R 3.00 m	>R 0.50 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Retail and Motor Trade and Repair Services	Medium-sized	>200	>R39.00 m	>R 6.00 m
	Small-sized	>50	>R19.00 m	>R 3.00 m
	Very small	>20	>R 4.00 m	>R 0.60 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium-sized	>200	>R64.00 m	>R 10.00 m
	Small-sized	>50	>R32.00 m	>R 5.00 m
	Very small	>20	>R 6.00 m	>R 0.60 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Catering, Accommodation and other Trade	Medium-sized	>200	>R13.00 m	>R 3.00 m
	Small-sized	>50	>R 6.00 m	>R 1.00 m
	Very small	>20	>R 5.10 m	>R 1.90 m
	Micro-sized	>5	>R 0.2 m	>R 0.10 m
Transport, Storage and Communications	Medium-sized	>200	>R 26.00 m	>R 6.00 m
	Small-sized	>50	>R 13.00 m	>R 3.00 m
	Very small	>20	>R 3.00 m	>R 0.60 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Finance and Business Services	Medium-sized	>200	>R 26.00 m	>R 5.00 m
	Small-sized	>50	>R 13.00 m	>R 3.00 m
	Very small	>20	>R 3.00 m	>R 0.50 m
	Micro-sized	>5	>R 0.20 m	>R 0.10 m
Community, Social and Personal Services	Medium-sized	>200	>R13.00 m	>R 6.00 m
	Small-sized	>50	>R 6.00 m	>R 3.00 m
	Very small	>20	>R 1.00 m	>R 0.60 m
	Micro-sized	>5	>R 0.2 m	>R 0.10 m

Source: Smit & Watkins (2012)

The key objective of the National Small Business Act (1996) was to confirm and reduce regulatory restrictions against SMMEs in South Africa as per Table 3.5, the distinguishing variable in

determining the size of a business are number of employees, its annual sales income and the value of its total gross assets. The table also shows that the distinction of whether a business is micro, very small, small or medium sized is based on the number of employees and this is the same in all other economic sectors in the Republic except in the agricultural sector. To fulfill the purposes of the study at hand the National Small Business Act of (1996) as amended in (2003) was used to define an SMME.

From both the international and local perspective of what contributes SMMEs, it is noted that there are similarities in some of the variables used to measure and define SMMEs such as the number of employees and annual sales. However, even though the variables used SMMEs may be similar (sometimes even the same) it cannot be assumed and neither does it provide conclusive definitions because the economic conditions in one country differ from those of another.

However, despite the categorisations stipulated in the Act, these categories are not used consistently by government agencies or by the private sector data-bases and research studies, making comparisons extremely difficult and unreliable. This fact is supported by the Department of Trade and Industry (DTI) Report which provided a qualification in its Annual Review of Small Business in South Africa. The report indicated that DTI embraces a comprehensive definition of small businesses as much as possible, provided that the economic activity remains below the thresholds for a large enterprise. The DTI (2015) report goes on to state that the terms 'small business' and 'SMME' are used as synonyms, whereas the term 'enterprise' refers specifically to entities (especially close corporations, cooperatives and companies) registered with CIPRO (DTI, 2008:4). The report emphasised the fact that there are different concepts of businesses and for statistical and research purposes, it makes sense for the various data-gathering bodies in the public and private sectors to arrive at, and use, agreed categories covering the SMME sector (SBP, 2000b).

From the definition provided in the above discussions the abbreviation 'SME' occurs usually in the European Union (EU) and in international organisations such as the World Bank (WB), the United Nations (UN) and the World Trade Organisation (WTO). The term 'small and medium businesses' or 'SMBs' is used predominantly in the USA. In South Africa the term is 'SMME' for small, medium and micro-enterprises, and elsewhere in Africa, the term 'MSME' is used ubiquitously for micro, small and medium enterprises.

After this background of the definitions of SMMEs it is imperative to have a deeper look at SMME contributions to the economy and the following section deals with the contribution of SMMEs on an international level.

3.2.4 Contribution of SMMEs

The SMME sector is acknowledged in most economies worldwide, regardless of the economy's developmental stage. Their contribution towards job creation, growth and social progress is highly valued and SMMEs are viewed as an important element and a successful formula for projecting economic growth. It is estimated that SMMEs employ 22% of the adult population in developing countries (Chibanda et al., 2009; Abor & Quartey, 2010; Mtonga, 2012; Khan & Quaddus, 2015, 2015; Madya, 2015:20).

Similarly, Kolongo (2010) indicates that the SMME sector occupies more than 90% of all business sectors in the entire world and contributes between 40%-50% towards GDP. Many scholars agree on this notion and they further highlight that SMMEs on average account for close to 90% of the total private businesses and provide not less than 51% towards job creation and GDP levels for a greater percentage of African countries.

In the OECD countries, 99% of all businesses are SMMEs, and they add 50-75% of value addition. SMMEs play a significant role in employment (between 40 - 80% according to different countries and statistics (OECD, 2010:7). A number of authors such as Abor and Quartey (2010), Chimucheka (2011), Simpson et al. (2012), Fatoki (2014), Gumbo (2015) and Chimucheka (2016) still agree that in emerging economies such as Ghana SMMEs indisputably perform a major role towards the economic landscaping of the country. The SMMEs contribute 84.98% of all the jobs in manufacturing sector and 69.98% of the nation's GDP.

Consistent with this, Krajcovicova et al. (2012) suggest that in Indonesia, SMMEs contribute 100% towards all economic essentials, 97% towards employment creation and 57% towards value creation. Studies in countries such as Brazil and Argentina found that SMMEs are viewed as the fabric of economic prosperity because they contribute 40% towards GDP and 20% towards export sales. European Union (2012) indicate that in Europe 99% of the businesses are recognised as SMMEs.

Similarly, Khan et al (2013) ascertain that in Pakistan, more than 90% initiatives (start-ups) and embryonic businesses that have an employment capacity of 250 employees are regarded as SMMEs and contribute greatly towards the economy's annual sales volume and as a result Pakistan's economic aspirations are SMME driven.

According to the studies that have been done in most African countries it can be concluded that if a nation is faced with economic uncertainty, it is better for it to turn its efforts and deploy more of its resources towards nurturing SMMEs as they increase the propensity of economic success, given their creative generation of ideas and innovative capability (Abor & Quartey, 2010; Chimucheka,

2011; Kira 2013; Fatoki, 2014; Gumbo, 2015; Singer et al., 2015). Table 3.6 shows the involvement and contribution of SMMEs in selected countries.

Table 3.6 indicates that the contribution made by SMMEs is greater in countries that have stable economies such as Brazil and Egypt. In developing nations such as South Africa, Malawi and Ghana, the contribution made by SMMEs is significantly lower. The International Labour Organization (2010) opined that the contribution being made by SMMEs on an international level is insignificant. In support of this notion the Global Partnership for Financial Inclusion (2013) also stated that in most cases, unlike big businesses, SMMEs do not employ more than 10 employees and hence their contribution towards for example employment creation is questionable. Consistent with this Lee & Jones (2015) pointed out that SMMEs in most cases fail to survive past their first year of operation and for emerging nations, investment in SMMEs is considered a bad investment. Thus, it can be said that the contribution by SMMEs satisfies the short-term and immediate needs of a nation and in the long run the nation may suffer since SMMEs are more prone to failure.

TABLE 3.6 SMME CONTRIBUTION IN SELECTED DEVELOPING AND DEVELOPED ECONOMIES

Developed and still developing countries	Composition (%)			Contribution to economies		
	Micro-sized	Small-sized	Medium-sized	SMMEs	SMMEs per '1000 individuals	SMMEs jobs created %
Brazil	93.9	5.6	0.5	4 903 268	27.0	67.0
Egypt	92.7	6.1	0.9	1 649 794	27.0	74.0
Ghana	55.3	42.0	2.7	25 679	1.0	66.0
Malawi	91.3	8.5	0.2	747 396	73.0	38.0
South Africa	92.0	7.0	1.0	900 683	22.0	39.0

Source: Abdullahi et al. (2015:10)

However, looking at the above arguments raised by various authors on the contribution of SMMEs on an international level, it can be concluded that SMMEs play a major role in both emerging and developed nations towards job creation and economic development. In this study to have a holistic view on the contribution of SMMEs, Table 3.7 provides an overview of the contribution of SMME by economic sector in South Africa.

Most informal SMMEs operate in the trade and accommodation sector while the formal SMMEs have a more equal distribution across the different industries. Only the financial and business services and the electricity, gas and water industries have more formal SMMEs than informal ones. Mining seems to have only formal SMMEs (Stats SA, 2015).

The existence of SMMEs in South Africa is of utmost importance and it is argued that the major contributions of SMMEs are evident in their contribution to job creation and improving the well-being (GDP growth) of South African citizens. The initial significance of SMMEs in South Africa is traceable from the Reconstruction and Development Programme (RDP) of 1994 which stated its grounds and emphasised the importance of SMMEs towards economic recovery and job creation (Green & Martinez-Solano, 2011; Machirori, 2012; Fatoki, 2014:142; Gumbo, 2015; Madya, 2015).

TABLE 3.7 SMME BY ECONOMIC SECTOR IN SOUTH AFRICA

SMMEs	Number		Number			Turnover*	GDP	Turnover*
	(2008Q1)		(2015Q2)			(2015Q1)	(2015Q2)	/SMME
	Total	Total	Formal	Informal	Other	R million	R million	R million
Total	2 182 823	2 251	667 433	1 497	86 528	2 908 020	815 636	1.29
Agriculture	87 820	56 774	0	0	56 774	na	35 213	Na
Mining	2 696	2 199	0	2 199	0	35 256	69 421	16.03
Manufacturing	267 817	201 459	62 657	138 801	0	658 740	111 672	3.27
Electricity, gas & water	4 252	7 456	6 656	801	0	7 488	38 647	1.00
Construction	252 233	299 242	77 098	222 143	0	229 016	38 804	0.77
Trade & Accommodation	974 083	944 467	186 798	757 669	0	1 160 560	129 144	1.23
Finance & Bus. Services	236 740	271 712	172 423	99 289	0	571 384	183 430	2.10
Community	227 243	305 624	105 181	200 444	0	111 424	50 982	0.36
Transport & communication	122 370	133 134	56 620	76 514	0	134 152	87 612	1.01
Other	7 569	29 754	0	0	29 754	0	70 711	0.00

Source: StatsSA (2015)

Scholars such as Fatoki and Garwe (2010), Chiliya (2012), Abdullahi et al. (2015:11), Sarakunze (2015), Chimucheka (2016) point out SMMEs also play a significant role in activities such as innovation development, equitable distribution of income and skills to previously disadvantaged communities.

(1) Contribution of SMMEs to Employment creation

South Africa struggles with an alarmingly high national unemployment rate of 25% (Statistics South Africa, Quarter 2: 2015), which is partly exacerbated by a chronic shortage of skilled labour. Against this backdrop, government has put policies, strategies and programmes in place which aim to create an enabling environment for small business. SMMEs create employment for the majority of South African citizens in free enterprises and contribute approximately 43% of the total value of salaries and wages paid in the country. Hence, SMMEs in South Africa are referred to as an engine of employment creation. Unemployment issues in both emerging and developed nations can thus be addressed through SMMEs. This can best be achieved through influencing job creation prospects within the SMMEs and by also endorsing SMME improvement programmes (Fin Mark Trust, 2010; Mtonga, 2012; Mashombo, 2014; Gumbo, 2015; Sarakunze, 2015; Madya, 2015:20; Chimucheka, 2016). Table 3.8 shows the unemployment figures for selected African countries.

TABLE 3.8 UNEMPLOYMENT RATES IN SELECTED AFRICAN AND DEVELOPED COUNTRIES

Still developing African countries	Unemployment rate (%)	Developed countries	Unemployment rate (%)
South Africa	25.40	France	8.60
Senegal	48.0	USA	6.40
Cameroon	30.0	UK	5.10
Zambia	50.0	Australia	5.10

Source: World Economic Forum (2011)

It is evident from Table 3.8 that the unemployment figures in developing African nations are higher compared to those of developed countries. Studies in the United States of America suggest that SMMEs (especially those businesses that are still in the early stages of the growth phase) are important for employment generation and contributing towards economic prosperity (Kongolo, 2010; Kasseeah, 2012; Dumbu & Chidamoyo, 2012; Hayton, 2015; Lampadarios, 2015). Thus, the rates of unemployment as in Table 3.8 are lower in developed countries. Tangwo (2013:35) points out that while big firms in Europe have been shedding jobs, in the USA it is different as SMMEs have increased their space at creating employment.

However, according to the International Labour Organization (2010) it is not always the case that the presence of registered and operational SMMEs in South Africa guarantees the creation of jobs. The levels of unemployment in South Africa are forever increasing regardless of the increasing number of SMMEs being registered every day. Consistent to this Lee & Jones (2015) argue that not all SMMEs will result in job opportunities as only an insignificant percentage of them accelerate growth and bring new ideas to the business market.

From the above arguments raised it can be concluded that SMMEs in South Africa have improved the unemployment situation (StatsSA, 2015). SMMEs create jobs for those individuals seeking employment but without the necessary qualifications to be employed by large companies.

(2) Contribution of SMMEs to Gross Domestic Product (GDP)

South Africa constantly provides supportive structures to all the sectors of the industry so that society's demands can be met. Consistent to this, Chiliya and Roberts-Lombard (2012) indicate that SMMEs provide needed jobs for the growing population in South Africa. It is further confirmed that SMMEs are the major providers of employment opportunities in the economy (Fatoki & Odeyemi, 2010). Similarly, Audretsch (2012) supports the view that SMMEs partially solve the endless unemployment struggles in South Africa because of their ever increasing opportunities and employment absorption aptitude. Fatoki (2014) suggests that for the economy to flourish the

government must support the big businesses and all the emerging businesses of tomorrow (SMMEs).

The GDP is one of the key measures of economic production. It can also be an indication of the value that an industry adds to factors of production. SMMEs have the ability to restructure existing markets and create new ones because they are more entrepreneurial and are the testing laboratory for new ideas. In addition, SMMEs drive technological diffusion and challenge existing methods of production. They also utilise a small share of the factors of production. Based on the above reasons for the existence of SMMEs, the businesses definitely increase productivity in the economy and ultimately increase the GDP (Abor & Quartey, 2010; Fatoki, 2012; Tangwo, 2013).

In Ghana, SMMEs contribute close to 70% of the nation's GDP (Abor & Quartey, 2010:219). Similarly, SMMEs have been identified as productive drivers of inclusive economic growth and development in South Africa. Some researchers have estimated that, in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, providing employment to about 60% of the labour force and the total economic output accounts for roughly 34% of GDP (Mahembe, 2012:13).

Fatoki and Garwe (2010), Monks (2010) and Tangwo (2012) emphasise that for SMMEs to increase their contribution to the GDP they should operate at their full capacity and this is made possible if there are adequate resources for their operations. According to the International Finance Corporation (2010) the role of SMMEs cannot be subjected only to its contributions towards GDP and job creation in evolving markets but it must be expanded further to other factors of economic growth. The South African government has accelerated the redeployment of its resources towards helping and providing support to SMMEs since they are a major contributor towards reducing unemployment in the nation (Fink, 2010; Kongolo, 2010; Ibrahim & Galt, 2011; Gray et al., 2012; Geoffrey & Christos, 2015; Mqaba, 2015; Sarakunze, 2015). Table 3.9 depicts the various contributions made by SMMEs to the GDP levels in selected developing African states and developed countries.

TABLE 3.9 GROSS DOMESTIC PRODUCT (GDP) CONTRIBUTIONS IN SELECTED AFRICAN DEVELOPING AND DEVELOPED COUNTRIES

Still developing African countries	GDP contribution (%)	Developed countries	GDP contribution (%)
Cameroon	20.0	Canada	57.0
Tanzania	33.0	Poland	63.0
South Africa	36.0	USA	60.0
Ivory Coast	19.0	Australia	51.0

Source: Gumbo (2015)

Table 3.9 shows that African countries with rigid economic conditions and those still developing have lower GDP growth rates compared to developed countries with stable economies who have higher GDP growth levels, all above 50%. In developed countries such as France and the United Kingdom, where there are many business activities aimed towards improving the nation's GDP, the contribution made by SMMEs sometimes becomes unnoticeable (World Economic Forum, 2011).

Consistent to this, Willemse (2010) ascertained that the contribution to GDP made by SMMEs to some extent improves the nation's well-being but this contribution should not deceive a nation's investors. In other words, the contribution made by SMMEs towards the GDP of many countries cannot be accounted for to a greater extent. This is because of other investments that the governments can take advantage of, aimed at totally improving the GDP within countries such as technological improvements. Contradictory to this, authors such as Chimucheka (2013) and Mandipaka (2014) contend that the contributions made by SMMEs towards GDP levels are insignificant.

From the opinions raised above it is evident that some authors argue that the contribution made by SMMEs towards the GDP is insignificant compared to the larger number of those in support of the conviction that SMMEs make a substantial contribution towards improving the GDP levels in many countries. Thus, the sustainability of SMMEs does improve economic production.

(3) Contribution of SMMEs to poverty reduction

The part played by SMMEs in poverty reduction has been a topic that has been emphasised by many authors over the past years of South Africa's economic recovery (Musara, 2010; Makhbul, 2011; Gumbo, 2015; Sarakunze, 2015). Despite the numerous literature present on SMMEs inability to survive past their first few years after initiation, they are however still important role players towards poverty reduction owing to their determination to prosper, willingness to go the extra mile to penetrate the market and their need to establish their own grounds. The table 3.10 that follows shows the relative poverty situations in a few selected countries.

TABLE 3.10 RELATIVE POVERTY SITUATIONS PRESENT IN DEVELOPING AND DEVELOPED COUNTRIES

Developing countries	Relative poverty (%)	Developed countries	Relative poverty (%)
South Africa	57 %	France	6 %
Senegal	54 %	United Kingdom	14 %
Zambia	86 %	United States of America	16 %

Source: World Bank (2010)

From table 3.10 the poverty percentages are higher in African countries that are still developing. This suggests that the standards of living amongst developing countries are low. On the other

hand, the poverty percentages in developed countries are lower. This means that these countries usually have better standards of living.

Musara (2010) argues that even though South Africa has been going through a steady growth phase its poverty trends have not changed over the years. Empirical studies on the issue of poverty in both emerging and developed nations show that there is still a lot that needs to be done with nations so that this problem can be reduced so as to better living standards (Fatoki, 2012; Kasseeah, 2012:87; Moorth et al., 2012:225; Nkonge, 2013 and Hayton, 2015).

Despite the various arguments raised by the above authors, the South African government still continues to provide ongoing support for the growth and development of SMMEs in the country. Mans (2010) indicates that SMMEs are fundamental to curbing unemployment as well as poverty reduction within the nation. However, irrespective of the contribution made to the South African economy, SMME failure is still very high. In order to improve the success of SMMEs, these enterprises must be supported. Largely, it is clear that the SMME sector can play a significant role than it currently does in terms of contribution to employment and gross domestic output as well as encouraging wealth distribution. However, in order for this to happen SMMEs need support for them to develop into successful businesses therefore, section 3.3 that follows explains SMME development and support.

3.3 SMME development and support

The development and promotion of entrepreneurship is currently the focus of a lot of research because it is regarded as a major key to economic development and wealth creation, thereby contributing towards social prosperity and upward mobility. The demand for an entrepreneurial driven economy is increasing particularly because of the employment creation benefits it offers. A growing body of research also emphasises the role of entrepreneurs and the development of a vibrant SMME sector in the process of economic development and job creation (DTI, 2012; Adisa et al., 2014:10; Bosire & Nzaramba, 2014; Collett et al., 2014:122; Sarakunze, 2015).

Various scholars such as Lucas (2010:54), Kim (2011), Ackah and Vuvor (2011), Darrol (2013), Mqaba (2015) and Sarakunze (2015) indicate that interventions to help SMMEs overcome financing hurdles and should include assistance to evaluate their own financial status and conduct risk assessments before approaching support structures from both the public and private agencies. It is further indicated that there is a need for pre-finance application services that focus on one-on-one assistance as well as mentoring and training to reduce risk status, prepare and understand financial statements, draft proposals and business plans, and develop business skills, particularly in finance management, understanding cash-flow and the market.

Chimucheka (2012) maintains that some private institutions such as banks are already offering pre-financing services in one form or another, either in-house or outsourced to a third party. Studies from Fatoki (2011:197), Darrol (2013), Dumbu and Chidamoyo (2012:195) and Gumbo (2015) ascertain that though the quality of third party service providers is assured through grading, it would go a long way to assist SMMEs to become more bankable. They further highlight that it is equally important that some form of facilitation in the market match SMME needs to mentors and experts. Therefore, the opportunity exists to link graded consultants to support providers, who in turn, would facilitate referrals to clients. These services should be provided on a case basis to help SMMEs understand their own businesses.

3.3.1 Nature of SMME support

Governments continue to concentrate on shortage of entrepreneurial culture and business skills, as well as small business failure rates. It is acknowledged that government has improved its support for training, financing, consulting and education services to small business. The government is coordinating with groups in the private sector and has requested the private sector for advice on the promotion of small business. Numerous commercial banks and the government development corporations are now attending to the needs of small businesses regarding finance, skills and business premises (Fatoki & Garwe, 2010; Chimucheka, 2011; Dalberg, 2011; Burns, 2011; Audretsch, 2012; Gumbo, 2015).

Supporting and promoting the SMME sector attracted the attention of researchers, practitioners and policy makers. In the UK, for instance, the Department for Business, Enterprise and Regulatory Reform (BERR) has set itself the key target of helping to build an enterprise society in which small businesses thrive and achieve their potential. However, previous studies have mainly dwelt on the problems SMMEs face in accessing various sources of finance and policy makers in most market oriented economies. These studies have concentrated on efforts evolving and implementing policies and programmes targeted at enhancing SMMEs and their entrepreneurs to generate as well as access funding (Abor & Biekpe, 2009; Smit & Fatoki, 2012:40; Musamali & Tarus, 2013:23; Opong-Boakye et al., 2013; Ozturk & Mrkaic, 2014; Sarakunze, 2015).

The public and private institutions are contributing a lot towards the promotion of small and medium enterprises in their day-to-day operations. The potential entrepreneurs are therefore to benefit from the functions and assistance rendered by financial institutions. To support national legislation, policies and strategies, a number of SMME programmes have been developed for implementation by various agencies within South Africa (Burns, 2011:120; Mtonga, 2012; Musamali & Tarus, 2013:23; Mqaba, 2015; Sarakunze, 2015).

Mashombo (2014) indicates that small businesses in transition and developing countries operate their businesses in an ineffective supporting environment because of the lack of an effective legal framework, bureaucracy, poor information transparency and corruption, as well as a lack of finance. The small business sector in South Africa is not an exception: the large majority of small businesses face a shortage of finance for foundation and development, and they find it difficult to access credit funds from commercial banks (Webster et al., 2009; Barney & Clark, 2010; Chimucheka, 2011; Mariasole et al., 2013; Sarakunze, 2015; Chimucheka, 2016).

Evidence suggests that the private sector, especially small business, plays a dynamic role in many emerging countries as they have moved from central planning to market economies. However, behaviour of small business sector has not been well-understood yet, especially in emerging market economies. It is believed that small business sector encounter more economic, institutional and legal obstacles than those in mature market economies in terms of finance access, legal and regulatory restrictions, poor infrastructure, and shortage of managerial and technical expertise (Machirori, 2012; Mahembe, 2012; Lee & Jones, 2015; Gumbo, 2015; Sarakunze, 2015).

Governments in most countries provide a range of programmes to support SMME owners. Although there have been success stories in a few countries such as Taiwan, Italy and Ireland, the effect of the SMME development programmes on performance has been less than satisfactory. Even though efforts by the South African government to create a support structure for the SMME sector, to date these efforts have not met with much success. The estimated failure rate of SMMEs in South Africa is between 70% and 80%. As a result, a lot of money is being lost on business ventures. Many scholars describe the problems faced by small businesses as environmental, marketing, financial or managerial (Chimucheka, 2011; DTI, 2012; Bae et al., 2014; Bosire & Nzaramba, 2014; GEM, 2015; Mapfumo, 2015). Perhaps these mistakes and problems could be avoided by the use of experts. Therefore, it is important at this stage to analyse the different types of support available for small business development as an alternative to increase business success.

3.3.2 Types of SMME support

The nature of support and funding required for SMMEs depends on the size and development phase. This would encompass personal savings, friends and family members for the start-up phase with bank loans for stable businesses (NCR, 2011). Equity finance, which is important for young, high growth and potentially high risk SMMEs, has been limited to South African businesses. Access to bank credit is mostly limited to enterprises with acceptable credit histories and sufficient collateral. For small and micro enterprises, however, non-bank financial intermediaries (NBFIs), such as retailers and micro-lenders can play an important role. Interest rate control, access to capital, lack of sufficient competitive environment, collection preferences, control over access to

payment streams and lack of access to information on credit exposures and collateral are the major factors hindering financing of SMMEs by NBFIs. SMMEs access to capital markets in South Africa is still underdeveloped (SA National Treasury, 2015).

The lack of adequate capital and credit is often a major handicap in the development of SMMEs, especially during their growth stages. In developing countries worldwide, close to 95% of all SMMEs have to rely exclusively on the personal resources and initiatives of the owners. Both the public and private sector provide financial and non-financial support to SMMEs in both emerging and developed economies. However, extent of the support differs from countries to country and also within specific industry (Chimucheka, 2011; Collett et al., 2014; Fatoki, 2014; Mapfumo, 2015; Chimucheka, 2016).

Another intervention strategy discussed by Sarakunze (2015) emphasizes on increasing SMME access to markets, on the inputs used by SMMEs (such as information and technology) and on the diverse range of services (financial and non-financial) that support SMME growth and competitiveness.

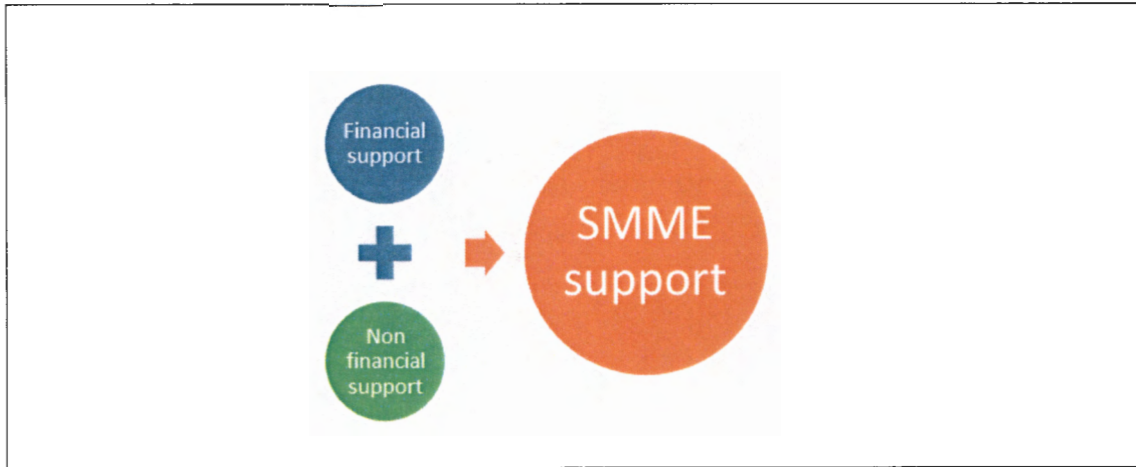
Many studies such as Davis and Cobb (2010:22), Kasseeah (2012:85), Chimucheka (2012:8), Gumbo (2015:22), Madya (2015:33),) have tried to group support measures into the three classifications of financial support; technical support (including the choice of equipment); training (including inventory management skills) and social promotion (promoting a social environment supportive of entrepreneurship).

Similarly, Howard and Hine (as cited in Mqaba, 2015) suggest the following four generic forms of support that offer SMMEs assistance measures:

- Education and training providers.
- Consulting and business advisory centres.
- Resource providers.
- A combination of the above three.

Figure 3.1 provides a summary on the types of support SMMEs receive from both the public and private sector.

FIGURE 3.1 TYPES OF SMME SUPPORT



Davis and Cobb (2010:22), Sarakunze (2015) and Chimucheka (2016) indicate that financing is a major need for SMMEs, but the main obstacle is inadequate access to credit. The challenge is that the size of loans needed by SMMEs is too small for normal commercial lending institutions to service profitably and the businesses most in need of credit are the ones least able to raise security. Although there are many organisations financing small business, the lack of access to credit is still one of the major obstacles. Government entities are still trying to improve and increase SMME access to grants and other support mechanisms. New incentive grant schemes and amendments to existing ones are also being considered (DTI: 2012). It seems that the process of financing small businesses is still not working effectively.

Scholars such as Ganotakis (2010:19), Chimucheka (2012), Chiliya (2012), Madya (2015) and Sarakunze (2015) ascertain that no assistance can substitute missing management capability and suggest that ideally every business owner should attend a business course and appreciate the value of management qualifications. According to different researchers such as Abouzeedan (2011), Green and Martinez- Solano (2011), Gray and Saunders (2012) and Fatoki (2012) small business owners lack certain managerial skills such as financial management, marketing and human managerial skills to operate their businesses successfully.

Sarakunze (2015) confirmed that SMME owners require support services and they are constrained by financial as well as non-financial factors such as a lack of education, inadequate technical skills, poor access to markets, lack of information and unreliable infrastructure. The study indicated that lack of managerial skills has a negative impact on the success and viability of small businesses.

The literature review from scholars such as Dumbu and Chidamoyo (2012:201), Botha and Musengi (2012), Mqaba (2015) and Chimucheka (2016) suggests that interventions require a diagnostic phase (needs analysis) before any recommendation and implementation. The latter

could include a relevant training programme. The scholars also suggest that small business owners receive many types of support, including accessing mentoring, networking, funding and structured training. Similarly, in a survey conducted in Ireland and the Netherlands, networking was the most cited support, followed by funding and mentoring.

It has been suggested that SMMEs receive both financial and non-financial support from the public and private institutions and it is imperative to interrogate the role of the public and private sectors play in support of SMMEs.

3.3.3 Role of public sector in SMME support

Many governments seek to create an entrepreneurial society because they value the role of entrepreneurship in creating economic growth and employment. Entrepreneurs find new opportunities, they innovate and connect resources in new ways, they increase the value-adding activity in the economy and they create growth and employment (Fatoki, 2014; Mqaba, 2015; Sarakunze, 2015).

Many scholars argue that government, through its policies and legislation, acts as both a barrier and a facilitator of the establishment and development of SMMEs. Some legal instruments have also been cited as hindering the establishment and growth of SMMEs. It can therefore be argued that government policies and legal instruments can promote or hinder the operations of SMMEs (Ganotakis, 2010:19; Chimucheka, 2012; Chiliya & Roberts-Lombard 2012; Madya, 2015; Sarakunze, 2015).

For the past decade the South African Government has invested in initiatives intended at assisting and growing the SMME sector. South Africa's small business policy was primarily informed by the 1995 'White Paper on national strategy on the development and promotion of small business in South Africa' (Timm, 2011:20). The 1995 White Paper outlined, among other things, the need for Government to create an enabling legal framework, facilitate access to information and advice, boost procurement from small firms and to improve access to finance and affordable physical infrastructure. This is further supported by the DTI White Paper of 1995 which outlines a seven-step process leading to the implementation of an SMME support strategy which proposes a process of consultation, study, training of staff and establishment of an SMME support structure to redress the SMME capacity deficit (DTI, 2015).

The 1995 White Paper identified a number of constraints facing small enterprises, relating to the legal and regulatory environment, access to markets, access to finance and affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in poor areas or poverty nodes. On the policy front, the National Small Business Act was passed in 1996, and stipulations pertaining to the

sector were built into the Broad Based Black Economic Empowerment (BBBEE) Codes of Good Practice (SBP, 2009a). The objectives of the 1995 White Paper found practical expression in the Integrated Small Business Development Strategy for 2005 to 2014. The strategy is based on three pillars:

- Increasing the supply of financial and non-financial support;
- Creating demand for SMME products and services; and
- Reducing regulatory constraints.

The South Africa government has adopted a number of policies to support economic and socio economic development, some directed at SMME specifically and others at development in other areas but having impact upon SMME development. Government developed an Integrated Small Enterprise Development Strategy, vision 2014 that aims to contribute to the overall vision for South Africa as an economy that meets sustainably the material needs of all citizens (DTI, 2015).

This strategy was designed to address the needs and development potential of the elite small enterprise sector, which includes micro, small and medium sized enterprises. In South Africa, a number of policies, programmes and strategies have been formulated to address the plight of SMMEs. Key among these are the following:

- Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises.
- The Micro-Economic Reform Strategy.
- Accelerated and Shared Growth Initiative South Africa.
- Draft Regional Industrial Strategy.
- Broad Based Black Economic Empowerment.
- National Strategy for the Development and Promotion of Franchising and South Africa.
- Strategic Framework for Gender and Women's Economic Empowerment.
- National Youth Enterprise Strategy.
- Cooperative Policy and Development Draft Strategy.

The Integrated Strategy on Promotion of Entrepreneurship and Small Enterprises 2005 is the leading strategy for SMME development at National Level, focusing on the promotion of entrepreneurship through:

- Business opportunities awareness campaigns (exhibitions, conferences, seminars, workshops) and information sessions.
- Strengthening of business associations and networks.
- Strategic private public partnerships for enterprise development.
- Collaboration with agencies that provide support to small enterprises.

The strategy also focuses on the creation of an enabling environment through:

- Regulatory impact assessment of the legislation, policy and strategies that negatively affect SMME's.
- Facilitating access to finance through support of the development finance institutions.
- Facilitating access to markets via public sector procurement policies and export programmes.
- Coordinating institutional support for enterprise development.
- Monitoring and evaluation of public entities assigned with the implementation of government policies.

The strategy also enhances competitiveness and capabilities of enterprises through:

- Provision of services by a wide range of developmental agencies/government
- Facilitating improved quality development; productivity and competitiveness.
- Supporting technology transfer, incubation based on key priority growth sector.
- Growing small enterprises and cooperatives through sector diversification programmes.

These strategies and policies seek to encourage an entrepreneurial culture in South Africa through the provision of targeted support to different SMME segments. However, despite the good programmes at national level, critical challenges emerge at the implementation phases at both the provincial and local levels. It is highlighted that the IDPs and LED strategies of local municipalities do not have SMME development and support as a key component being implemented, signifying the disparity between policy and strategy development at national level and implementation at the local level (Abor & Quartey, 2010; Fatoki, 2011:196; DTI, 2015; Mqaba, 2015; Sarakunze, 2015).

Several provincial support programmes have also been established to support SMMEs (NCR, 2011), such as the Mpumalanga Economic Growth Agency (MEGA), Gauteng Economic Development Agency (GEDA), Gauteng Enterprise Propeller (GEP), Western Cape Department of Economic Development and Tourism, Limpopo Business Support Agency (Libsa), Limpopo Economic Development Enterprise (LimpDev), The Northern Cape Economic Development Agency (NCEDA), Eastern Cape Development Agency (ECDC), and The Free State Development Corporation (FDC), amongst others (DTI, 2015).

Scholars such as Fatoki and Asah (2011), Mahambwe (2012), Ngwenya (2012) and Manclipaka (2014) indicate that the SMME strategy needs to address generic problems faced by both local SMMEs and support institutions. In other words, problems relating to markets, finance, infrastructure and land, information and advice, and regulations and capacity issues are typical

problems, which a local government's SMME strategy must seek to address jointly with existing stakeholders. However, other scholars argue that a more concerted effort both at provincial and local level on implementation of SMME programmes is needed as well as strong ties between the municipalities and other support agencies to ensure effectiveness (Berry et al., 2010; Tlhomola et al., 2010; Moorth et al., 2012; Darrol, 2013; Kamange et al., 2014; Pergelova & Angulo-Ruiz, 2014).

Similarly, FinScope (2010), NCR (2011), Mahembe (2012), Mashombo (2014) and Mqaba (2015) indicate that despite government's commitment in supporting SMMEs, the awareness and uptake of support has been very low. It was also observed that the requirements and selection criteria for the financial applications are not made sufficiently clear to the SMMEs resulting in the higher failure rate of applications. Hence, SMMEs are still struggling to access financial and non-financial services and their performance have not improved much.

It was the focus of this research to investigate how the existing government policies and legislation have had an impact on the establishment and development of SMMEs, either directly or indirectly. The need for a developmental public sector policy on the promotion of the SMMEs cannot be over-emphasised. The role of the public sector in particular local government in support of SMMEs should centre on the creation of an enabling environment facilitating and promoting linkages rather than directly providing support services. An overarching imperative is for local government to continuously support and facilitate an enabling social and economic environment in which small businesses can thrive and succeed. It is acknowledged that the private sector has also a role to play in the development of SMMEs therefore the subsequent section discusses the role of the private sector in the development of SMMEs.

3.3.4 Role of private sector on SMME support

The previous section reviewed public support to small businesses. However, a considerable amount of support to small businesses is delivered by private sector organizations or organizations working in partnership with the public sector. This section reviews some examples of private-public partnership and discusses the role of private sector on business development.

The role of the private sector in the development of SMMEs is vital to economic developments. It is acknowledged that the availability of financial capital is a pre-requisite for rapid development of the SMME sector. Since efficient management of scarce resources are best facilitated by financial institutions. It therefore follows that financial institutions have vital role in the provision of financial resources to SMMEs. The banking sector, specifically commercial banks and specialised banks, have several ways to get involved in SMMEs finance, ranging SMMEs finance investment funds to the creation of a special unit for financing SMMEs within the bank. In most countries, the

commercial banking sector is still the main source of external finance for SMMEs. It is important, therefore, for the commercial banking sector to develop viable and sustainable means of extending credit to the SMME sector (Chimucheka, 2011; Fatoki & Asah, 2011; Mahembe 2012; Ngwenya, 2012; Mandipaka 2014; Mqaba, 2015; Sarakunze, 2015).

In most OECD countries, banks perceive SMMEs as an attractive line of business and have developed effective monitoring systems. These include investing in credit scoring models and other sophisticated techniques to distinguish between high and low risk borrowers in overcoming the information asymmetry problem. Generally, funds supplied under official Government programmes are modest compared to that supplied by banks at their own risk (Mahembe, 2012; Mashombo, 2014; Pergelova & Angulo-Ruiz, 2014:665; OECD, 2014; Kamange et al., 2014:18).

Several South African companies have heeded the call for private-sector participation in small business development, and have responded by implementing a variety of initiatives. In view of the significant potential SMMEs hold for the South African economy, it is essential to examine what kind of support and development SMMEs receive to realise their success and potential across the African continent. The Banking Association South Africa and member banks are committed to SMME development and support through stakeholder engagement, and involvement or ownership of several initiatives (Chimucheka 2013; Fatoki, 2014; Sarakunze, 2015).

Over the past decade, commercial banks have significantly increased their exposure to SMMEs, with the historically disadvantaged individuals (HDIs) of their clientele rising. This includes an increase in black middle and upper-class account holders. Banks have also realised that, since many future holders of conventional accounts start as micro-enterprises, greater attention to this relatively cost-intensive market segment will pay off in the long run. In this transformation process, the changing ownership and board composition of banks also play a role. Similarly, the negotiated Financial Sector Charter (through the BBBEE policy framework) is likely to accelerate transformation in future. While risk assessments about small enterprises may not have changed much among bankers, the increase in special funding schemes, often with sector or industry focus and some element of public sector support, have facilitated the expansion of SMME funding. Access to financial services in South Africa is higher than comparable countries such as Brazil, China, and Egypt. Each of South Africa's four major banks (ABSA, FNB, Nedbank and Standard Bank) has small business lending support desks. Almost all banks sponsor or run promotional services or workshops to help SMMEs (Fatoki, 2014; Mapfumo, 2015; Sarakunze, 2015; Chimucheka, 2016).

Microfinance institutions (MFIs) also emerged to serve the smallest of these enterprises, while banking institutions have typically served larger corporations. The micro finance sector can be broadly classified into two: MFIs which are registered with Microfinance South Africa (MFSA), a

representative body of registered and legal micro credit providers; and the second category, the developmental microfinance institutions registered with the Association for Pro-Poor Micro Finance Institutions for South Africa (the AMFISA). Also falling within this category is the steadily expanding trend of larger enterprises providing development services or outreach programmes for small enterprises be it their clients, their suppliers or some other target group(s). This can be in the sphere of procurement, in training programmes or in the sponsoring of vouchers (for discounts on service charges) (FinMark, 2010; Kim, 2011; Machirori, 2012; National Treasury, 2015).

Following are some of the SMME Development Initiatives in the private sector:

- Financial Sector Charter and BBBEE.
- Finance and Investment Committee – credit extension to distressed SMMEs (a response to the global crisis) – NEDLAC.
- Financial Sector Program (FSP) – USAID.
- SMME Financial Literacy - BANKSETA and FSP.
- Risk Capital Facility (RCF) - EU fund admin by the Industrial Development Corporation.
- Stakeholder engagement - Gauteng Dept. of Economic Development, Industrial Development Corporation, Khula, Small Enterprise Development Agency, South African Micro-Finance Apex Fund, Development Finance Institutions, Department of Trade and Industry, and donors.
- Research and Knowledge Management.
- Downstream banking and Financial Inclusion - Micro-Finance, Cooperatives and Cooperative banks.

The majority of the private sector provide support such as information, advisory services and referral services to third party business support and coaching, consulting as well as mentoring. However successful, a need for grading would provide more confidence in a referral system. Through collaborative action, banks created Sizanani (a consulting service unit) to offer advisory services to their small business clients. Individually, the major banks offer support instruments that range from small business start-up and management seminars to networking forums (Mahembe, 2012; Mashombo, 2014; Mapfumo, 2015; Sarakunze, 2015).

Education and training institutions (such as SETAs) have steadily expanded their offerings of training programmes or short courses for small enterprise managers and entrepreneurs. An increasing number of universities across the country are establishing centres of entrepreneurship or small business, and entrepreneurship constitutes part of the Master of Business Administration (MBA) curriculum at certain universities.

Entrepreneurship research is also an area of focus for some universities. Several non-governmental organisations (NGOs) have been implementing curricular and non-curricular enterprise education programmes over many years in various parts of the country. These include the South African Institute of Entrepreneurship, Junior Achievement Southern Africa, the Foundation for Enterprise and Business Development, Education with Enterprise Trust, Entrepreneurs on the Move, and, most recently, Mindset. Some major banks sponsor financial-literacy programmes, mostly targeting high-school learners (Chimucheka, 2012; Mashombo, 2014; Mapfumo, 2015; Sarakunze, 2015).

Certain large corporations have developed and implemented their own in-house programmes, such as the youth enterprise support programmes of the South African Breweries (SAB Kickstart), Anglo-Zimele, and Shell Petroleum (Shell Live Wire), which provide training and support and run youth-entrepreneurship awards. Several large corporations have designed programmes to increase their procurement from small enterprises. Sponsoring corporations run their programmes either individually or in collaboration with other corporations under the Corporate Small Business Development Forum (CSDF). Efforts are being made by business membership organisations, such as the National Business Initiative, to increase the number of large corporations involved in linkage programmes with small enterprises (Mqaba, 2015; Abdullahi et al., 2015; Chimucheka, 2016).

The media increasingly plays an important role in fostering a culture of entrepreneurship and enterprise in South Africa. A number of independent and large company-owned entrepreneurship and small business magazines and newspapers or newspaper inserts have emerged over the years. The South African Broadcasting Corporation (SABC) has also commissioned various enterprise programmes, such as Enterprise Zone and Vuk'Uzenzele (DTI, 2015).

Various organisations in both the public and private sectors, and certain publications run annual award programmes to recognise successful entrepreneurs and small enterprises. Most of these awards are well publicised, helping to increase the profile of successful entrepreneurs and entrepreneurship in general.

3.3.5 Instruments used for SMME support in South Africa

Support programmes can be classified into three broad categories: access to finance, market access and business support. South Africa has a wide range of support schemes that target small business owners in the areas of research and development, business and marketing support, exports and support for setting up manufacturing, tourism and co-operatives. The majority are in the form of incentive schemes which pay out matching grants to business owners, with either half or a large percentage of the project costs being funded by applicants themselves. Information relating to the support programmes can be found from a number of sources, the most

comprehensive of which are probably the DTI website and compiled in the DTI's National Directory of Small Business Support Programmes (DTI, 2015; Sarakunze, 2015; Mqaba, 2015; Chimucheka, 2016).

The key national support programmes identified by the DTI and listed on the National Directory are Khula Enterprise Development Fund (Khula), the National Youth Development Agency (NYDA), the Small Enterprise Development Agency (Seda) and the Tshumisano Trust (DTI, 2010: 5-7). The Directory provides information on 90 programmes. The Programmes have been grouped into 18 categories as shown in Table 3.11.

Various key players in the South African economy share the importance of investing in stimulating small business. The growing and widespread commitment to fostering entrepreneurship and promoting small enterprises goes beyond the Government and its institutions. It extends to other actors in the economy, such as large corporations, the media, non-governmental organisations (NGOs), chambers of commerce and commercial banks. This is evidenced by the growing number and range of support programmes, products and services initiated by the various players that have emerged both inside and outside the public sector, as discussed in more detail above.

TABLE 3.11 INSTRUMENTS FOR SMME SUPPORT

Type of Instrument	Example
Policy frameworks with relevance to SMMEs	· Integrated Small Enterprise Development Strategy.
	· Micro economic reform, poverty alleviation, BEE, local economic development, provincial growth and development strategies, etc.
Legislation	· National Small Business Act
	· Co-operatives Act
	· Companies Act
Regulations and administration procedures	· Company regulations.
	· Tax regulations.
	· Intellectual property regulations.
	· Procurement regulations.
	· Trade administration.
Advisory structures	· National Small Enterprise Advisory Council
Co-ordination mechanisms	· National-government co-ordination structures (interdepartmental).
	· Provincial and local co-ordination structures.
	· Co-ordination structures across delivery partners, including private sector, NGO and international assistance.
Research	· Baseline sector and area research
Information and advice	· Industry and market information
	· Information about support services

	· Information channeled via institutions, mass media, networks, etc.
Monitoring and evaluation	· Development of indicators, monitoring systems, evaluation
Institutional and capacity	· Enhancement of small enterprise specialist institutions
	· Alignment of related institutions dealing with small enterprise issues
Leadership and SMME promotion	· Public leadership, providing directions
	· Catalytic projects
	· Piloting of initiatives
	· Interest promotion
Training and Capacity building	· Specialist small enterprise training
	· Sector based training
	· Entrepreneurship training
Networking organizations	· Chamber structures
	· Sector associations
	· BEE structures
	· Inter-firm, supply chain and cluster networks
Provision of finance	· Grants
	· Loans
	· Venture capital
	· Sureties and guarantees
Access to infrastructure and utilities	· Transport (passenger and freight)
	· Utilities: water, electricity, waste
	· Information and telecommunications
	· Security
	· Street lighting
	· Property
Targeted projects	· Sector specific projects
	· Competitiveness projects
	· Technology enhancement projects
	· Small business incubators

Source: The DTI National Directory 2010

3.3.6 Components of SMME support

Sarakunze (2015) advocate that within any society it is important to support all people with 'entrepreneurial mindsets', not just the entrepreneurs, as they each have the potential to inspire others to start a business. They further argue that any educational training should enable people not just to develop skills to start a business but rather to behave entrepreneurially. This approach is quite broad but it captures the critical philosophy of modern entrepreneurship

education and training programmes required if countries are to generate an increasing pool of entrepreneurially astute individuals. But how one develops these skills and values, particularly with relevance to growth-orientated business activities, remains a question to which many researchers are still seeking an answer. For the purpose of this study the components of SMME support are highlighted in Figure 3.2.

A synopsis for each component of support is provided below.

1. Financial support

(i) *Access to loans*

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services. However, loan officers might find it unprofitable to serve the small credit needs and transaction volume of the lower-income business. Those who involuntarily have limited access to financial services are referred to as the unbanked or underbanked, respectively (Fatoki & Garwe, 2012:729; Sarakunze, 2015).

(ii) *Venture capital*

Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. For startups without access to capital markets, venture capital is an essential source of money. Risk is typically high for investors, but the downside for the startup is that these venture capitalists usually get a say in company decisions. The majority of shareholders look to invest in companies that are well managed, have a fully-developed business plan and are poised for substantial growth. These investors are also likely to offer funding to ventures that are involved in the same or similar industries or specialties with which they are familiar. Another common occurrence among angel investors is co-investing, where one angel investor funds a venture alongside a trusted friend or associate, often another angel investor (Asah & Fatoki, 2011; Fatoki, 2010; Chimucheka & Rungani, 2013; Mapfumo, 2015).

(iii) *Trade credit*

For many businesses, trade credit is an essential tool for financing growth. Trade credit is the credit extended by suppliers who let you buy now and pay later. Any time you take delivery of materials, equipment or other valuables without paying cash on the spot, you are using trade credit (Fatoki, 2010; Chimucheka, 2012; Mapfumo, 2015).

(iv) *Unsecured loans*

An unsecured loan is a loan that is issued and supported only by the borrower's creditworthiness, rather than by any type of collateral. An unsecured loan is obtained without the use of property as collateral for the loan, and it is also called a signature loan or a personal loan. This loan is extended only on the basis of the borrower's financial position, creditworthiness, credit history,

and general reputation (Fatoki & Garwe, 2012:729; Chimucheka, 2012; Mapfumo, 2015).

(v) Grants

Various grants are available to SMMEs in different sectors. The DTI has various programmes and grants in place to encourage new SMMEs and to create employment in SA (Fatoki & Garwe, 2012: 729; Chimucheka & Rungani, 2013; Mapfumo, 2015; DTI, 2015).

- Asset acquisition and operational capacity grant
- Co-operative Incentive Scheme (CIS)
- Business start-up grants

2. Non-Financial support

(i) *Technology support*

Technical skills training address the ability to use knowledge or techniques of a particular discipline to attain certain ends. Technical know-how demonstrates knowledge of techniques, skills, equipment, procedures and materials. Individual applies knowledge to identify issues and internal problems. Networking is a socioeconomic business activity by which SMME managers link up with customers, suppliers, like-minded business people and act upon those business opportunities (Weihrich et al., 2010; Gumbo, 2015; Madya, 2015).

(ii) *Information support*

The information support and services include occupations related to information technology deployment, including implementing computer systems and software, database management, providing technical assistance, and managing information systems (Sarakunze, 2015; Gumbo, 2015; Mqaba, 2015) as well as the following services.

- Access to data bases
- Access to research and development
- Tender information
- Tax compliance information

(iii) *Business management support*

Business skills training cover all the conventional management skills required in a business. It covers all the aspects of management (strategy, planning, marketing, financial projects management and time management) (Sarakunze, 2015; Gumbo, 2015; Mqaba, 2015).

(iv) *Marketing advice*

Effective marketing campaigns require a range of skills and knowledge. To successfully market products and services SMMEs need to enhance the skills of their team members. SMMEs are given advice and training on the skills necessary to influence people to buy products. SMMEs are advised and trained in the following main areas of marketing (Sarakunze, 2015; Gumbo, 2015;

Mqaba, 2015):

- Product development.
- Product pricing.
- Target marketing.
- Promotion and advertisement.
- Customer retention.

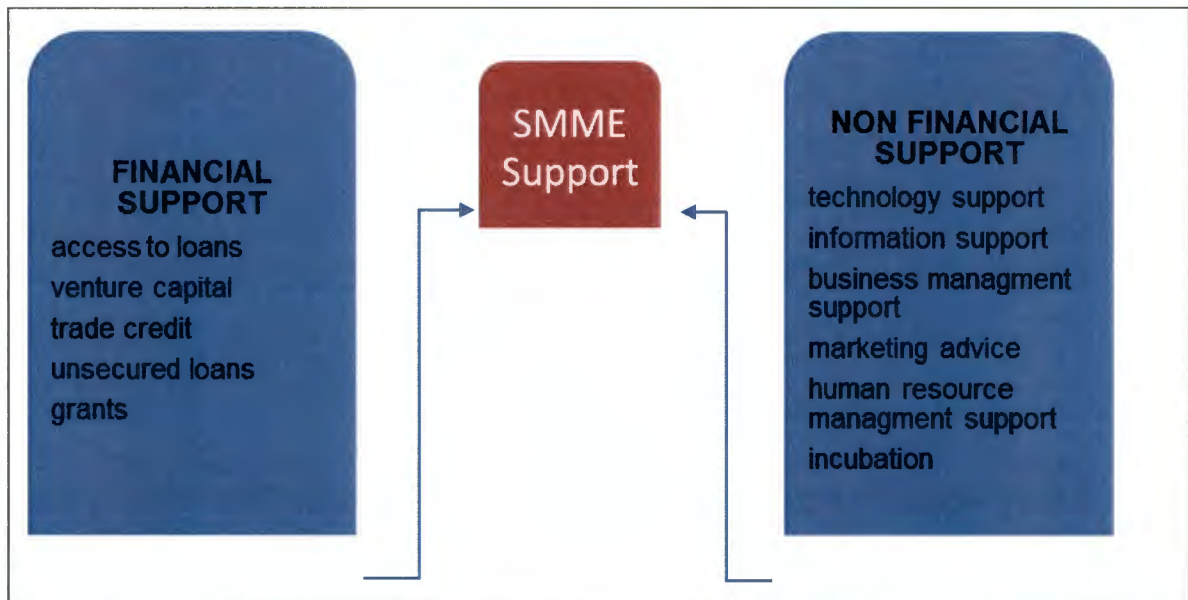
(v) *Human resource management support*

Human capital is the most important element of success in business today. Developing human capital requires creating and cultivating environments in which human beings can rapidly learn and apply new ideas, competencies, skills, behaviours and attitudes (Gumbo, 2015; Madya, 2015). Human resource training and development deals with support aimed at bettering the job performance of individuals and groups in organisational settings. Human resources training and seminars provide innovative skills, behaviours and strategies for recruiting employees, reducing employee turnover, promoting employee development and retaining a talented, flexible and diverse workforce (Gumbo, 2015; Madya, 2015; Chimucheka, 2016).

(vi) *Incubation*

Business incubation is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by helping them to survive and grow through the difficult and early stages of development. Business mentors provide practical and hands-on business-coaching, business-mentoring, business-advice and business-planning programmes personally structured for business owners and managers (Sarakunze, 2015).

FIGURE 3.2 COMPONENTS OF SMME SUPPORT



The discussion above highlighted the types of support available to SMME and it also vital to have a closer look at the effect of support on the success of SMMEs. The subsequent section elaborates the effect of both financial and non-financial support on the success of a business.

3.3.7 Effect of financial support (from both public and private institutions) on the overall success of SMMEs

Evidence from the Global Entrepreneurship Monitor (GEM, 2015) suggests that access to formal financial support in South Africa is no worse than it is in other developing countries. Only 27% of people starting businesses expected to receive loans from formal financial institutions. While this suggests that most people starting businesses struggle to secure finance from formal financial institutions, the pattern in other developing countries included in the GEM report is no different from South Africa (Fatoki, 2012; Mqaba, 2015; Mapfumo, 2015).

There are two primary sources of external finance for new SMMEs; equity and debt. External equity in the form of venture capital or the stock exchange, is normally long term, but is usually not available for new SMMEs, primarily due to the relatively small levels of financing desired by a new SMMEs. The lack of external equity makes many new SMMEs dependent on bank loans and overdrafts, and supplier credit for early stage financing. Despite the dependence of SMMEs on debt financing access is very limited for new SMMEs, especially in developing countries (Beck, 2009; Chimucheka, 2012).

The literature review revealed that there is a strong correlation between SMME success and financial support (Seda, 2010) and Table 3.12 provides a summary of studies supporting the existence of this correlation.

From the literature review as per Table 3.12; financial support has positive impact on the overall success of SMMEs. However, most studies have focused on the financial support provided by financial institutions and few studies have looked at financial support from the public sector. Therefore, this is one of the major gaps in literature addressed in this study through considering the impact of financial support from both the public and private sector. There are very few studies which found a negative effect of financial support on the overall success of the business. One major recommendation many scholars is that finance is available and sufficient to meet demand in both 'quantity' and 'quality.' However, the lack of access is attributable either to the specific characteristics of the SMMEs applying for a loan, or the lack of awareness that financing is available.

TABLE 3.12 THE EFFECT OF FINANCIAL SUPPORT (FROM BOTH PUBLIC AND PRIVATE INSTITUTIONS) ON THE OVERALL SUCCESS OF SMMEs

Positive effect of Financial support on SMME success	Negative effect of Financial support on SMME success
1. Klofsen and Mikaelssoni (1996)	Berkivitch and Israel (1996)
2.Roper and Hewitt-Dundas (2001)	
3.Monkman (2003), Klofsten and Davidson (2003)	
4.jackson (2004) and Rogerson (2004)	
5.Orford et al. (2005)	
6. Beck (2006)	
7.Ganbold (2008),Rogerson 2008 and Minnit (2008)	
8.Barney and Clark (2010), Fatoki and Odeyemi (2010)	
9. Chimucheka (2011), Dalberg (2011), Fatoki (2011), Fatoki and Smit (2011) and Timm 2011	
10. Chimucheka (2012), Fatoki (2012), Mahembe (2012), Moorth et al. (2012;227) and Machirori (2012)	
11.Fatoki (2013)	
12.Kamange et al. (2014), Sehhat and Fooman, 2014 and Fooman (2014), Mohammed et al (2014)	
13. Mapfumo (2015), Mqaba,	

In these instances, the interventions have to be targeted to deal with these specific SMME characteristics. Scholars also encourage development of additional start-up finance schemes as there is a significant market failure amongst private sector lenders to provide adequate funding through:

- Encouraging venture capital market.
- Providing timely data for potential investors.
- Providing a mechanism for contact between capital providers and SMMEs.
- Reducing investment risk through loan guarantee schemes.

It is also imperative to look at the impact of non-financial support on the overall success of SMME.

3.3.8 Impact of non-financial support (from both public and private institutions) on the overall success of SMMEs

The literature reveals that there is a strong correlation between the success of a business and non-financial support. Most businesses fail within the first three years of business and poor sustainability of start-ups highlights the need for interventions aimed at supporting and mentoring entrepreneurs through the early stages of the business cycle (seda, 2012). Table 3.13 gives a summary of studies supporting the existence of correlation.

TABLE 3.13 THE IMPACT OF NON-FINANCIAL SUPPORT (FROM BOTH PUBLIC AND PRIVATE INSTITUTIONS) ON THE OVERALL SUCCESS OF SMMES

Positive effect of non-financial support on SMME success	Negative effect of non-financial support on SMME success
1. Bates (1995)	Namaki, 1990:78
2. Kroon (1997)	Scarborough & Zimmerer, 1996
3. White (1999)	Yanta (2001)
5. Nieman (2001), Martin and Matlay (2001) Vesper and Gartner (2001)	Alasadi and Abdelrahim, 2007
6. Wren and Storey (2002), Ibrahim and Soufani (2002)	
7. Jackson (2004) and Rogerson (2004)	
8. Barbosa (2006) and Rogerson (2006)	
9. Ahmad and Gonnard (2007)	
10. Rogerson 2008 and Minnit (2008)	
11. Barney and Clark (2010), Ganotakis (2010) and Mitchelmore and Runley (2010)	
12. Dalberg (2011), Fatoki (2011), Green and Martinez- Solano and Martin-Solono (2011) and Kim (2011)	
13. Chimucheka (2012), Chiliya and Roberts-Lombard (2012), Chiliya (2012) Dumbu and Chidamoyo (2012) and Krajcovicova et al. (2012)	
14. Afrifa 2013	
15. Bae et al. (2014), Bosire, and Nzaramba (2014), Buhler, 2010; Fatoki (2014), Kamange et al. (2014), Sehhat and Fooman, 2014 and Fooman (2014), Bosire and Nzaramba (2014) and Mashombo (2014).	
16. Madya (2015), Gumbo (2015), Mqaba (2015), Sarakunze (2015), Hayton (2015) and Lampadarios (2015)	

From this literature, it can be noted that non-financial support has positive impact on the overall success of SMMEs. However, most studies have focused on the non-financial support provided by public institutions and few studies have looked at financial support from the private sector.

Therefore, this is a major gap in literature which this study fills. There are very few studies that have found a negative effect of non-financial support on the overall success of the business. A lot of studies show poor managerial competence and skills of the small business owners and it is recommended in the literature that interventions should focus on providing training and courses that improve the human resource capacities of SMMEs.

Currently, various training programmes are provided and support is given to SMME sector. The public and private sectors are therefore encouraged to continue building on current programmes and establishing new ones to improve the managerial competence and skills of the small business owner. The majority of training programmes in South Africa are implemented through government. Partnerships should also be formed with the private sector to improve the effectiveness of the current programme. Equally, support agencies need to be capacitated by improving staffing levels with appropriately skilled and experienced individuals.

3.4 Relevance of business support on the success of SMMEs in South Africa

The SMME financial market reveals that South Africa has a variety of funding programmes and financing schemes by both the public and private sector funding agencies. It was also noted that despite the availability of an array of funding programmes, awareness of these programmes and the uptake has been very low (DTI, 2015), especially for Government supported schemes. For those SMMEs who apply for finance, the rejection rate has been high, particularly for bank sponsored schemes. There seems to be:

- (i) a general lack of awareness of the funding programmes;
- (ii) a mismatch between the products offered on the supply side and that which is required by the SMME market; and
- (iii) a gap between the minimum requirements for a business loan and status (especially on the issue of formality) of the majority of SMMEs.

This means that even registered microenterprises are less likely to have access to credit. Furthermore, a large proportion of the SMMEs are completely excluded from the financial market (Fatoki, 2011; Chimucheka 2012; Chilya & Roberts-Lombard 2012; Chilya and Roberts-Lombard 2012; Krajcovicova, 2012; Dumbu & Chidamoyo, 2012; Bosire, & Nzaramba 2014; Kamange, Njeru & Tirimba, 2014; Madya, 2015; Sarakunze, 2015).

Micro finance institutions (MFIs), on the other hand, do have structures in place for smaller loans, but the loans are at high interest rates such that the smallest businesses cannot afford. Other factors inhibiting SMMEs' access to credit include the lack of business managerial experience and skills, insufficient information on available products, relatively low levels of financial literacy, poor

business plans and other external factors (Kamange, Njeru & Tirimba, 2014; Madya, 2015; Dumbu & Chidamoyo, 2012; Sarakunze, 2015).

This literature review revealed that there are a number of sources of credit for SMMEs. However, it is not possible to determine with any degree of accuracy whether the financing available is sufficient to meet the needs of the SMME sector due to the lack of information, especially with regard to the demand side and the specific causes for the lack of access. Therefore, more research is needed in this area to (1) identify the specific needs of the SMME sector when it comes to financing and (2) whether the financing available meets those needs in terms of both 'quantity' and 'quality' (Tlhomola et al., 2010; Fatoki, 2011; Kamange et al., 2014; Bosire & Nzaramba, 2014; Sarakunze, 2015).

Sarakunze (2015) indicates that there is a possibility that there is sufficient credit available, but the terms and conditions under which it can be accessed are not favourable for the SMME sector it is intended to serve. In this case, the policy response should not be designed to increasing the amount of credit available to the sector, but revisiting the product offering of the credit already available and ensuring that it meets the needs of the SMME sector it is intended to serve.

Another possibility is that credit available ought to be sufficient to meet demand, but the lack of access is attributable either to the specific characteristics of the SMMEs applying for the loan or the lack of awareness that the financing is available. In these instances, the policy response required would necessarily be different from that of increasing funding available, or indeed, changing product design offering (Mapfumo, 2015; Mqaba, 2015; Chimucheka, 2016).

Numerous authors argued that non-financial support is an integral factor in the development of SMMEs. They further indicate that public and private sector non-financial support normally comes through business development and numerous models of these centres are found in developed and developing countries. However, one supply side constraint is that business development centres and other providers of SMME development services are designed for big business which makes them less effective in solving specific SMME problems.

Some authors have also indicated that some approaches to learning in and training for SMMEs fail to take into account the reality of small businesses. Instead they reflect large businesses or industry needs. In support of this Chimucheka, (2016) points out those models applicable to big businesses are of limited use in the SMME community. Yet, it is these programmes that providers of business development services use when advising SMMEs, suggesting that programmes of SMMEs must be enterprise specific to accommodate the needs and characteristics of small businesses.



It is also argued that one of the reasons for ineffectiveness of business development services is that providers do not necessarily differentiate between business in various phases of the life cycle such that they provide tailor-made services relevant to that specific phase. Many authors indicate that the specific phase in the life cycle of a business determines the nature of the services that are needed. Other scholars go further to group business into two groups that are pre-venture business and established business to emphasise that the assistance required differs.

In order to develop effective interventions for the small business sector, an understanding of the sector, the specific challenges faced by small business owners and the capacity they have to deal with those challenges is critical constructs (FinScope, 2010:1). A lack of clear and accurate statistics is a major stumbling block to SA's bid to developing more effective policies and support schemes for small enterprises (Timm, 2011:18). Most important of all, small business development initiatives must get down to the level where small businesses actually operate, and must be targeted specifically in the different sectors and value chains, and in specific localities to address the diverse characteristics of formal businesses, their needs, constraints and opportunities (SBP, 2009a:8).

Clearly, the lack of awareness of these programmes affects access and a variety of independent studies suggest that a concerning overall percentage of small enterprises in South Africa are unaware of Government's various initiatives to support small enterprises. These studies also highlight that some SMME owners do not understand the products and terms on offer owing to financial illiteracy. Interventions should therefore focus on increasing financial education and improving financial literacy. Both the public and private sector have a role to play. The private sector benefits by increasing awareness and the uptake of their services thereby increasing their income and profit (Kamange et al., 2014; Madya, 2015; Dumbu & Chidamoyo, 2012; Sarakunze, 2015).

Overall evidence from a variety of sources, including anecdotal evidence from interviews conducted by the GEM team in South Africa, suggests that small businesses in general are not aware of most of Government's efforts to support small enterprises and, even when they are aware of it, they are sceptical about its value to their business. There are a number of reasons for the failure of Government support to small businesses. Some of the reasons identified include: (1) lack of awareness (outreach);

(2) uneven distribution (concentration in metropolitan areas);

(3) the high cost of searching for support services which has not been mitigated by effective information on how and where to access support; and

(4) cumbersome administrative requirements of Government programmes resulting in user fatigue and high levels of disappointment (GEM, 2015; Mqaba, 2015; Sarakunze, 2015).

According to the FinScope survey, 75% of small business owners were not aware of any organisations that gave advice and support to small business owners. Despite the numerous institutions providing training and advisory services, there is still a skills gap in the SMME sector as a whole. This is because entrepreneurs cannot afford the high cost of training and advisory services, while others do not see the need to upgrade their skills due to complacency. In terms of technology, SMMEs often have difficulties accessing appropriate technologies and information. The literature review revealed that there are a number of sources of credit and support for SMMEs. Moreover, the study also reveals that much of the information on access to finance and SMME support relates to government programmes. Information on support offered by the private sector is not readily available. There is a dire need for more studies in this area to determine what support programmes are available and where possible gaps exist (Kamange et al., 2014; Madya, 2015; Dumbu & Chidamoyo, 2012; Sarakunze, 2015).

It is clear from the literature that there are many different factors hampering the development of SMMEs in South Africa. The role players, including government, business owners/managers and the providers of assistance, are part of the problem. Government needs to take care of creating an environment with less regulation. Business owners/managers need to be trained and assisted to acquire needed skills, especially management skills. Finally, the providers of assistance need to assist the small businesses in such a way that will hopefully enhance the success rate of SMMEs in South Africa.

A wide range of studies and country reports on SMME development and entrepreneurship have been published, many SMME promotion approaches have been tested and the reflection on successful SMME policies and programs has gained importance. There is still an on-going debate about the question of how relevant and appropriate is the support given to SMMEs on the demand side.

3.5 Monitoring and evaluation of SMME performance after business support

Monitoring the outcomes of government spending is vital for good governance and for assessing the benefit of government programmes. Ideally this requires strict output criteria against which programmes should be evaluated. In the small business sector measuring success is somewhat difficult because of inadequate data. The gap in SMME support programmes may not be so much in the non-availability of support programmes, but rather the manner in which the available schemes are managed and administered. There is need to minimise the levels of bureaucracy

embedded in the programmes, meaning that administration needs to be streamlined and turnaround times improved.

Providers of finance and non-financial support will also want to monitor an SMME to ensure that the terms of the contract are being followed, to follow the progression of the SMME and have the means to oblige the SMME to act in the fund supplier's best interests. This is more difficult for smaller firms thus increasing the probability that suppliers of credit will be less willing to lend to SMMEs. Providers of finance will want to ensure that the borrower acts in a manner that maximises the probability that a loan will be repaid. However, once a loan has been obtained, the borrower is more likely to undertake risky projects to maximise profit. This problem is more serious among SMMEs than in larger businesses because of the blurred lines between the business owner and the business, and due to information asymmetries (OECD, 2014). However, there is no evidence in literature which shows that there are existing monitoring and evaluation tools on the performance of SMMEs after receiving support. This is one of the major gaps in literature which is addressed by this study through empirical research.

3.6 International best practices for SMME support

South Africa is ranked well behind African countries such as Ghana and Zambia in our ability to establish, sustain and grow successful new businesses (GEM, 2015). In seeking to improve the quality of life for all inhabitants, South Africa must reduce poverty, create employment and redress widening inequality both nationally and provincially.

Many countries and international bodies (such as the EU) have attempted to promote growth orientated entrepreneurship either through direct measures or indirectly through policy instruments. It is therefore understandable that policy makers are keen to benchmark and compare the national government policies for entrepreneurship. They wish to find examples of best practices in entrepreneurship policy design and identify recommendations for national governments. These goals also stand high the agenda of the European Commission. In many cases, private sector small business support is financially supported by public sector support programmes (through vouchers for example) which means the private service supplier is only the implementing agency. This approach is highly recommended in international circles of small enterprise support agencies (Kim, 2011; Mahembe, 2012; Kamange et al., 2014; Pergelova & Angulo-Ruiz, 2014; Mashombo, 2014; Abdullahi et al., 2015; Lampadarios, 2015).

To address the challenges of SMMEs in a more systemic way, many OECD countries have increased the coherence of policies in regard to SMMEs. SMME promotion became a cross-cutting issue in several policy fields. Science, technology and innovation strategies, economic, sector and structural policy approaches, trade and investment and education strategies are more and more

interlinked and address entrepreneurship creation, human capacity development for SMMEs, innovation and competitiveness (Collett et al., 2104:124; Mashombo, 2014; Abdullahi et al., 2015).

EU countries have their different approaches as well as a multitude of different funding schemes at the local, regional, national and EU level. Despite these funding schemes most of the success of certain programs does not go back to the funds themselves but to the existing structures in place that provide, deliver and use these funds. SMME support measures depend on many stakeholders, on institutionalized structures, on a certain governance capacity of the private and public sector as well as on networking activities between the different stakeholders to finally encourage market-oriented, knowledge-intensive and innovative product solutions. This means also that good policies do not need a lot of finance in the first place (Mashombo, 2014; Abdullahi et al., 2015).

During the last decade a lot of emphasis was given to the reduction of bureaucratic obstacles of governments for SMMEs. This can also be interpreted as the result of the Washington Consensus by World Bank and the International Monetary Fund in the 1990s to liberalise markets and to draw back direct interventions of governments in private sector promotion. This emphasis was promoted by many donors and national governments in developed countries (World Bank, 2011:3). In EU countries several new funding schemes have been promoted in this way and are allocated at local, national and EU level. Examples of this are;

- Access to finance.
- Access to market information and consultancy services.
- Promoting access to new markets.
- Promoting access to skills at all stages of a business cycle.
- Resource efficiency and cleaner productions that reduces running SMME costs.
- Programs to support the linkages between large enterprises and SMME suppliers.
- Promotion of academic spin-offs.

Most of these support policies and programs are directly offered to SMMEs although most institutions often play an important role as intermediates of these support measures as well as direct providers of these respective services. In conjunction with the enabling environment activities at the policy level (macro level), these initiatives provide even better prerequisites for SMMEs in many countries.

Currently, the Southern African Development Community (SADC) Industrial Development Policy Framework (IDPF) includes a key intervention Area enhancing support to small and medium-sized enterprises. SADC regards the regional approach to SMME support and development as important and therefore emphasizes the necessity of efforts to facilitate SMME access to market and

industrial information; participation in joint investment and export promotion initiatives; improved access to SQAM services, improvements in quality and meeting conformity requirements. This will enable SMMEs to participate in regional trade and global supply chains (Mashombo, 2014; Abdullahi et al., 2015). Specific actions under this key intervention include:

- Developing a portal for SMMEs as a tool to provide access to trade and industrial information and for use as a marketing tool.
- Facilitating joint investment and export promotion initiatives for SMMEs.
- Finalising development of an SMM program to improve industrial competitiveness of SMMEs in agro-food processing, mineral beneficiation and pharmaceutical sectors.
- Organising a series of buyer-sellers meets to facilitate supply chain linkages between SMEs and large enterprises.

The South African government has benchmarked against the global economy and understands the importance of providing fertile ground for all types of SMMEs to spawn and grow. Many government initiatives are under way but perhaps SMMEs are not aware of it. Following are some of best practices programmes which South Africa can use as a benchmark in its endeavour to improve the SMME support framework.

There is no one-fits-all solution different SMMEs require different policies and tools to overcome their specific challenges. Many countries succeeded with decentralising SMME strategies, others, especially smaller countries, are able to promote competitive SMMEs through rather centralized approaches. Some countries focus rather on the promotion of large enterprises in which SMMEs become followers rather than leaders of growth. Others again focused mainly on SMME promotion and create a highly competitive entrepreneurial class.

Despite these differences in SMME strategies and promotion policies, there are common learning experiences and certain success criteria which have emerged out of the SMME promotion laboratory. The above discussion presented good practice policies that can only provide an overview about trends in certain countries. Nonetheless, it is obvious that policy interventions have increased their systemic character. This learning is a continuous process and each country has to walk through its own learning curve (Mashombo, 2014; Abdullahi et al., 2015; Sarakunze, 2015).

It will be important to take a step-by-step learning approach which is based on the systemic competitiveness capacities of the South African stakeholders. Nonetheless this is not possible in a short period of time. Developing countries have to go through their own learning cycles. Like the SMME policy laboratory in OECD countries demonstrates, it is necessary to test different approaches and to learn from failures and successes. But this requires a step-wise approach in which own failures and learning are registered and used for further policy- and implementation

improvements (OECD, 2014; Abdullahi et al., 2015). A step-wise approach has to be promoted in which;

- the promotion activities have to comply with the capacities of the respective stakeholders and need to create cooperation potentials;
- concrete measures and activities have to be identified that are also put into practice
- small interventions are promoted that have a high outreach;
- activities are promoted that encourage the coordination of forces of the private and public actors involved in the system; and
- there is space for a laboratory of learning by experiencing and learning by doing.

The literature on small business development in South Africa focuses largely on the practicalities surrounding small business or SMME development policies. The three key areas of focus that emerged from the literature review that need policy makers to review are:

- An assessment of policies and instruments put in place by the South African government in order to support the small business segment.
- An examination of the role and impact of private and public sector institutions on small business growth and development.
- A consideration of the state of South Africa's 'culture of entrepreneurship', which is common in many other middle-income developing countries and has been a key driver of job creation.

TABLE 3.14 BENCHMARK PROGRAMMES FOR SMME SUPPORT

COUNTRY	PROGRAMM
Chile	<p>(i) <i>FOGAPE programme (guaranteed loan)</i></p> <p>This programme seeks to guarantee a certain percentage of the credit granted by private or public financial institutions to medium and small businesses (including leasing and factoring), small exporters (with an export value of up to US\$ 16.7 million), and organisations of small businesses who cannot post adequate collateral.</p> <p>(ii) <i>PROFO Programme</i></p> <p>The programme provides financial subsidies for associations/cooperatives consisting of at least 5 SMMEs. The motivation behind the programme is that the main problem of the SMMEs is not their size but rather their complete isolation. If SMMEs act as a group, it is easier for them to improve access to the internal and external markets, to transfer technology and to modernise management.</p>
USA	<p><i>KIVA (website investment tool)</i></p> <p>Kiva is a person-to-person micro lending service intended to benefit entrepreneurs in developing countries. SMME beneficiaries are located all over the world, including Uganda, Togo, Peru, Pakistan, Bolivia, Sudan, Nicaragua, Tajikistan, Nigeria and Tanzania. The service is delivered online through the Kiva website: potential investors can browse through entrepreneurs' profiles on the website, and lend money using their credits and the PayPal system.</p>
<i>Malaysia</i>	<p><i>National SME Development Council</i></p> <p>Malaysia's SME Development Council (NSDC) was established in 2004 and is the highest policy and strategy decision-making body for SMEs. It comprises the heads of 18 key ministries and agencies and reviews, coordinates and oversees all of their respective roles.</p>

Egypt	<p><i>Business Development Service Support Project (BDS)</i></p> <p>The Project works with Business Development Service facilitators who serve two functions: BDS Capacity Facilitators who assist in building the capacity of the BDS Providers and developing new business areas; and BDS Enabling Environment Facilitators who focus on expanding SME market demand for services as well as on the enabling environment in general for SMEs.</p>
Zimbabwe	<p><i>Small Enterprises Development Corporation (SEDCO)</i></p> <p>It provides assistance, whether in the form of financial assistance, management counselling and training, information, advice or otherwise, to co-operatives and small commercial or industrial enterprises. The agency provides decent workspace by providing factory shells, office space, artisan hives and vendor marts as well as capacity building products such as training and mentoring according to SMME capacity gaps. The agency also pursues partnerships that benefit SMME and Creating linkages and value chain integration for SMEs</p>

3.7 Summary

The literature review revealed that there was consensus among researchers and policy makers that SMMEs play a pivotal role in economic development through the creation of employment opportunities, generating higher levels of production, increasing levels of exports and promoting innovation and entrepreneurial skills. Despite their importance, SMMEs face considerable challenges that inhibit their growth, primarily their limited access to finance. The purpose of this chapter was to assess, through a review of literature, SMMEs access to credit and non-financial support in South Africa and then make policy recommendations.

This chapter noted that the small business segment of the economy is heterogeneous with businesses ranging in size from micro-enterprises to relatively large firms. Small businesses are very diverse, have different needs and operate in the formal and informal economies. Some are simply survivalist whereas others are run with an entrepreneurial flair. Some are start-ups; some are growing rapidly; others are experienced and highly sophisticated. They operate in different markets on a local, national and global level (DTI, 2008; SBP 2009b). No single policy can cover all these businesses, formal and informal, operating in different industrial sectors and with many sector specific challenges. Thus, data categories should be sufficiently differentiated to provide detailed and nuanced information to support targeted policy approaches and practical interventions. It is worth reconsidering whether SMMEs should be considered as 'one group' as the

acronym infers. For policy purposes, a one-size-fits-all approach certainly does not work. It is not surprising, therefore, that there is no uniformly accepted definition of SMMEs. Businesses differ in their levels of capitalisation, sales, productivity and employment. Consequently, definitions which employ measures of size (such as the number of employees, turnover, profitability and net worth) when applied to one sector could lead to all firms being classified as small, whereas the same size definition applied to a different sector might result in all firms being defined as large. The following chapter focuses on the research methodology of the study in line with the empirical research.

CHAPTER 4: RESEARCH METHOD

4.1 Introduction

Methodology is viewed as a framework connected with a particular set of paradigmatic assumptions that can be used to conduct research (Bradly, 2010; Bryman et al., 2014; Carsrud & Brannback, 2014:756). This chapter discusses the research method used and providing the backbone that guided the planning, organisation, analysis and interpretation of the data. It is necessary to understand how the data was gathered in order to assess the research findings, interpretations, recommendations and conclusions and judge the validity and reliability of the data (Babbie, 2010; Quinlan, 2011:382; Maree & Pietersen, 2014). The chapter also discusses the research process as well as the data sources utilised in this research. The chapter further discusses the data analysis processes and highlights the statistical tests relevant to this study.

The main objective of this study was to empirically determine the interrelationships between SMME success and SMME support, and this chapter presents the research process and method followed to comply with the objectives and research questions as stated in Chapter 1. It is important to first discuss the research paradigm as this provides a clear understanding of the philosophy underpinning this study.

4.2 Research philosophy and paradigm

A research paradigm is a philosophical and theoretical framework of a scientific discipline within which theories, laws and generalisations reached in support of the paradigm are formulated. It is a set of common beliefs and agreements shared between scientists about how problems should be understood and addressed (Quinlan, 2011:382; Bryman et al., 2014; Maree & Pietersen, 2014).

There are currently three major research paradigms in the social and behavioural sciences, namely quantitative, qualitative and mixed research. The quantitative research paradigm relies primarily on the collection of quantitative data whereas the qualitative research paradigm relies on the collection of qualitative data. The mixed research paradigm mixes quantitative and qualitative methods or paradigm characteristics (Zikmund & Babin, 2010; Quinlan, 2011:382; Bryman et al., 2014; Maree & Pietersen, 2014). Table 4.1 summaries the two generally acknowledged research paradigms and the circumstances under which each is used.

TABLE 4.1 TWO RESEARCH PARADIGMS

Quantitative Mode	Qualitative mode
Assumptions	Assumptions
<ul style="list-style-type: none"> • Social facts have an objective reality. 	<ul style="list-style-type: none"> • Reality is socially constructed.
<ul style="list-style-type: none"> • Primacy of method. 	<ul style="list-style-type: none"> • Primacy of subject matter.
<ul style="list-style-type: none"> • Variables can be identified and relationships measured. 	<ul style="list-style-type: none"> • Variables are complex, interwoven and difficult to measure.
<ul style="list-style-type: none"> • Etic (outsider’s point of view). 	<ul style="list-style-type: none"> • Emic (insider’s point of view).
Purpose	Purpose
<ul style="list-style-type: none"> • Generalizability 	<ul style="list-style-type: none"> • Contextualisation
<ul style="list-style-type: none"> • Prediction 	<ul style="list-style-type: none"> • Interpretation
<ul style="list-style-type: none"> • Causal explanations. 	<ul style="list-style-type: none"> • Understanding actors’ perspectives.
Approach	Approach
<ul style="list-style-type: none"> • Begins with hypotheses and theories. 	<ul style="list-style-type: none"> • Ends with hypotheses and grounded theory.
<ul style="list-style-type: none"> • Manipulation and control. 	<ul style="list-style-type: none"> • Emergence and portrayal.
<ul style="list-style-type: none"> • Uses formal instruments. 	<ul style="list-style-type: none"> • Researcher as an instrument.
<ul style="list-style-type: none"> • Experimentation 	<ul style="list-style-type: none"> • Naturalistic
<ul style="list-style-type: none"> • Deductive 	<ul style="list-style-type: none"> • Inductive
<ul style="list-style-type: none"> • Component analysis. 	<ul style="list-style-type: none"> • Searches for patterns.
<ul style="list-style-type: none"> • Seeks consensus, the norm. 	<ul style="list-style-type: none"> • Seeks pluralism and complexity.
<ul style="list-style-type: none"> • Reduces data to numerical indices. 	<ul style="list-style-type: none"> • Makes minor use of numerical indices.
<ul style="list-style-type: none"> • Abstract language in write up. 	<ul style="list-style-type: none"> • Descriptive write up.

Source: Bryman et al. (2014)

This study takes a post-positivism approach which is based on the concept of critical realism. In this approach, there is a real world out there independent of our perception of it and the objective of science is to understand it. This approach was followed because the study entailed the collection of data and looked at the relationship between theory and research, as well as interpreting patterns and identifying possible causes that influence the outcome. Table 4.2 summarises the different research paradigms.

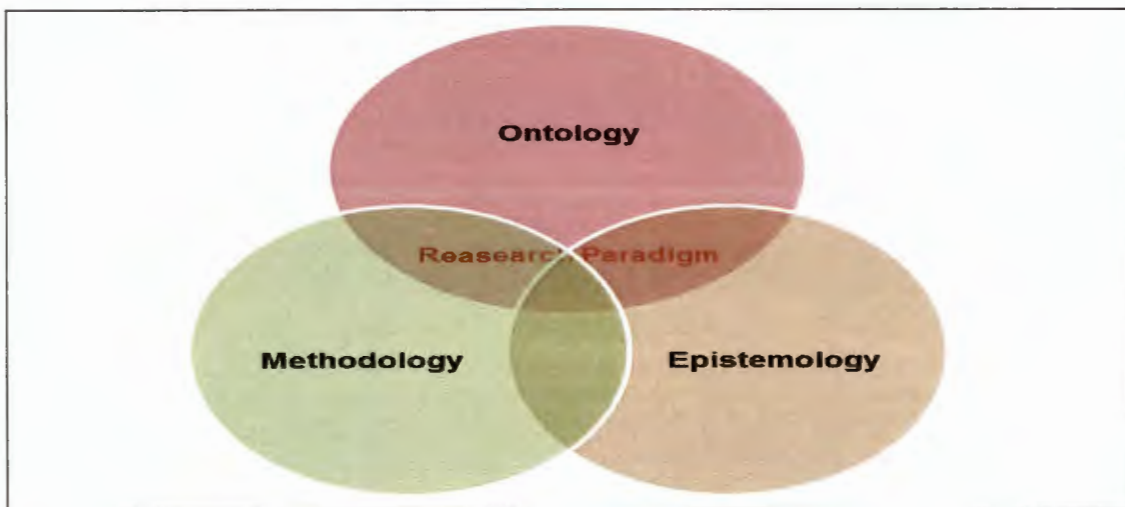
TABLE 4.2 RESEARCH PARADIGMS

	Positivist	Post-Positivist	Interpretivist	Critical
Ontology	One reality	One reality	Multiple realities	Multiple realities + context (e.g., historical, class, gender)
Epistemology	Objective	Objective/Subjective	Subjective	Subjective
Methodology	Nomothetic Experimental, Correlational	Nomothetic Experimental, Correlational and some qualitative aspects	Idiographic Qualitative	Idiographic Participatory Qualitative
Interest/Goals	Prediction control	Explanation Prediction and Control	Understanding Interpretation	Understanding and Social Change

Source: Bryman et al. (2014)

Post-positivism often involves the use of existing theory to develop hypotheses that are then tested during the research process. In this study, theory was elaborated on and hypotheses were devised for this study. The mixed method approach was regarded as suitable for this study because the phenomenon studied was defined and data was gathered and evaluated according to prescribed rules that can be reviewed for error and measured by validity and reliability. Figure 4.1 is a summary of the research paradigm applicable to this study.

FIGURE 4.1 RESEARCH PARADIGM



Source: Bryman et al. (2014)

The frameworks addressed in research should cover the conceptual, the theoretical, the methodological as well as the analytical framework (Zikmund & Babin, 2010; Quinlan, 2011:382; Maree & Pietersen, 2014). As indicated in Figure 4.1, a research process has three major

dimensions: ontology, epistemology and methodology. The conceptual and theoretical frameworks of this study were presented in Chapters 1 and 2 respectively. The methodological framework presented in this chapter distinguishes between the quantitative and qualitative approaches and the analytical framework is presented in the ensuing chapter. The following section expands on the three elements of the research paradigm illustrated above.

4.2.1 Ontology

By definition, ontology refers to ways of constructing reality, showing how things are and how things work (McKinney, 2011; Creswell, 2014). The ontological assumption that was taken for this study is the objective view of reality. The objectivity ontology indicates that there is an objective reality and it can be confirmed through the laws by which it is governed. It is assumed that reality exists independently of its comprehension and it is possible to establish and explain universal principles and facts through robust and replicable methods. Therefore, objectivity and neutrality were observed as far as possible in the interpretation and presentation of data collated in this research. The objectivity perspective has been used in this study because this was primarily quantitative research with some qualitative data in the research instrument and deductive reasoning was principally used to formulate specific research hypothesis from the theory.

4.2.2 Epistemology

Epistemology is the different forms of knowledge of reality and the nature of relationships that exist between an inquirer and the inquired. It employs a scientific discourse derived from the epistemologies of positivism and realism (Cameron & Molina-Azorin, 2011; Bryman et al., 2014). For the purpose of this study, the post-positivist approach was followed for the sole reason that existing theories were deployed to develop the hypothesis and to provide an interpretive understanding of the causes that influence SMME success and failure. Furthermore, the research focused on factors and causality, fundamental laws and assessed causes that influence outcomes which called for a post-positivist approach. The role of the researcher was limited to objective data collection and interpretation whence the research findings are observable and quantifiable.

4.2.3 Methodology

Research methodology is a process used to collect data for a research study. Methodology describes the broad philosophical underpinning chosen research methods, including whether a qualitative or quantitative method is used or a mixture of both, and why (Cameron & Molina-Azorin, 2011; Creswell, 2014). The methodology may include surveys, interviews, published research and other research techniques, and could include both present and historical information

(Zikmund & Babin, 2010; Cooper & Schindler, 2014:147). Table 4.3 shows the different types of research methods.

TABLE 4.3 TYPES OF RESEARCH METHODS

Qualitative Research	RESEARCH ASPECT	Quantitative Research
Discover Ideas, with General Research Objects	COMMON PURPOSE	Test Hypotheses or Specific Research Questions
Observe and Interpret	APPROACH	Measure and Test
Unstructured. Free Form	DATA COLLECTION APPROACH	Structured Response Categories Provided
Research is intimately involved. Results are subjective	RESEARCHER INDEPENDENCE	Researcher uninvolved Observer. Results are Objective
Small samples –Often in Natural setting	SAMPLES	Large samples to Produce Generalizable Results [Results that Apply to Other Situations]



Source: Cooper & Schindler (2014:147)

A mixed research method was utilised in this research and in particular, the study used a concurrent embedded mixed method where emphasis is placed on quantitative data with very limited use of qualitative data. The primary purpose was to collect quantitative data to test the research theories that predict that independent variables are influenced by dependent variables. A secondary purpose was to gather qualitative data through open-ended questions to explore the central phenomenon of the study. The reason for collecting qualitative data was to address different questions and provide for triangulation of data sources and findings. A survey method was used to collect data and participants answered questions administered through self-completed questionnaires. After participants answered the questions these responses were described. In order for the survey to be both reliable and valid, the questions were constructed using tried and tested measurement scales. This research study can be replicated or repeated, given its high reliability. Table 4.4 summaries the types of mixed research followed throughout this study.

TABLE 4.4 TYPES OF MIXED RESEARCH

Type of Mixing	Type of Design	Why Mixing Occurs	Where Mixing Occurs in Research Process
Connecting	Sequential	One phase builds on the other	Between data analysis (Phase 1) and data collection (Phase 2)
Merging	Concurrent	Bring results together	After analysis of both quantitative and qualitative— typically in discussion
Embedding	Sequential or Concurrent	Either building or bringing results together	Either between phases or in discussion after analysis

Source: Cooper & Schindler (2014:148)

The mixed research methodology was used for the following reasons:

- The research study had hypothesis which needed to be confirmed.
- The researcher clearly defined research questions to which objective answers were sought.
- The data for the study was in the form of numbers and statistical results.
- Data was gathered through the use of a questionnaire.
- The questionnaire used for this study had closed ended questions that granted quantifiable answers.
- The questionnaire used for this study had limited open ended questions
- The research design of the study was highly structured and developed in advance of the study.
- Research results were documented using objective language.
- The results were based on a large sample size that is representative of the population.

4.2.4 Philosophy underpinning of the current research

The philosophy underpinning this research was the post-positivist research paradigm. The term post-positivism is often used to describe the philosophy underpinning the mixture of quantitative and qualitative research. Maxwell (2012) holds the view of post-positivism that in reality, it is not

possible to gain understanding merely through measurement. Post-positivist approaches show a much greater openness to different methodological approaches, and often include quantitative, as well as qualitative methods. This allows for the development of alternative research strategies to find information in unlikely and creative ways. Additionally, researchers in this paradigm privilege multiple perspectives from participants rather than a single reality. According to Denzin and Lincoln (2011), post-positivism relies on multiple methods for capturing as much of reality as possible. At the same time, emphasis is placed on the discovery and verification of existing theories. Post-positivists accept that the natural sciences do not provide the only model for social research even though they subscribe to an objective reality.

Rather than focusing on certainty and absolute truth, the post-positivist focuses on confidence: How much can a researcher rely on his/her findings? How well can one predict certain outcomes? Post-positivist research offers the social scientist the space to do research on a small scale by using very creative methodologies. Thus, a mixed method of research was used. Creswell (2014) indicates that as a general rule, post-positivist studies primarily adopt the deductive approach. Therefore, for the purpose of this study, deductive logic was applied to test theories in order to establish consensus. The role of the researcher was limited to data collection and interpretation through the objective approach and the research findings were observable and quantifiable.

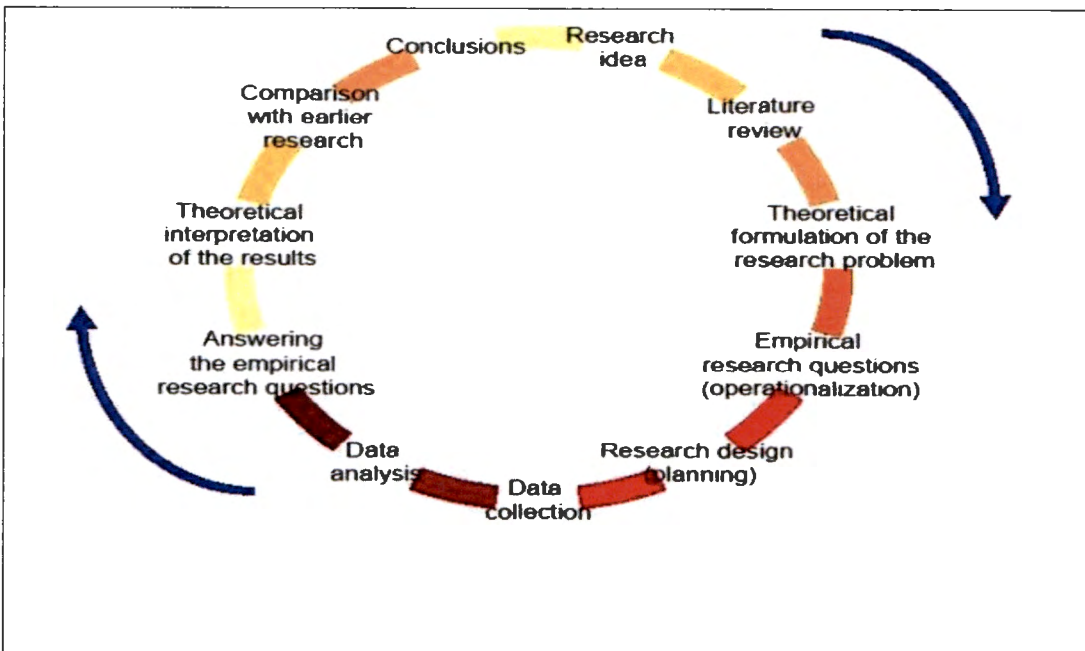
Though the positivism philosophy has limitations it was still considered sound for this research due to the nature of the research that was conducted. After choosing the research philosophy and paradigm the next crucial step was to follow the research process.

4.3 Research process

Research involves a systematic process that focuses on gathering a multitude of information for analysis in an objective manner so that a conclusion can be reached (Maree & Pietersen, 2014). The research is a multiple-step process where steps are interlinked with others in the process. Figure 4.2 summarises the typical research process in scientific research.

A quantitative research process as indicated by Zikmund and Babin (2010) and Bryman et al. (2014:32) was followed in this study. Following is a synopsis of the sequential steps of the research process followed.

FIGURE 4.2 TYPICAL RESEARCH PROCESS



Source: Bryman et al. (2014:32)

Step 1: Formulating the research problem

At the very beginning, a decision was made on the general subject matter to be interrogated and researched. The research problem of this study then focused **on developing a proposed framework for reducing the failure rate of SMMEs in South Africa** (see paragraph 1.4).

Step 2: Extensive literature survey

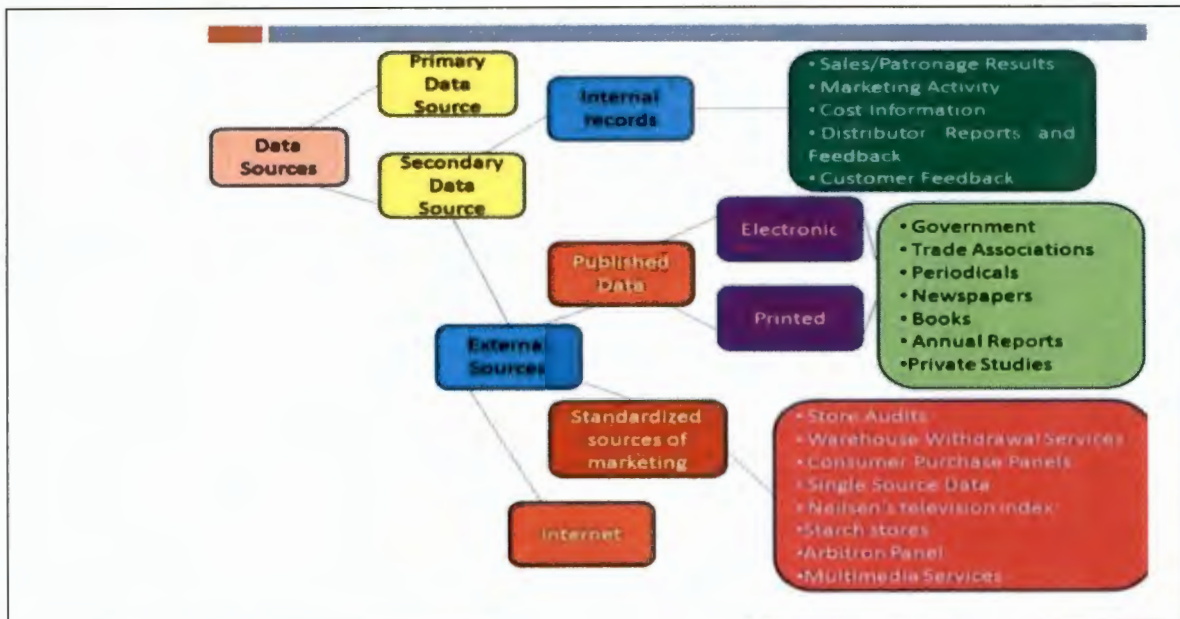
A literature survey reviews scholarly articles, books, and other sources relevant to an area of research, or theory, and by so doing, provides a description, summary, and critical evaluation of these works in relation to the research problem currently investigated (Maree & Pietersen, 2014).

Once the research problem was formulated, an extensive literature review relevant to the research problem (see Chapter 2 and 3) was then undertaken. For the purpose of this study, academic journals, conference proceedings, government reports and academic books were explored in line with the nature of the problem investigated. Literature on the theoretical framework, the definition of SMMEs, the contribution of SMMEs to the economy, the nature of SMME support, as well as the role of public and private sectors in supporting small businesses were reviewed.

The literature reviews further highlighted the various types and instruments of SMME support programmes in South Africa and beyond. The review also identified the international best practices for SMME support and highlighted lessons learnt from successful SMME programmes globally. The effects of financial and non-financial support on SMME success was also discussed based on information obtained from empirical studies conducted in both developing and developed countries.

In this study the literature surveyed provided insights into the different perspectives and approaches in antecedent studies, highlighting flaws in previous research and outlining the gaps therein. All this added to a more nuanced understanding and knowledge of the field of SMME management and support. Figure 4.3 depicts the typical data collection flow in a research process and also formed the basis of the literature survey conducted for the purpose of this study.

FIGURE 4.3 DATA COLLECTION FLOW



Source: Maree & Pietersen (2014)

To evaluate secondary data, the advantages and limitations of secondary data as explained by McKinney (2011) were considered and these advantages and disadvantages are listed in Table 4.5.

TABLE 4.5 ADVANTAGES AND DISADVANTAGES OF SECONDARY DATA

Advantages of secondary data	Limitations of secondary data
It is available.	Was not designed for the research problem at hand.
Is collected faster than primary data.	Is not necessarily applicable to the population of the current research.
Is collected less expensively and with less effort than primary data.	Can be outdated.
Enhances the collection of primary data.	Can be inaccurate or even inadequate.
Can be more accurate than primary data.	

Source: McKinney (2011)

Although there are advantages in using secondary data, there are also noticeable disadvantages. Therefore, maximum care was taken in using secondary data sources for the purpose of this study.

Step 3: Developing the research hypothesis

After the extensive literature review, the working hypotheses were developed (see paragraph 1.8). By definition, working hypotheses are tentative assumptions made in order to draw out and test logical or empirical consequences (McKinney, 2011). Hypotheses are important because they provide the focal point for a specific research. Hypotheses were used to state the perceived and specific relationships between variables in such a way that allowed the relationships to be empirically tested. Furthermore, the hypotheses were used to validate the theories used in this research and allowed logical analysis of relationships amongst variables. In order to have a full understanding of the research hypothesis, the framework of this study is revisited in Figure 4.4.

Step 4: Preparing the research design

After outlining the research hypotheses, the research design was prepared (see paragraphs 1.11 and 4.3.1). In this step, the conceptual structure within which the research was conducted was outlined. In other words, the function of research design was to provide for the collection of relevant evidence with optimum effort, time and expenditure in line with the research purpose.

Step 5: Determining the research design

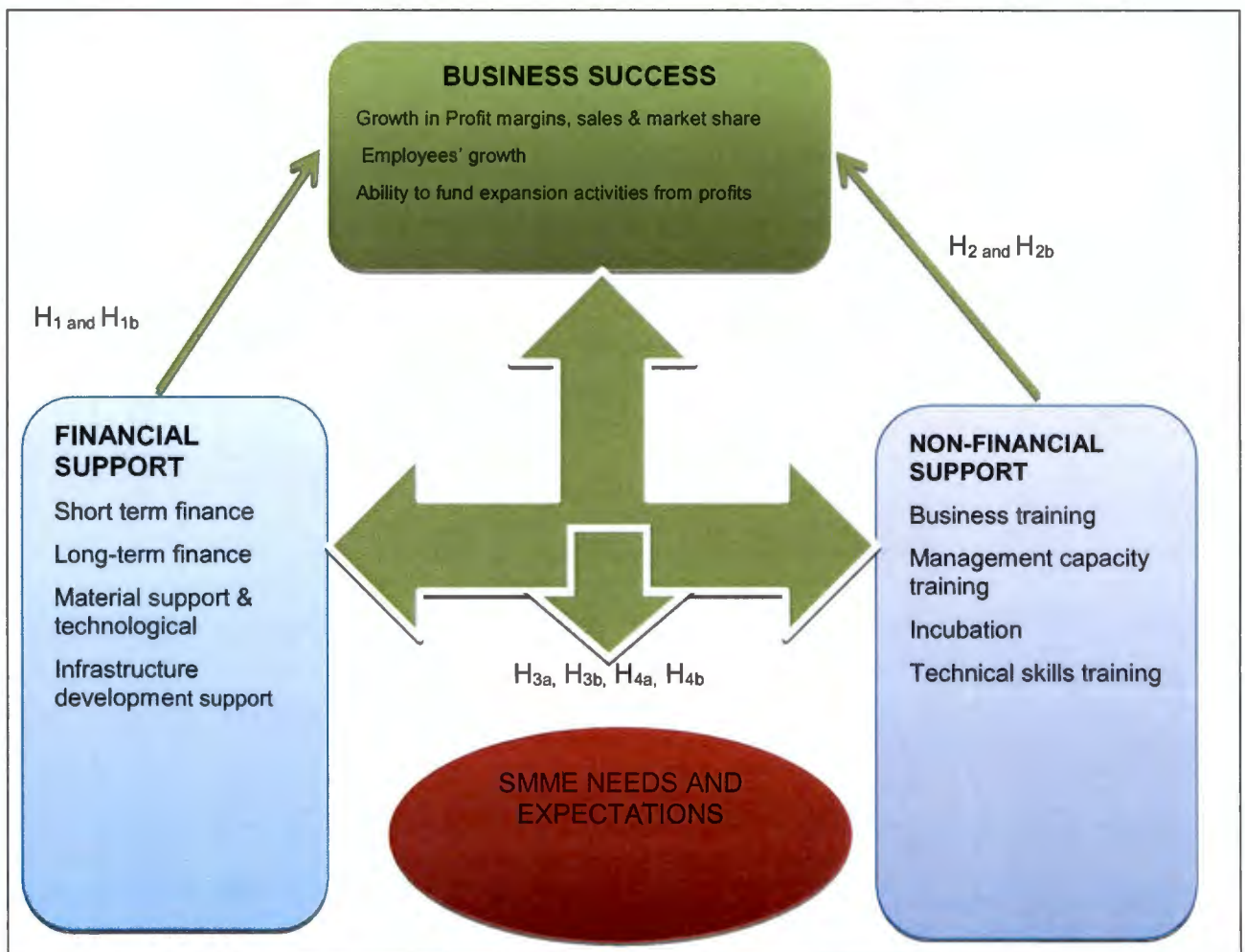
The research design is the overall plan for finding answers to the research questions guiding a study. Burns and Burns (2008) state that designing a study aids researchers to plan and implement a study in a way that helps them obtain the anticipated results, thus increasing the chances of obtaining information that could be associated with a real situation. Primary data can be collected either through experiment or through a survey. For the purpose of this study, a survey research design was used because it fitted the purpose and was the best design for answering the research questions outlined for this study. Survey research is recommended for studying, collecting and analysing data of a group of people. However, there are numerous ways for collecting appropriate data which differ considerably in context of cost, time and other resources at the disposal of a researcher.

After conducting secondary research, primary data was collected. This was mainly because secondary sources were insufficient to fully address the research problem and objectives. Primary data can be described as fresh data, and refers to data that is collected to satisfy specific research requirements (Bradly, 2010). The data was collected by means of questionnaires made available to respondents. The basic primary data collection methods

used by researchers are observations, experiments, and surveys (Zikmund & Babin, 2010; Cant et al., 2014). Since observation and experiment methods would not be appropriate for investigating the problem at hand, the survey method was used in this study.

The survey method, with a custom-designed questionnaire (see Annexure A), was used in this study. A survey was ideal because it allowed the exploitation of the natural variation in variables and looked for associations. The measurement scales used in the questionnaire were adopted from tried and tested instruments revealed by the extensive literature review. Only measurement scales with a Cronbach's Alpha of more than 0.70 were adopted for this survey.

FIGURE 4.4 REVISITING THE FRAMEWORK OF THIS STUDY



Step 6: Execution of the project

The implementation of a project is a very significant step in the research process. If the execution of a project proceeds along the correct lines, then data collected becomes adequate and

dependable. A careful watch for unanticipated factors was constantly done to ensure that this survey was as realistic as possible.

Step 7: Analysis of data

The analysis of the data obtained required a number of closely related operations such as the establishment of categories, the application of these categories to raw data through coding, tabulation, and then drawing statistical inferences. The analyses of the data after tabulation was generally based on the computation of various percentages and coefficients by applying various well defined statistical formulae. In the process of analyses, relationships were deduced with the original hypotheses and determined valid results were used to indicate conclusions (see Chapter 5).

Step 8: Hypothesis testing

After analysing the data, the formulated hypotheses were tested. The simple checking of facts supporting the hypotheses, through various tests such as *t*- test, was done. The purpose of the hypotheses testing was to determine if a hypothesis is either accepted or rejected (paragraphs 5.5 to 5.7).

Step 9: Generalisation and interpretation

If a hypothesis is tested and upheld several times, it may be possible to arrive at a generalisation used for building theory. As a matter of fact, the real value of research lies in its ability to arrive at certain generalisations. The hypotheses in this case were tested, analysed and interpreted and are presented in Chapter 5.

Step 10: Preparing the report and presentation of the results

Finally, a researcher needs to report on what was done and in this case the presentation of a thesis. The layout of this thesis has the following sequence: the preliminary pages, the main text and the end matter. The preliminary pages contain the title and acknowledgements. The main text of the report contains the introduction, the review of literature and methodology, as well as the analysis and interpretation of the results. The thesis then ends with recommendations and conclusions, as presented at the end of this study. The last section of this study contains the list of references and all annexures for the purpose of this thesis.

4.4 Target population

Audretsch (2012:757) refers to a research population as an aggregate of all the objects, subjects or members that conform to a set of specifications. This research sought to establish the relevance and effectiveness of business support intervention for SMMEs from the demand side by

looking at the support provided to SMMEs by both the public and the private sectors. The population for this study was formal SMMEs of all races, age groups, educational status, socio-economic status and residential areas, who are registered and recorded on the Eastern Cape Development Corporation (ECDC) data base of the Eastern Cape Province. The Eastern Cape was chosen because it is one of the provinces with low levels of SMME growth (Stats SA, 2015). Also, the province has two metropolitan municipalities and six district municipalities which provide both formal urban and rural settings and contexts for SMMEs. ECDC indicated that there are 350 active and registered SMMEs conducting business activities within their jurisdiction. This study is delimited to this population frame because it only looks at the formal sector.

The ideal population for this study was all 350 SMMEs registered with ECDC. The justification for the choice of this population was that these SMMEs are registered and are directly involved in support programmes. The target population for this study was therefore all SMMEs in the Eastern Cape province, who are registered with ECDC.

After the target population was chosen, the appropriate research instrument to collect the relevant data for the research had to be developed.

4.5 Research instrument

Because of the objective ontology and a positivist epistemology, the quantitative research approach was deemed suitable for this study. In this case, the research approach started with a theoretical background on the research topic and then derived testable hypotheses from it. The research problem was quantified after which it was necessary to establish the strength of connections that exist between the variables in question. A questionnaire survey was used to collect data from respondents. A structured method was used and the same questions in the same order were asked to different respondents for analysis. A survey was used because it allows the exploitation of the natural variation in variables and look for associations.

A survey instrument is developed based on known principles or theories (Giesen et al., 2012:74). Hence, interpretations that are grounded in the analytical outcomes of an operationalised survey instrument apply deductive logic. This study therefore formulated question items based on facts and theories in order to answer the research objectives. Some questions from questionnaires that had been used in previous studies were adapted for inclusion into the custom-made measurement instrument developed for this study. The responses to the survey instrument of this study were analysed statistically and inferences were made deductively.

A survey instrument is designed to collect information for analytical purposes. Since there are a variety of different types of data and depending on the research design, a survey instrument could be designed to measure various data types. The characteristics of the information collected could

be categorised into four different scales of measurement, namely nominal, ordinal, interval and ratio scales (Lombard et al., 2011:20; Bryman et al., 2014; Cooper & Schindler, 2014). It is necessary to distinguish between the different data types in order to understand the relevance of each and especially how these different data types could be measured and analysed. It was decided to develop a questionnaire with a structured rating scale, which would be completed by respondents and a standard four point Likert scale adopted from Cooper and Schindler (2014) was used in which 4 was "agree strongly" and 1 was "disagree strongly". The use of the four point Likert scale instead of the five-point scale was due to the fact that it is difficult to score the uncertain or neutral category. In addition, the four point Likert scale was used to eliminate social desirability bias, arising from respondents' desires to please the interviewer or appear helpful or not be seen to provide what they perceive to be a socially unacceptable answer. This bias is minimised by eliminating the mid-point ('neither...nor', uncertain) category from Likert scales. There is also some evidence that the presence or absence of a mid-point on an importance scale produces distortions in the results obtained (Giesen et al., 2012).

A questionnaire was regarded as the most advantageous for this study because of the range of information that could be collected, the low costs of administering it, and the effort required to collect the data (Cooper & Schindler, 2014). Good questionnaires enable the collection of reliable and valid information and the questionnaire ensured that information obtained from different respondents is comparable, it increased the speed and accuracy of recording the responses, facilitated data processing, saved money and time, and it also enabled the anonymity of respondents who could thus be more honest in responding to the questions (Cooper & Schindler, 2014). The different elements of the questionnaire are discussed in the sections that follow.

(1) Layout of the research instrument

The layout of the questionnaire was kept simple to encourage meaningful participation by respondents. The questions were kept as concise as possible with care being taken in terms of the actual wording and phrasing of the questions, the reason being that the appearance and layout of a questionnaire directly have an influence on respondent choices. The literature review was used as a guideline for the development of the questionnaire as research instrument.

(2) Types of questions

There are two types of survey questions, namely open-ended and closed-ended questions (Bradly, 2010; Bryman et al., 2014; Cooper & Schindler, 2014). For the open-ended question format, respondents use their own words to respond to questions and statements. Open-ended questions are ideal when exploratory research is undertaken and where possible responses to questions or statements are not proven. Open-ended questions were very limited in this questionnaire because of the nature of the study.

Closed-ended (structured) questions specify permitted responses and make information available to respondents (Cameron & Molina-Azorin, 2011; Creswell, 2013; Carsrud & Brannback, 2014). For self-administered questionnaires, respondent cooperation is improved if the majority of the questions are structured. The questionnaire used for the purpose of this study comprised structured questions which made it easier for respondents to express their views. Cooper and Schindler (2014) aver that every answer can be given a number or value so that statistical interpretation can be made. Closed-ended questions are also better suited for computer analysis. Closed-ended questions require less time from an interviewer, the participant and the researcher, and so are less expensive survey methods. The questionnaire designed for this study is discussed in the subsequent section.

(3) The questionnaire

The research instrument (Appendix B) was divided into five major sections discussed in the subsequent sections. The question types that were used in the questionnaire were dichotomous, multiple choice and scale questions.

Section 1: Screening section

This section enabled removing respondents who do not meet the criteria as per the objectives of this research.

S1 – asking respondents to indicate the position they hold in the business. This question was important because only the owner and/or manager could participate. Therefore, anyone who did not hold the positions were not allowed to continue with the questionnaire. The main reason for not allowing other employees to participate was because the questions sought decision makers providing the information needed for this study.

S2 – the main aim of this question was to determine if the SMME was formally registered since the target population are formal SMMEs registered with ECDC.

Section 2: General business information

This section consists of seven questions designed to obtain information on the demographics of the SMME owner/managers and some general information about the business concern.

Question 1 – the type of business operated. This question is in a multiple choice format and respondents were given a list of all the economic sectors and an open ended option was provided where respondents could indicate any other sector not listed. This option was necessary especially for SMMEs operating in other newly developed industries in the Eastern Cape.

Question 2 – the number of full time employees employed by the SMME. This question is indicative of the SMME performance/success which is one of major variables of this study. The

items in the question were adopted from Madya (2015). The reliability of the scale is satisfactory with a Cronbach Alpha for all items ranging from 0.78 to 0.9. The items in this question were also used in studies by as Gumbo (2015), Madya (2015), Mqaba (2015) and Sarakunze (2015).

Question 3 – the period of operation of the SMME. This information sought to obtain an idea of how long the SMME has been in operation. This is also relevant to checking the success of SMMEs, as well as the growth potential of SMMEs. The items in this question were adopted from Chimucheka (2016) and all items in the question are reliable because of the minimum Cronbach Alpha value of 0.7.

Question 4 – highest qualification of respondents. This question facilitates determining if the success of an SMEE is dependent on the educational level of a respondent. The items in this question were adopted and modified from Madya (2015).

Question 5 – the geographical location of the SMME. Information about the physical location of SMMEs is vital in determining if SMME needs and expectations differ with respect to their location.

Question 6 – the success of SMMEs. The items in this Likert scale were adopted from Chimucheka 2012 and all items are reliable because they had a minimum Cronbach Alpha value of 0.78. Madya (2015) and Chimucheka (2016) also used this scale in their studies.

Question 7 – this was a control question checking consistency of the responses given on the success of their businesses. This question was adopted from Sarakunze (2015) and the items are reliable with a Cronbach Alpha value of 0.7.

Section 3: Business success intervention

This section allowed a closer look at the business intervention received by SMMEs. This question addresses some of the following secondary objectives of this study:

- To examine SMME's need for financial support (from both public and private institutions) as a contributor towards the overall success of the SMMEs.
- To obtain an indication of SMME's needs for non-financial support (from both public and private institutions) as a contributor towards the overall success of SMMEs.
- To establish if SMMEs receive support in all the functional areas of small business management at the right stage of business development from both the private and public sector.

Question 8 – requires respondents to indicate the most important areas in which support would be needed to ensure that their SMME performs as per objectives 1, 2 and 5. Multiple choices were

provided and respondents were asked to choose at least four items and rank them. The items used in the question were adopted from Fatoki (2014) and are reliable with a Cronbach Alpha value of 0.78. Studies conducted by Tangwo (2013), Mapfumo (2015) and Mqaba (2015) used this scale.

Question 9 – refers to objectives 1 and 2 and specifically concerning support programmes from the public sector and private sector. Respondents were asked the type of support they require support agencies to help them with. This question was custom-developed and the reliability of the items in the scale was at least 0.5 which is considered relatively valid for a new scale.

Question 10 – refers to objectives 1 and 2 and specifically concerning support programmes from the public and private sector. The items used for this question were adopted from the Resource Based Theory and the Human Capital Theory. Specific wording of the question was adopted from studies of Sarakunze (2015) and Mqaba (2015). The items in the scale are reliable after establishing that all the items had a Cronbach Alpha value above 0.7.

Question 11 – deals also with objectives 1 and 2 and specifically focuses on the support programmes from the public and private sector. The items used for this question were also adopted from the Resource Based Theory and the Human Capital Theory. The question was custom-made and it had only one item which asked if respondents received training in all management functions for the survival of their establishments.

Question 12 – deals also with objectives 1 and 2 and specifically focuses on the support programmes from the public and private sector. This question was custom made for this study and it had one item. Respondents were asked if respondents' expectations were met from the service they received from both the private and public sector.

Section 4: Relevance of SMME support on the success of a business

This section of the questionnaire is relevant to secondary objective 4 and 5 and looked at the following:

- To ascertain how SMMEs in South Africa perceive the relevance of business intervention (from both the private and public sector) on business success.
- To assess if a gap exists between SMME expectations and the support provided by both the private and public sector.

Question 13 – looks at the factors that affect the performance of SMMEs. The request was that respondents indicate their perceptions on the impact of SMME support on the performance of their business. This is one of the primary objectives of this study. A Likert scale was used and it

was adopted from a study by Chimucheka (2016). The reliability of the scale is satisfactory with a Cronbach Alpha value of 0.7 for all items in the scale. Studies conducted by Machirori (2014) and Gumbo (2015) also used this scale.

Question 14 – relates to the impact of SMME support on the success of an SMME. A Likert scale was used to measure the perceived impact and the items in this scale were adopted from studies conducted by Mqaba (2015) and Sarakunze (2015).

Question 15– provides managers and directors of SMMEs with the opportunity to reflect on the relevance of support given to SMMEs and this question addresses objectives 3, 4 and 5. Respondents were asked to rank statements in the form of a Likert scale and the items of the scale were adopted from a study by Mqaba (2015). The reliability of the scale was satisfactory and recorded a Cronbach Alpha value of 0.72 for all the items in the scale. Fatoki and Garwe (2013) and Gumbo (2015) also used this scale in their studies.

Section 5: Monitoring of SMME performance after receiving support

This section of the questionnaire also addresses secondary objectives as indicated below.

Question 16 is in a Likert scale format and was included to evaluate if monitoring and evaluation of SMME performance takes place after they receive support. The items in the Likert scale were custom-developed specifically for this study.

Question 17 addresses objective 4 and 5 of the study. This question was custom-developed for this study and it had one item. Respondents were asked if the private and public sector have consultations with the SMMEs before they develop specific support and intervention programmes that would bolster the tenacity of the enterprises.

Question 18 addresses objective 4 and 5 of the study. This question was custom-developed for this study and it had one item. Respondents were asked if they have a say in the creation and devolution of the support programmes.

Question 19 addresses objective 7 of this study. This question was included to determine if SMMEs plough back into the sector after receiving support, one of the gaps that surfaced during the literature review. The items used in the question were custom-developed for this study.

Question 20 also relates to objective 7 but goes further to identify the specific activities of SMMEs when ploughing back into the SMME sector of the economy. This question significantly contributed towards the recommendations made for this study. This question was also custom-developed for this study.

Question 21 is an open ended question which addressed the primary objective of the study where the respondents were asked to comment on ways the public and private sector could improve their services. This question was custom-made for this study.

Question 22 is an open ended question which addressed the primary objective of the study where respondents were asked to comment on ways in which the public and private sector could improve the success of their businesses. This question was custom-made for this study.

Pilot study

A pilot study forms part of the preliminary stage where the research instrument is trialled or tested with people who are similar to the actual study participants (Carsrud & Brannback, 2014).

Piloting is used to identify problem areas in a questionnaire and 'trial run' respondents could identify the questions that take too long to answer, or are too difficult, or the researcher may see from their answers that some of the questions provide a number of alternative interpretations that the researcher did not expect, or it may be noticed from their answers that some of the questions can be answered in ways not originally anticipated or that respondents do not provide the specific information needed (Creswell, 2013; Carsrud & Brannback, 2014).

Pre-testing the research instrument during the survey development stage was done through a pilot study with 30 respondents. The results of the pre-test led to some amendments to the questionnaire. This was in line with Carsrud and Brannback (2014) who proposed that this is the ideal time to change or refine questions before the questionnaire is administered to the actual research participants. In this study, the language of some of the questions was simplified to ensure that respondents understand all the statements and questions since it had been noted during the pilot study that there were misconceptions and non-explicit facets that had to be addressed. Pilot testing the questionnaire was furthermore appropriate to establish the suitability of the Likert scale format and the reliability of the scales used for this investigation. The pilot test statistical results indicated that the Cronbach Alpha for the custom-developed scales scored all above 0.5, a value that is relatively acceptable for the scales in question 9, 11, 12, 17, 18, 21 and 22.

After the pilot study the research instrument was modified refining questions and adding more items of those questions which had a lower reliability alpha value. Additional open ended questions were added in the research instrument to allow respondents to express themselves.

TABLE 4.6 RESEARCH INSTRUMENT VALIDATION

Questionnaire composition before pilot	Questionnaire composition after pilot	Comment
Screening question 1	Screening question 1	Did not change
Screening question 2	Removed	After the pilot the question was removed since it was not adding value.
Screening question 3	Removed	After the pilot the question was removed since it was not adding value.
Screening question 4	Removed	After the pilot the question was removed since it was not adding value.
	Screening question 2	After the pilot question about registering of the business was added as a screening question.
Question 1	Question 1	This question did not change.
Question 2	Question 2	This question did not change.
Question 3	Question 3	The composition of question did the change only the scales changed.
Question 4	Question 4	The question composition did not change only the categories of the level of education changed.
Question 5	Question 5	Did not change
Question 6	Question 6	The composition of the question did not change except the style of the scale.
Question 7	Question 7	Did not change
Question 8	Question 8	The composition of the question was only modified
Question 9	Question 10	The original question nine becomes question 10 but the question did not change.
	Question 9	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument.
Question 10	Question 10	Did not change but was combined with original question 9 since they both

		asked the same questions.
	Question 11	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument.
	Question 12	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument.
Question 11	Question 13	The question did not change but it became question 13.
Question 12	Question 13	The question did not change but became question 13.
Question 13	Question 15	The question did not change but it became question 15.
Question 14	Question 14	The question did not change its composition and the number.
Question 15	Question 16	The question did not change but became question 16
Question 16	Question 19	The question did not change but became question 19.
	Question 17	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument
	Question 18	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument.
Question 17	Question 20	Rephrased the questions but the scale components did not change and it became question 20
	Question 21	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument.

	Question 22	A new question was added to capture some important aspects of the research objectives which were not coming out clearly from the original instrument.

6.4.2 Field work

The field work was done in the Eastern Cape province of South Africa. In order to cover the six districts and two metropolitan municipalities in the province, ten research fieldworkers were recruited from a list of registered post-graduate university students pursuing business management degrees. Figure 4.5 shows the research area of this study.

FIGURE 4.5 EASTERN CAPE: STUDY AREA FOR THIS RESEARCH



Source: South Africa local government (2017)

The distribution of fieldworkers was according to the data base that was obtained from ECDC. Areas with a high number of SMMEs were allocated to two fieldworkers and the remaining areas each were allocated to only one fieldworker. Table 4.7 summarises the distribution of fieldworkers.

The ten fieldworkers were briefed by the researcher in subject knowledge, interviewing skills, interpersonal skills and profession interaction with the respondents. Data collection activities took place in the Eastern Cape province from August to October 2017.

In order to encourage respondents and increase the response rate, respondents were informed that the findings would be useful for pro-SMME government policies and small business

initiatives. They were also given the option to name the place of their choice for the interviews and most respondents opted to be interviewed at their business premises.

TABLE 4.7 DISTRIBUTION OF FIELDWORKERS TO THE RESEARCH STUDY

Research Area	Number of field workers
Nelson Mandela Bay Metropolitan	2
Buffalo Metropolitan	2
Sarah Baartman	1
Amathole	1
Chris Hane	1
Joe Gqabi	1
Alfred Nzo	1
OR Tambo	1

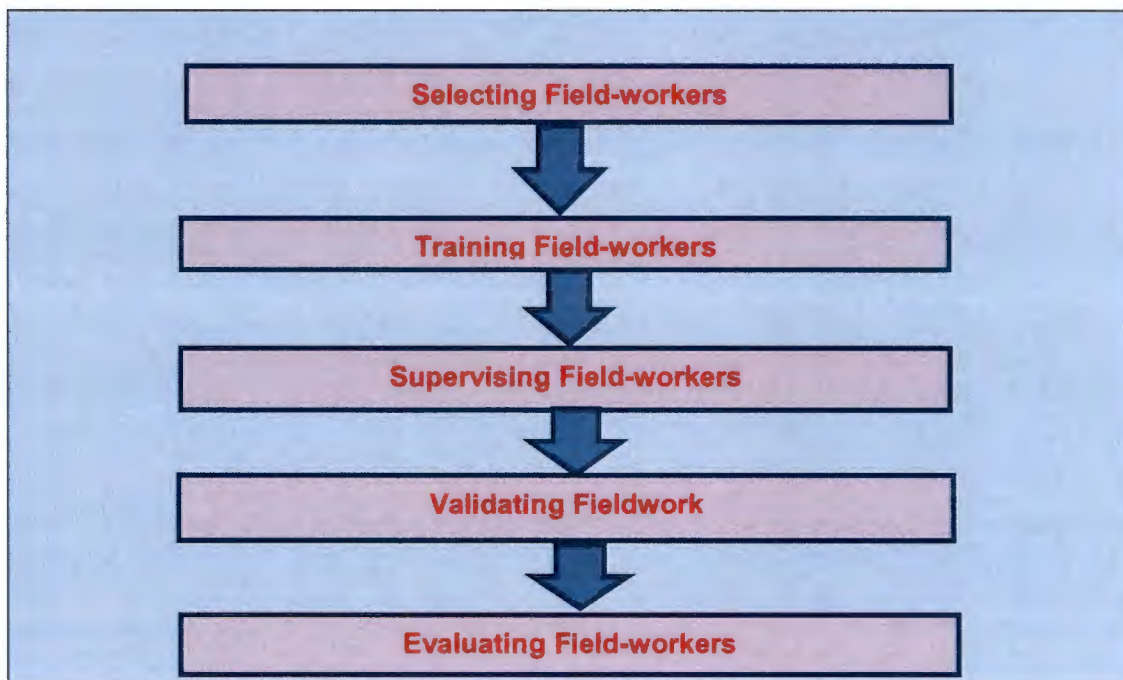
Table 4.8 provides a summary of the link between the research questions and the research instrument.

TABLE 4.8 LINKING RESEARCH INSTRUMENT WITH RESEARCH QUESTIONS, OBJECTIVES AND HYPOTHESES

Research question	Objective	Hypotheses	Research instrument	
SMME success/performance	1 and 2	H _{01a} , H _{01b}	Q6,Q7	Q6 (Shava, 2015, Madya, 2015 and Chimucheka, 2016 Cronbach alpha of 0.78)
				Q7 (Chimucheka, 2016 Cronbach Alpha of 0.74)
Financial support	1	H _{01a} , H _{01b}	Q10 Q14	Q10 (Chiliya and Roberts-Lombard 2012, Machirori,2012 and Sarakunze, 2015 Cronbach Alpha of .78)
				Q14 (Sarakunze 2015 Cronbach alpha .78)
Non-financial support	2	H _{02a} , H _{02b}	Q10 Q14	Q10 (Chiliya and Roberts-Lombard 2012, Machirori,2012 and Sarakunze, 2015 Cronbach Alpha of .78)
				Q14 (Sarakunze 2015 Cronbach alpha .78)
SMME perception on the relevancy of support services	3	H _{03a} , H _{03b}	Q13 Q15	Q13 (Machirori, 2014, Gumbo, 2015 and Chimucheka, 2016 Cronbach Alpha of 0.74)
				Q15 (Fatoki and Garwe, 2013,

				Gumbo,2015 and Mqaba, 2015 Cronbach Alpha of .72)
If SMME receive support in all functional areas	4	H _{04a} , H _{04b}	Q11Q13	Q11 (Custom-developed Cronbach Alpha of at least .5 or more)
				Q13 (Machirori, 2014, Gumbo, 2015 and Chimucheka, 2016 Cronbach Alpha of 0.74)
Ascertain if a gap exist	5	H _{03a} , H _{03b}	Q12Q17Q18	Q12 (Custom-developed Cronbach Alpha of .5 or more)
				Q17 (Sarakunze 2015 Cronbach alpha .78)
				Q18 (Custom-developed Cronbach Alpha of at least .5 or more)
Type of support needed	4 and 5	H _{03a} and H _{03b} H _{04a} and H _{04b}	Q8, Q9	Q8 Fatoki (2014) Cronbach Alpha value of 0.78.
				Q9 (Custom-developed Cronbach Alpha of at least .5 or more)
Monitoring of business success	6	H _{05a} and H _{05b}	Q16	Q 16 (Custom-developed Cronbach Alpha of at least 0.5)
How SMMEs plough back	7	H ₀₆	Q20	Q 20 (Custom-developed Cronbach Alpha of at least 0.5)

FIGURE 4.6 FIELDWORK AND DATA COLLECTION PROCESS



Source: Giesen et al. (2012)

A self-administered questionnaire was used and field-workers dropped the questionnaires at respondents and collected it later at an arranged date and time. When collecting the

questionnaires, field-workers checked the questionnaire for completeness and possible errors (and corrected the errors) before taking the questionnaires. Self-administered questionnaires were used because of the following reasons:

- Cost: it is less expensive than interviews because it does not involve the cost of hiring, training, and employing skilled interviewers.
- Efficiency: questionnaires can be distributed in large numbers all at once, and involve less administrative time.
- Anonymity: the respondent is assured of anonymity and privacy, and can therefore feel freer to provide honest responses.
- No interviewer error: there is no possibility of interviewer bias.
- Respondents answer at their convenience.
- There is no need to set up interview appointments.

Even though there are some disadvantages of using self-administered questionnaire, this was the most convenient method for this study considering the size of the target population as well as the geographical dispersion of the respondents. However, in order to curb the limitations of this method, field-workers were available to explain to respondents was aspects and items that were not clear. In addition, field-workers checked for completeness of the questionnaires before collecting from the respondents and this increased response rate. A large sample was also used to ensure a higher response rate. After the data was collected, it had to be prepared for conversion into electronic format.

4.7 Data preparation

The research step following data collection is data preparation. This is the process of scrutinising the quality of the data gathered and converting the raw data into electronic format that can be read and manipulated by computer software (Lombard et al., 2011). Data preparation seeks to ensure that high quality data is available for statistical analysis. According to Lombard et al. (2011), the quality of statistical results is the product of careful exercise in the data preparation phase. The steps which were followed in the data preparation process for this study include validation, editing, coding, data entry, and data cleaning and these steps are further elaborated in the discussion below.

4.7.1 Data validation

This is the first phase of data preparation and encompasses the examination of raw data to ensure that information collected is accurate. Validation can be defined as the process of determining, to the extent possible, whether primary research was conducted correctly and free

of fraud or bias (Cant et al., 2005; Maree & Pietersen, 2014). The purpose of validation is to determine whether any shortcuts were taken during the fieldwork and to detect interviewer fraud or the failure of an interviewer to follow important fieldwork instructions. For the purpose of this study, data validation was done by the researcher and statistician. Questionnaires collected from field-workers were thoroughly scrutinised for completeness and consistency.

4.7.2 Data editing

Data editing encompasses a critical analysis of the completed questionnaires in terms of compliance with criteria for collecting meaningful data, and to deal with questionnaires that are not completed (Cooper & Schindler, 2014). Inspecting questionnaires to make modifications or corrections is termed editing (Cant et al., 2005:151; Lombard et al., 2011). The questionnaires submitted by the field-workers were thoroughly inspected for obvious ambiguities, omissions, inconsistencies and other possible errors.

4.7.3 Data coding

Coding comprises applying a set of rules to the data to transform information from one form into another. Maree and Pietersen (2014) also explain coding as the assigning of a number or symbol to responses so that these can be grouped into manageable and meaningful categories. The purpose of coding is to transform respondents' answers to survey questions into codes or symbols that can easily be entered into and read by a statistical analysis software package.

Two approaches to coding were followed for the purpose of this study. The first was pre-coding, which refers to assigning codes to response options before fieldwork begins and hence printing the relevant codes on the questionnaire. Pre-coding was done for dichotomous questions by assigning numbers to possible answers. For example, 1 for Yes and 2 for No. Coding was secondly applied to the Likert scale questions. Final coding was done during data preparation to establish a codebook and meaning describing each variable in the dataset.

4.7.4 Data capturing, cleaning and sorting

Once the data collection process was finalised, the data was retrieved and captured into a Microsoft (MS) Excel file. Column headings were checked and adjusted to reflect the correct codes. The data was organised and summarised in order to display some underlying patterns. The categorical data (gender, home language, geographical location and educational qualifications) was summarised into pivot tables. The numeric data (age of the venture, age of the owner, manager, years of experience in the industry, and number of employees) was summarised into frequency and cumulative frequency tables. The latter categorical and numeric data was furthermore summarised into pivot tables and frequency tables with decision context, SMME

performance, type of business, and type of support received respectively. For qualitative data the following steps were followed when capturing data from open ended questions;

- *Reading through the responses* – the responses were read to get a feeling for the data and common themes emerging were noted;
- *Creation of response categories* – the second step was to develop categories for the different themes that were emerging
- *Labelling of each comment with one or several categories* – each response was assigned to at least one category and coded in an Excel sheet with responses in one column and your category (s) in the next column.

This thesis provides graph displays of all these tables; and the aforementioned relationships are additionally provided in the form of line graphs, bar charts or in pie chart format in Chapter 5. After the data was captured into a Microsoft Excel file, it was imported into the SPSS for analysis.

4.8 Data analysis

Data analysis converts the information collected into meaningful themes and patterns (McKinney, 2011). As pointed out by Bryman et al. (2014), the analysis of data is undertaken to determine what data can be discarded and what should be saved for the actual research. Furthermore, data analyses include the interpretation of research findings in the light of the research questions, and determine if the results obtained provide consistent answers to accept or reject the research hypotheses (Zikmund & Babin, 2010; Cooper & Schindler, 2014).

This section deals with data analysis procedures and the interpretation of research findings in the light of the research questions, as well as determining if the results are consistent with the research hypotheses and theories. The choice of statistical analysis methods depends on the type of question to be answered, the number of variables, and the scale of measurement. The type of question attempted answered determines the choice of statistical technique.

Data analysis for this study was carried out with the assistance of a statistician. The data was analysed using the Statistical Package for Social Sciences (SPSS) version 24.0 for Windows. The two major categories of statistical procedures used for this study are inferential and descriptive statistics. The following discussion focuses on the specific statistical tests to which the data was subjected.

4.8.1 Descriptive statistics

Descriptive statistics involve the collection, presentation, summarisation and description of data so that it is easily understood (Burns & Burns, 2008; Croarkin & Tobias, 2012; Field, 2012:6). Simply put, descriptive statistics are used when describing data in terms of the distribution mean, median,

mode, minimum, maximum, lower quartile, upper quartile, range, quartile range, variance, standard deviation, coefficient of variation, skewness, kurtosis, frequency and distribution.

- **Distribution:** This is a summary of the frequency of individual values or ranges of values for a variable. This study used frequencies, tables and graphs. Frequencies are defined as the number of objects in sets or subsets. This simply means the number of times a certain answer appears in the data (Croarkin & Tobias, 2012; Field, 2012:6).

Summary tables only provide a comprehensive overview of data; more specific descriptive statistics are additionally required to describe the measures of centrality, dispersion and skewness of a data set. When measuring the centrality of the data, the arithmetic mean, the mode and the median are measured. The arithmetic mean is calculated using the value that lies at the center of the data set. The median is the absolute middle value of a data set and the mode is the value that occurs most frequently in a data set. The arithmetic mean and the median can only be calculated by using numeric values of a data set, whereas the mode can be determined by using numeric and categorical data (Kidd, 2015).

The variance and the standard deviation are used to measure the dispersion around the mean. Higher values mean that the data is more widely dispersed around the mean and *vice versa*. The skewness of data must also be measured because most statistical techniques are developed for normal data distributions and a normal data distribution is where the data set has a measure of skewness of zero.

Data sets that exhibit skewness can be transformed by applying logarithmic or square root treatment of the data set which makes the data more suitable for statistical analyses (Croarkin & Tobias, 2012). For the purpose of this study, measures of centrality, dispersion and skewness on all the numeric variables are regarded as important, as well as frequency distributions for all categorical variables. Summaries of the descriptive statistics for this study are presented in Chapter 5.

4.8.1 Inferential statistics

Inferential statistics is about testing hypotheses through the application of various statistical techniques in order to accept or reject hypothetical claims (Field, 2012:6). During hypothesis testing, sample evidence is used to test the validity of the postulated value of a population parameter (Kidd, 2015). The main hypotheses for this study were formulated based on the literature review in Chapter 2 and 3 where the relationships between the concepts of this study were described.

Inferential statistics are concerned with the inferences that can be made about population indices based on the corresponding indices obtained from samples drawn from the populations (Cooper & Schindler, 2014). Inferential statistics is concerned with testing statistical hypotheses. To test hypotheses, Pearson correlation and multiple linear regression were used and these inferential statistics are further dealt with below.

(1) t-test

The t-test assesses whether the means of two groups are statistically different from each other (Field, 2012). This analysis is appropriate whenever means of only two groups are compared (Kidd, 2015). To test the significance, there is need to set a risk in most social research at 0.05. Fortunately, statistical computer programmes routinely print the significance test results and save the trouble of looking it up in a table.

The t-test looks at the differences in the midpoint and mean scores of factors so as to determine the level of significance in the differences, if any, between the variables. Thus, the t-test was used mainly to determine if more years of experience would yield better performance levels for SMMEs and to verify if support from either the public and/or private sector would increase the success levels of SMMEs.

(2) Pearson correlation

Pearson correlation is used to test the association between two variables. According to Cooper and Schindler (2014), correlation coefficients show the magnitude and direction of relationships. Its values range from -1 to +1, the values indicating a perfect positive relationship (+1), no relationship (0) and a perfect negative relationship (-0).

Correlation analysis only tells if a relationship exist between two variables and the strength of the relationship; however, these two may not provide adequate information to assist in decision making (Field, 2012), hence the need for regression analysis.

(3) Regression analysis

Regression analysis is the most vastly applied data analysis technique for measuring linear associations between two or more variables. Multiple regression is a more sophisticated extension of correlation and is used to explore the predictive ability of a set of variables on one continuous dependent measure (Field, 2012; Yong & Pearce, 2013:81).

In regression analysis the structural relationship between two sets of variables is linearly defined, whereas in correlational analysis the strength of this relationship is defined. In regression analysis the method of least squares is used to find a best-fit straight line to express the relationship between these two variables (Yong & Pearce, 2013:85). Where there are two sets of variables involved, the linear expression in regression analysis as well as in correlation analysis

contains reference to the dependent variable, y , and the independent variable, x (Field, 2012). Given that this study had one dependent variable and several independent variables, the multiple regression analysis was essential. The equation of the regression analysis predicting Y (performance) indicators of SMME success in this study are regarded as profitability, growth in employees, increase in sales, and the period of operation.

$$Success_i = \alpha_0 + \beta_n X_{n,i} + \varepsilon_i$$

α_0 is the value of success if all explanatory variables have a value of 0.

β_n represents the coefficients of interest. Statistical significance is observed from the p-value of each of the β values.

X is a vector of explanatory variables used in the model, from 1 up to the n^{th} variable. If simple regression is tested, $n = 1$.

ε is the error term capturing all unobservable characteristics of SMMEs.

i this is a subscript which represent the i^{th} SMME.

The regression equation for this study is thus summarised as follows:

$$Y = \beta_0 + \beta_1 NFS_1 + \beta_2 FS_2 + \varepsilon \dots\dots\dots (1)$$

Y = Success

NFS = non-financial support

FS = financial support

ε = the error term



The error term is needed for the purpose of this study because the models are based on samples not populations. Also, because models are simplifications of reality, they are not hundred percent correct. Inferential statistics are also depended on because the population data is not available and it is known that sample estimators usually are not closer to the population mean. To account for this, an error term is incorporated. Additional reasoning is that the dependent variable is not modelled as a function of all the variables due to data limitations. Therefore, in order to fix this, an error term is incorporated which has a constant variance and mean. The variables will never be perfectly related, so there is always an error term which represents the combined effect of the omitted variables, assuming that:

- the combined effect of the omitted variables is independent of each variable included in the equation,
- the combined effect of the omitted variables is independent across subjects, and
- the combined effect of the omitted variables has expectation.

There are many unknown factors which influence Y and these are called unpredictable factors. They are unpredictable factors because the contribution of these factors to determine Y is very small. Thus, it is hard to tell if these factors are actually influencing Y or occur due to chance. Whatever the regression function that is being estimated, somehow human behaviour influences on equation's variables. It is impossible to generalise human behaviour and it must contain at least some amount of unpredictable or purely random variation. That is the main reason why the error term is factored into the regression equation.

(4) Hypothesis testing

A hypothesis test is a statistical test that is used to determine whether there is enough evidence in a sample of data to infer that a certain condition is true for the entire population. A hypothesis test examines two opposing hypotheses about a population: the null hypothesis and the alternative hypothesis (Croarkin & Tobias, 2012). For the purpose of this study the following steps were followed:

- The first step was to formulate the null and alternative hypothesis.
- Secondly, the sample test statistic was calculated.
- Thirdly, a decision rule was applied in order to accept or reject the null hypothesis.
- Lastly, an interpretation of the proximity of the sample statistic to the hypothesized population parameter was made and a final decision and conclusion was given.

The p-value was used as basis to reject or not to reject the null hypothesis. The p-value refers to the probability of observing the sample statistic or an extreme value of the sample statistic if the null hypothesis is true (Field, 2012). A very small p-value, which approaches zero, provides strong evidence to reject the null hypothesis in favor of the alternative hypothesis. Likewise, a large p-value provide strong evidence to accept the null hypothesis. This study applied the rationale to reject the null hypothesis in favor of the alternative hypothesis if the p-value was smaller than .05 (representing a less than 5% probability).

4.9 Validity and reliability

Validity is defined as a measure of truth or falsity of the data obtained through using the research instrument and is categorised into the internal and external validity of a measuring instrument. An ideal or good measurement instrument (questionnaire or survey instrument) is evaluated against three major criteria, namely validity, reliability and practicality (Cooper & Schindler, 2014:257).

The three most important forms of validity cover the content, the criterion-related aspects, and also the construct.

Content validity refers to how relevant and fittingly all the formulated variables or items (questions or statements) of a measurement instrument represent the concept(s) under investigation. In other words, the content validity process has to ascertain that the measurement instrument validly measures what it intends to measure (Dzansi & Pretorius, 2009:457). A group of experts contributed towards the process of determining the content validity of the questionnaire items in this study by means of consensus that the instrument would measure what it intends to measure. Evidence of the existence of relationships between the constructs in the hypothesised model would indicate content and criterion validity (Yong & Pearce, 2013:82). Construct validity is assessed by the degree to which the measurement instrument accounts for variation in the results (Yong & Pearce, 2013:83). In order to assess the construct validity of a measurement instrument, the convergent and discriminant validity is determined (McKinney, 2011). Convergent validity measures the extent to which the items defining a construct positively correlate with one another whilst discriminant validity refers to the fact that the items that define a construct do not correlate meaningfully with other constructs in the same measurement instrument (Yong & Pearce, 2013:83). Table 4.8 summarises the different types of validity and the methods used to ensure validity in this study.

Reliability is the degree of consistency with which an instrument measures an attribute (Cooper & Schindler, 2014:257) and refers to the extent to which independent administration of the same instrument would yield the same results under comparable conditions. The less variation the instrument produces in repeated measurements of an attribute the higher the reliability. There is also a relationship between reliability and validity. An instrument which is not valid cannot possibly be reliable.

Reliability for the purpose of this study was assessed by calculating the Cronbach's Alpha in a factor analysis where a value higher than .70 indicates a good internal consistency, although values above .60 would also be acceptable in exploratory research (McKinney, 2011). Dzansi and Pretorius (2009:457) furthermore suggested that items (or questions) with negative item to total correlation values or where the values are lower than .40 should be eliminated in order to improve the reliability of the measurement instrument. Kidd (2015), however, advised that all items should be retained in a study with a small response rate in order to assess the complete data set by considering the responses to all the questionnaire items. This study applied the procedure as suggested by Kidd (2015).

For the purpose of the reliability and validity of the data, the following measures were undertaken.

- A pilot study preceded the actual interviews, thirty SMMEs were interviewed for this pilot study.
- The business owners were each given a cover letter explaining the nature of the research project.
- They also were given a follow-up letter in which the business owners were assured of the privacy and confidentiality of the information they provided, as well as guaranteeing their anonymity.
- Only scales with a Cronbach's Alpha value higher than 0.7 were used in the research instrument.

TABLE 4.9 DISTINCTION BETWEEN VALIDITY TYPES

Type	What is measured	Method
Content	Degree to which the content of the items adequately represents the universe of all the relevant items under study.	Judgemental Panel of experts
Criterion-related	Degree to which the predictor is adequate in capturing the relevant aspects of the criterion.	Correction
Concurrent	Description of the present; criterion data are available at the same time as the predictor	Correlation
Predictive	Prediction of the future; criterion data are measured after the passage of time.	Correlation Regression
Construct	This answers the question, "What accounts for the variance in the measure?" It also attempts to identify the underlying construct(s) that are being measured and to determine how well the test represents it.	Judgemental Correlation Convergent & discriminant tests Factor analysis

Source: Cooper & Schindler (2014:257)

4.10 Ethical considerations

All ethical standards of research were observed during the course of this study and confidentiality was maintained by keeping the data confidential and not revealing the identified respondents when reporting or publishing the results and findings of this study. Respondents were informed about the purpose of the study and the procedures that would be used to collect the data. Ethical clearance for this study was applied for and clearance to proceed with this study was obtained on the 26th October 2016. The reference number for the ethical clearance is **NWU-00473-16-S9**. A copy of the ethical clearance notification is included in as Appendix B. Permission was also

obtained from all participating SMME owners and/or managers in the form of consent before they participated in the survey.

4.11 Summary

This chapter dealt with the research method that followed in this study, addressing the population, sampling procedure, data collection instrument and data collection procedure. Measures were adhered to in order to enhance the validity and reliability of the research results. Ethical concerns which could have impacted on the survey were also addressed. This chapter detailed the various steps that were undertaken in achieving the practical aspects of this study. It provided an in-depth discussion of the research design followed throughout the course of this study. The data collection techniques employed for the study were discussed in detail. The format, construction and layout of the data collection instrument (questionnaire) were explained, elaborating how it was designed, structured and administered in the field. The course that was followed in the data analysis process was reviewed and various statistical procedures were highlighted, together with the reliability and validity assessment procedures used.

The following chapter presents the analysis and discussion of the data obtained from the survey. The purpose of this survey was to identify factors that could improve the success rate of SMMEs. The chapter further provides the statistical analysis of the data and reports on the findings of the empirical research.

CHAPTER 5: RESEARCH RESULTS

5.1 Introduction

Chapter 2 and 3 presented a review of literature on the contribution of support initiatives towards the success of SMMEs, as well as charting the theoretical foundation of this study. Chapter 4 then presented the research design and methodology followed in the course of this study. This chapter presents and interprets the empirical findings that emerged when the data collected was statistically analysed. In interpreting the research findings, the results as presented are described into integrated and meaningful statistics and findings.

5.2 Response history

The study population of this study consisted of registered SMMEs in all the districts of the Eastern Cape province of South Africa. The population frame of the SMMEs was obtained from the Eastern Cape Development Centre, a government agency. Table 5.1 reflects the questionnaire statistics.

TABLE 5.1 RESPONSE RATE

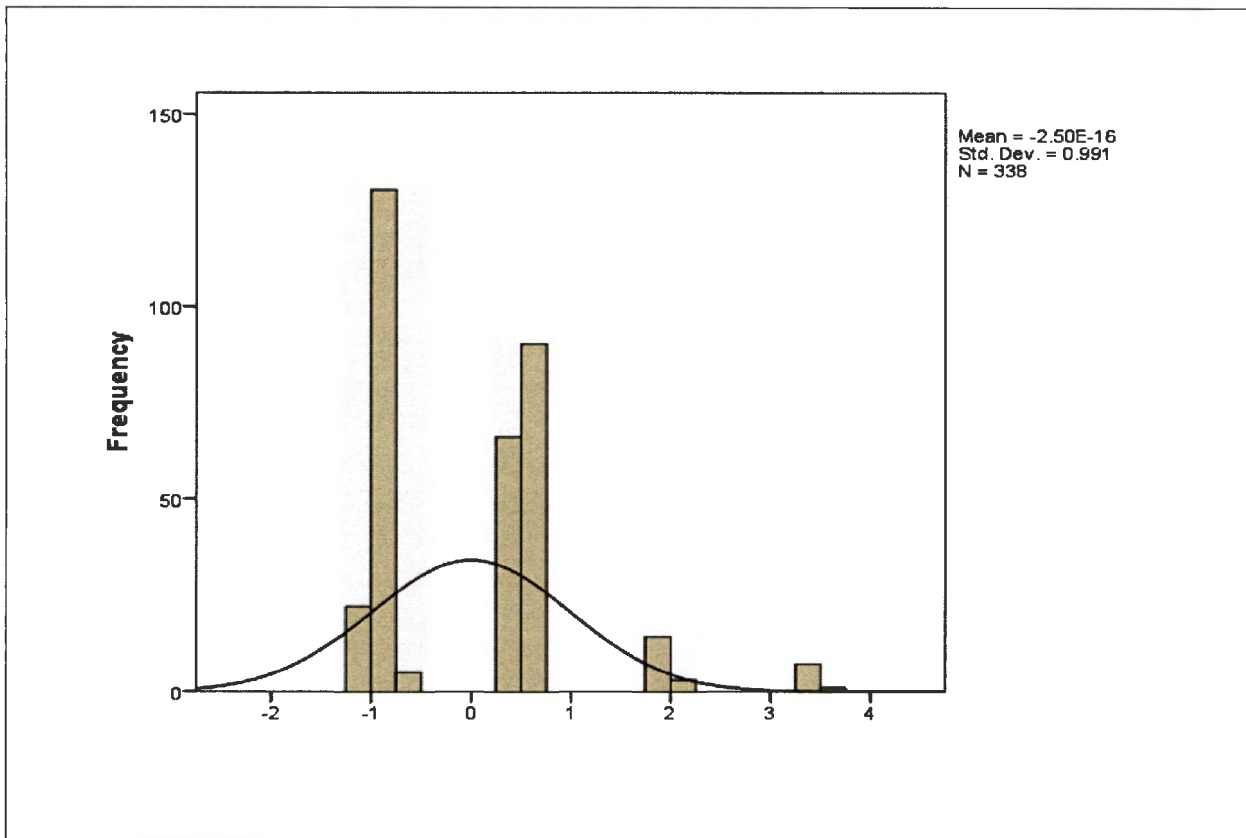
Population	Total	Percentage to the original sample (%)
Original	350	100
Non-response	8	2.29
Discarded	4	1.14
Final population	338	96.57

As indicated in Table 5.1, a total of 350 questionnaires were distributed to all the registered SMMEs, thus a census. Three hundred and forty-two questionnaires were returned. Of the returned questionnaires, four were discarded and ten were not fully completed and this means only 338 questionnaires were included for analyses. When compared to other studies, this response rate of 96.57% is high enough to guarantee accurate and reliable results.

5.2.1 Normality test

An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in parametric testing. There are two main methods of assessing normality: graphically and numerically. For the purpose of this study normality of the population was assessed graphically and the result is depicted in Figure 5.1.

FIGURE 5.1 POPULATION DISTRIBUTION



A histogram was used to test whether the data in this study is normally distributed and the results show a bell curve which indicates that the population of the study is a normal distribution. This shape basically implies that the majority of scores lie around the centre of the distribution (so the largest bars on the histogram are all around the central value). The data on the demographic descriptors was used to test the normality.

5.2.2 Reliability tests

To test for reliability, Cronbach's alpha was to give an indication of the overall reliability of a questionnaire. According to Field (2012), the alpha-values above 0.7 are good for reliability tests and a scale of 0.55 is acceptable for new scales. Results for reliability tests conducted on the scales used in this study are presented in Table 5.2.

TABLE 5.2 RELIABILITY OF SCALES

Scale	Question	Items	Cronbach's alpha
SMME success	6	8	0.815
Financial support	10	7	0.662
Non-financial support	10	26	0.877
The impact of private sector	14	5	0.654
The impact of public sector support	14	5	0.654
Relevance of public sector support	13	7	0.619
Relevance of private sector support	13	7	0.619
Relevance of public sector support	15	7	0.682
Relevance of private sector support	15	7	0.68
Monitoring and evaluation of SMME success	16	4	0.873
SMMEs ploughing back to the SMME sector	20	7	0.558

The reliability scores of the scales used in the research instrument suggest that all scales were reliable. Scales which had lower Cronbach's alpha values were those scales which were custom-developed for this study, for example the scale used to measure if SMMEs plough back into the SMME sector. This is a new scale developed specifically for the purpose of this study which explains the lower level of the Cronbach's alpha score. However, in general all the scales were above 0.65 which shows that the items used to measure the research constructs for this study were reliable.

5.3 Quantitative data analysis

The nature of this study is a quantitative and statistical analysis was based on the data obtained from self-completing questionnaires (Annexure B). The raw data from the responses was processed and analysed using SPSS software and include descriptive statistics, Chi-Square tests, correlation and also the multiple regression analysis. The results are presented in tabular and figure format.

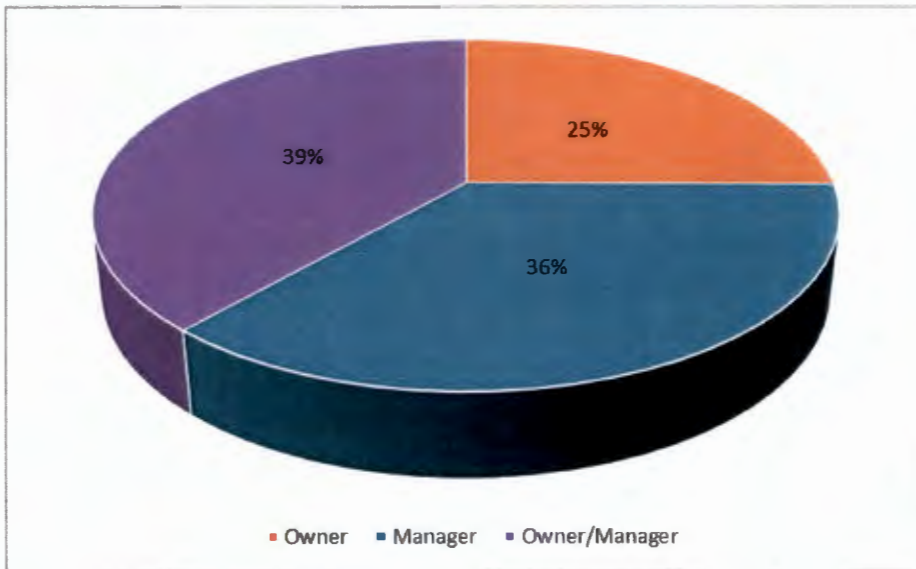
5.4 Descriptive statistics

Data was summarised and presented through descriptive statistics. Tables, charts, graphs and percentages are used in the presentation of the findings.

5.4.1 Position in business

Figure 5.2 shows the position occupied by respondents in their businesses. Some SMMEs identify themselves as owners, some only as managers, while others identify themselves as both owners and/or managers.

FIGURE 5.2 POSITION IN BUSINESS

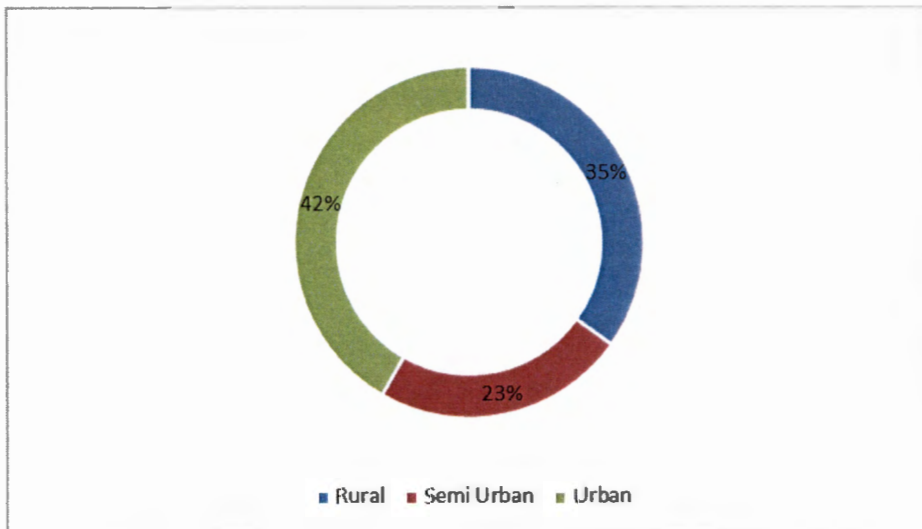


The results in Figure 5.2 reflect that the majority of SMMEs in the Eastern Cape Province of South Africa are managed by their owners. This is in line with studies by Mutezo (2005), Gumbo (2015), Mqaba (2015) and Chimucheka (2016) who also found that the majority of SMMEs in South Africa are managed by their owners.

5.4.2 Business location

SMMEs are located in different settings which may also impact upon their performance and access to major support initiatives. The Resource based Theory highlights the impact of location on how SMMEs access resources. Therefore, it was important to categorise SMMEs in terms of their spatial and geographical location.

FIGURE 5.3 BUSINESS LOCATION

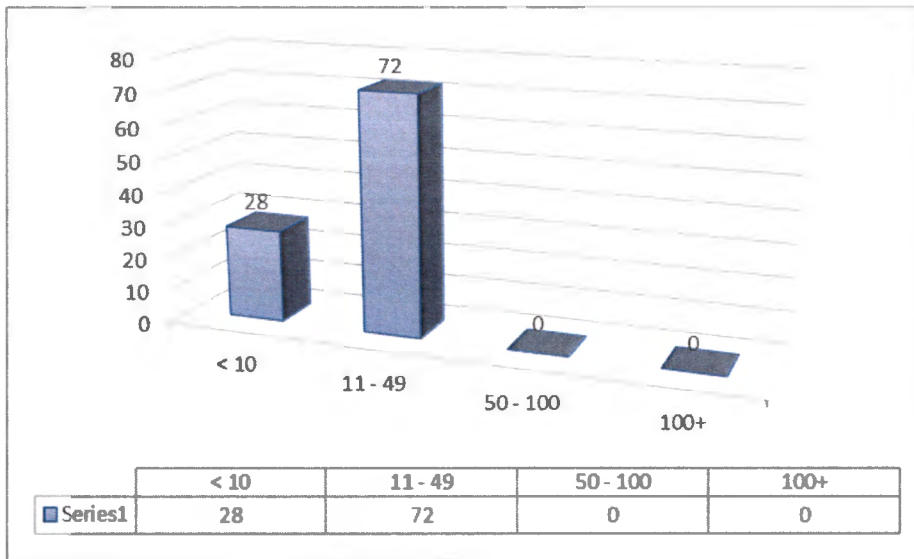


According to the results as depicted in Figure 5.3, a large segment of SMMEs operate in the rural and semi urban areas and this is attributable to the characteristics of the Eastern Cape Province where most areas are categorised between rural and semi urban, hence most businesses operate in these areas. The Eastern Cape has only two metropolitan municipalities and the rest are district municipalities which is one of the major reasons why most businesses are located in between rural and semi urban areas. This specific setting is not necessarily the same for all areas throughout South Africa and therefore bespeaks the unique development and spatial attributes of the Eastern Cape.

5.4.3 Number of employees

To classify SMMEs according to the National Small Business Act of 1996 (amended in 2003), it was important to collect information on the number of full-time employees working for these businesses. According to this Act, businesses with fewer than five employees are classified as micro enterprises, businesses with six to 50 employees are classified as small enterprises and businesses with between 51 and 200 employees are regarded as medium enterprises. The number of full-time employees in the SMMEs surveyed is presented in Figure 5.4.

FIGURE 5.4 NUMBER OF EMPLOYEES (%)

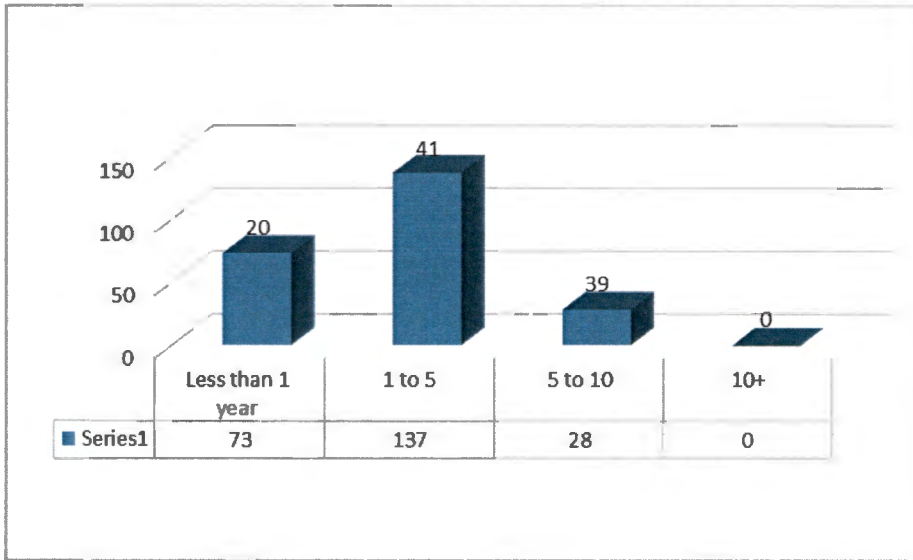


The employment figures for SMMEs in the Eastern Cape (Figure 5.4) indicate that the majority of these SMMEs employ fewer than 50 employees per business entity, with 72% of the surveyed SMMEs in the category of 11–50 employees and 28 % in the category of 10 or fewer employees. This result confirms the studies of Fatoki (2013), Madya (2015) and Chimucheka (2016) on SMMEs who found that the majority of these business enterprises in South Africa creating employment opportunities across economies are small and micro enterprises. However, there are also numerous SMMEs, not only in the Eastern Cape but in South Africa, who are struggling to grow into medium sized businesses.

5.4.4 Period of business in operation

It is also of importance to understand the period that SMMEs have been operating so as to track the performance and how successful small businesses are. The number of years that SMMEs have been operating in the Eastern Cape is presented in Figure 5.5.

FIGURE 5.5 PERIOD OF BUSINESS IN OPERATION (%)



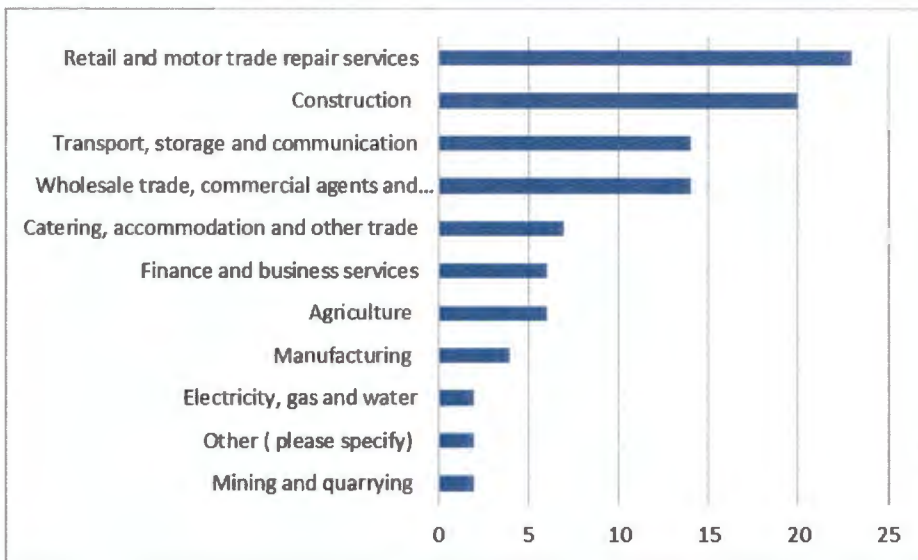
These findings seem to contradict Fatoki and Garwe (2010) and Allah et al. (2015) who concluded that the majority of SMMEs in South Africa fail within the first three years and this is also contradictory with SMME perception of the success of their businesses as presented in paragraph 5.4.7. However, it should be noted there are many SMMEs who fail and those who also succeed beyond the three-year period. The results obtained indicate that there is some growth in the number of SMMEs that have operated beyond five years, even though the growth is yet not substantial.

5.4.5 Nature of the industry in which the SMME operates

It is regarded as important to obtain an indication of the distribution of respondents to assess the different economic factors for competitive purposes. Industries were cited to include both high and low technology environments and SMMEs were identified using the ECDC databases. Figure 5.6 indicates the industries or sectors within which respondents are operating.

It is indicated in the results that the majority of SMMEs in the Eastern Cape Province operate in the retail and motor transportation sector, followed by the construction industry. This is in line with studies by Gumbo (2015), Madya (2015) and Fatoki (2014) who also cited similar results. However, it can also be noted that there is some streak of growth on the number of SMMEs operating in other industries, such as the catering, accommodation and other trade industry, transport, storage and communication as well as the finance and business service.

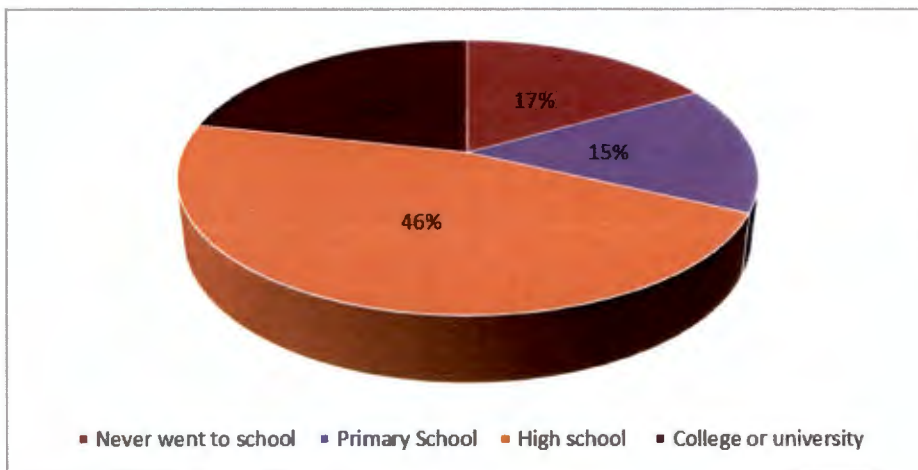
FIGURE 5.6 NATURE OF INDUSTRY (%)



5.4.6 Education level of SMME

It was also important to determine the level of education of the SMME owners and/or managers in this study because some scholars have advocate that the level of education do have an impact on the success of a business and/or on how the business is managed.

FIGURE 5.7 QUALIFICATION OF RESPONDENTS



The results indicate that a large percentage of SMME owners/managers (46%) do have a high school level of education. However, it should also be noted that the number of SMME owners/managers with university degrees has significantly improved as identified in the 22% of respondents with a college or tertiary qualification. This is also an endorsement to the National Development Plan (NDP) of the South African government for higher education sector where entrepreneurship is mainly encouraged amongst graduates.

5.4.7 SMME Level of Success

It was also viewed essential to determine SMMEs' perception of their level of success and this question was a control question for question 6.

TABLE 5.3 LEVEL OF SUCCESS OF MY BUSINESS

Descriptor	Frequency	Percent	Valid Percent	Cumulative Percent
1(not successful)	12	3.6	3.6	3.6
2	14	4.1	4.1	7.7
3	1	.3	.3	8.0
4	5	1.5	1.5	9.5
Valid 5	209	61.8	61.8	71.3
6	89	26.3	26.3	97.6
7 (Very successful)	8	2.4	2.4	100.0
Total	338	100.0	100.0	

The level of success results was consistent with other questions which tested for SMMEs success. Respondents were asked to rate their level of success from 0 (not successful) to 7 (very successful). The results in Table 5.3 indicate that there was not even one SMMEs who rated their business as not successful. The majority of SMMEs (61.8%) rated their businesses as successful at level 5, followed by 26.3% who rated their business at a level 6. At least 8.05% of SMMEs rated the success of their business ranging between level 1 and level 3.

5.4.8 SMME needs

One of the main objectives of this study was to determine if a gap exists between SMME needs and the support they receive from both the private and public sector. Therefore, respondents were asked to rank the four most important areas of support they need in priority order (1= most important and 4= least important). Table 5.4 reflects the results on the ranking of SMME needs.

According to these results, finance was ranked as the most important need and this is followed by accounting, then business plan writing, and the fourth need was identified as that of business management. These results affirm the Resource Based Theory and the studies of Chimucheka (2011), Sarakunze (2015) and Madya (2015) who also found that finance is viewed by SMMEs as one of the most important needs in business development and support.

TABLE 5.4 RANKING TO SMMEs NEEDS

Rank order	Business Area
1	Finance
2	Accounting
3	Business Plan
4	Business Management
5	Research
6	Human Resources
7	Access to technology
8	Legal aspect
9	Access to markets

5.4.9 Support needed by SMMEs from support agencies

This study would be incomplete without providing an understanding of the kind of support SMMEs need from both the private and public sector. This was in line with the research question on the relevance of support provided to SMMEs. There was a need to determine what kind of support SMMEs need and then to compare it with the support they are currently receiving, so as to determine if there is a gap between the supply side (SMME support) and the demand side (SMME needs).

When considering the results on the support that SMMEs need from support agencies it is practical to infer that access to finance, business training and access to support services are top of the list. This is in line with the Resources Based Theory that was discussed in Chapter 3 where it is argued that for a business to be successful, not only is finances needed but also non-financial resources are needed. This notion is further supported by the Human Capital Theory which indicates that human capital is an important factor in the success and development of a business and this can be in the form of business skills and other support which enhances skill acquisition and development.

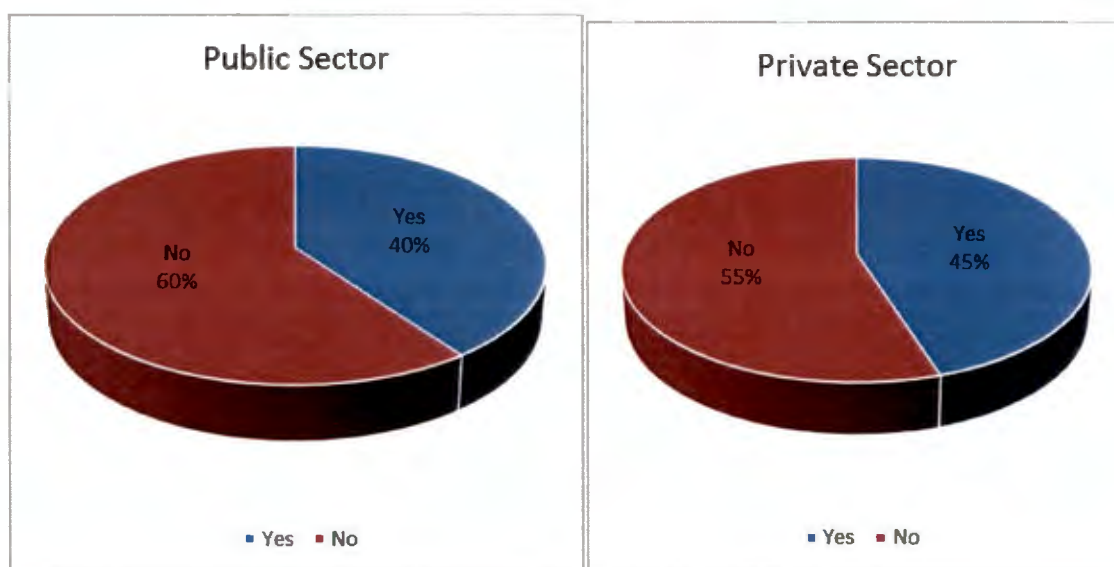
TABLE 5.5 SUPPORT NEEDED BY SMMEs FROM SUPPORT AGENCIES

Business function	%
Access to finance	80
Business training (management, book keeping, planning, organising, leading and controlling)	75
How to access the services of support agencies	75
Access to technology	60
Infrastructure	54
Business ethics	50

5.4.10 SMMEs received training in all functional areas

One of the objectives of this study was to determine if SMMEs are currently receiving support in all functional areas of a business. This objective was relevant because it would assist in developing a framework that could be used by both the private and public sectors. The results are depicted in Figure 5.8 indicating that the support from both private and public sectors are not providing SMMEs with the support they need in all functional areas of business. Sixty percent of the respondents highlighted that they are not receiving support in all functional areas from the public sector compared to the 55% who indicated that they do not obtain the support needed in all the functional areas of a business from the private sectors.

FIGURE 5.8 SMMEs RECEIVED SUPPORT IN ALL FUNCTIONAL AREAS

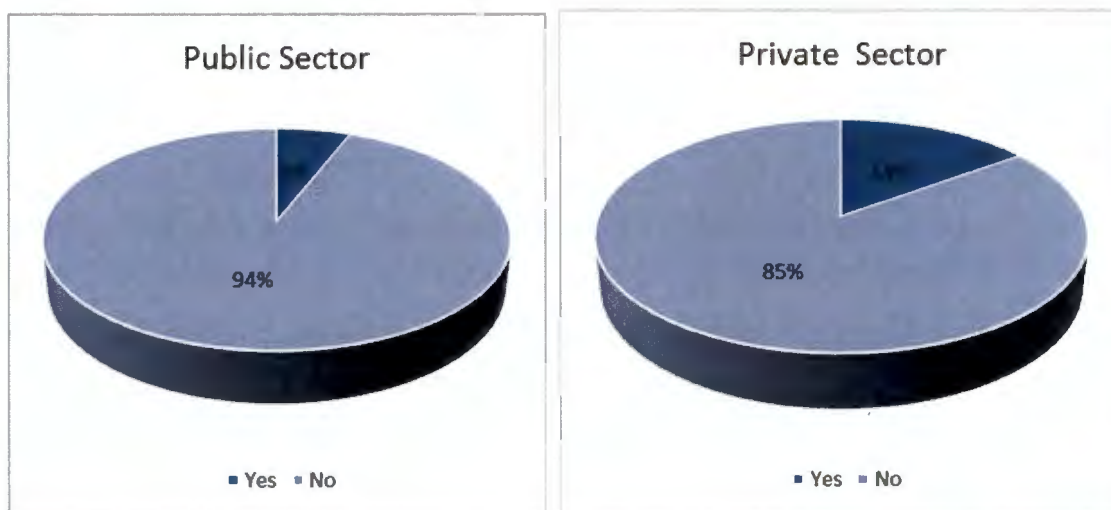


The results obtained indicate that many SMMEs do not receive adequate support from both the private and public sectors. This is one of the main challenges in the development of SMMEs where support is provided but does not ultimately cover all the relevant functional areas of a business which in turn could add to the high failure rate of SMMEs in South Africa. These results are consistent with studies of Abdullahi et al. (2015), Mqaba (2015) and Sarakunze (2015) who all advocate that SMMEs do not receive support in all functional areas of business and are thus not equipped to deal with the demands of business operations and management.

5.4.11 Meeting SMMEs expectations adequately

There was also a need to obtain an understanding of SMME perceptions concerning how their expectations are met compared to the support that they are given. Figure 5.9 summarises the results obtained are depicted in Figure 5.9.

FIGURE 5.9 MEETING SMME EXPECTATIONS



The results undoubtedly indicate that SMME expectations are not met from both the public and the private sector and this is a clear indication that there is indeed a gap between SMMEs' expectations and what they actually receive in terms of development support. These results concur with the conclusions reached by scholars such as Collett et al. (2014), Kamange et al. (2014), Lampadarios (2015) and Albuquerque et al. (2016), who researched into the factors that affect the success of SMMEs and highlighted that there is a mismatch between the demand and supply side of SMME support and needs.

5.4.12 Consultation with as a support programme

This study sought to establish whether or not there are consultations for the development of support from both the public and private sectors in line with one of the objective of this study which is to identify the actual support needs of SMMEs.

FIGURE 5.10 SMME SUPPORT PROGRAMMES INCLUDE CONSULTATION

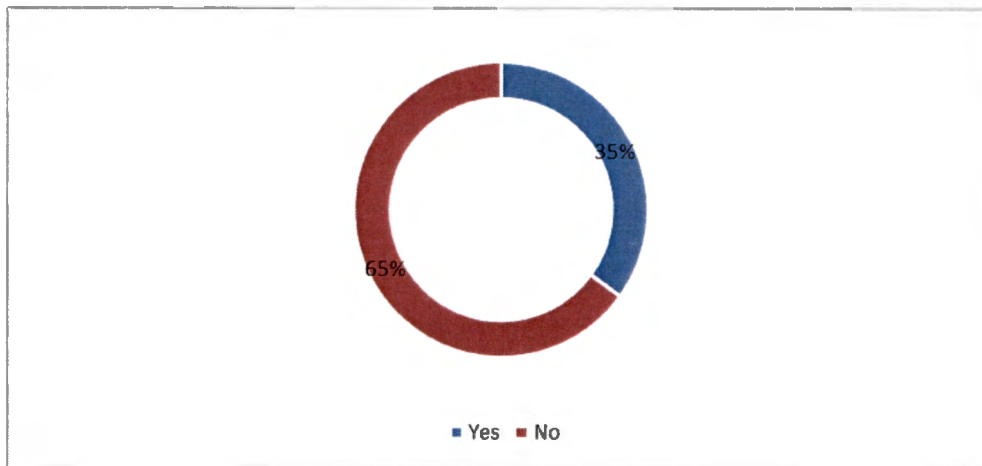
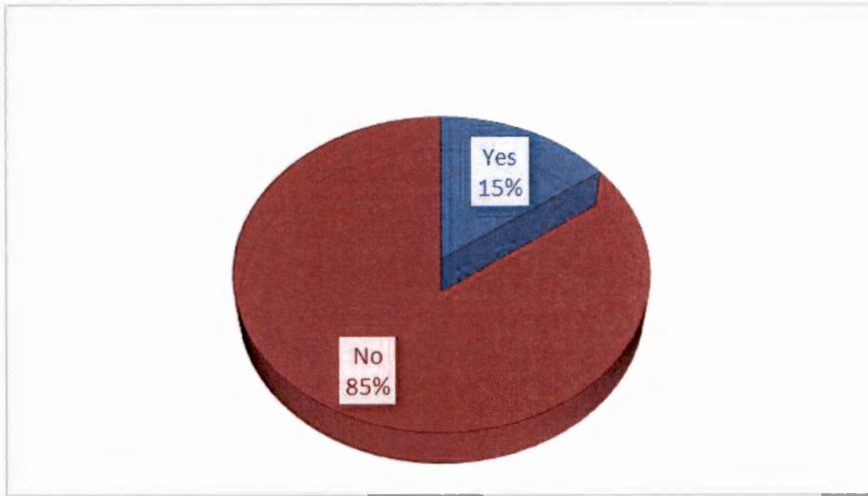


Figure 5.10 highlights that 65% of the SMMEs who participated in this study were not consulted by either the private or the public sector when support programmes are being developed. This result concurs with results provided by Mashombo (2014) who interrogated the factors that affect the delivery of business development services. The results of this study confirm also what Mahembe (2012) proposes that there is a need for synergy between SMMEs and all stakeholders involved in designing any form of developmental aid for small, micro and medium enterprises.

5.4.13 Do SMMEs input into the creation of support programmes

Within the scope of a study such as this one it is essential to determine if support programmes available to SMMEs are demand or supply driven. The results are obtained in Figure 5.11.

FIGURE 5.11 SMMES INPUT INTO THE CREATION OF SUPPORT PROGRAMMES



An alarming high percentage (85%) of the SMMEs indicated that they do not have any input into the development of any support programmes. This lack of input result and the consequences likely to follow confirm the conclusions indicated in the literature review that many scholars say most support programmes for small businesses are not demand driven (Mahembe, 2012; Collett et al., 2014; Kamange et al., 2014; Lampadarios, 2015; Albuquerque et al., 2016).

5.4.14 SMME plough back

No models in the literature notably indicate the plough back this dimension as potential contribution towards SMME success and was thus noted as one of the objectives of this study. In a bid to meet this objective, SMMEs were requested to indicate whether or not they do have any plans and strategy in place to share their success, experiences and knowledge with other SMMEs. The results are depicted in Table 5.6

More than three quarters of the SMMEs who participated in this study indicated that they do not have any strategies or means for ploughing back into the SMME sector. However, these disconcerting results are in line with of Mazzarol (2015) who indicated that most SMMEs do not even have a corporate strategy. When adding strongly disagree and disagree, it is very concerning that more than 80% of all the respondents disagreed regarding towards ploughing back into the SMME sector for the benefit of other SMMEs

TABLE 5.6 SMME PLOUGH BACK

STATEMENT	Strongly agree	Agree	Dis agree	Strongly disagreed
We assist new SMMEs during training organised by public sector	13%	6%	23 %	58%
We share experiences during SMME business seminars offered by public sector.	11%	7%	35%	47%
We share best practices during SMME workshops organised by the public sector.	6%	12%	34%	48%
We assist new SMMEs during training organised by the private sector.	3%	14%	33%	50%
We share experiences during SMME business seminars offered by private sector.	10%	8%	41%	41%
We share best practices during SMME workshops organised by the private sector.	12%	6%	35%	47%

The results for all sections of the questionnaire were presented and interpreted. The discussion on the cross tabulation of the demographic descriptors and business success follows.

5.5 Cross tabulation of demographic variables and SMME success

A cross tabulation is a joint frequency distribution of cases based on two or more categorical variables. For the purpose of this study, cross tabulations on demographic variables was useful for exploratory purposes that go beyond mere description. In addition, cross tabulation was done to examine patterns of co-variation among variables. Table 5.7 summaries the cross-tabulation of the business has been successful versus the size demographic descriptor used for the purpose of this study.

From the results it can be noted that the cumulative frequency of all the demographic descriptors computed to 338. The individual results of each demographic variable and SMME success are discussed in the subsequent sections. Table 5.7 summarises the results of the position in the business and business success. It was important to obtain an indication of how the manager and/or owners rated the success of their SMMEs.

TABLE 5.7 BUSINESS SUCCESS DESCRIPTORS

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Position in the Business	338	100.0%	0	0.0%	338	100.0%
Industry of operation	338	100.0%	0	0.0%	338	100.0%
Number of full time employees	338	100.0%	0	0.0%	338	100.0%
Period of operation in business	338	100.0%	0	0.0%	338	100.0%
Educational Level	338	100.0%	0	0.0%	338	100.0%
Location of business	338	100.0%	0	0.0%	338	100.0%

From the results in Table 5.8 it can be noted that owner/managers had the highest percentage (19.8%) of responses which strongly agreed on the profitability of the business, followed by the owners who had a percentage of 17.5%. In addition, it can also be highlighted that less than 2% of respondents strongly disagreed on the profitability of the business. The high percentage from the owner/mangers can be explained by the fact most SMMEs are managed by their owners. This is also consistent with studies such as that of Gumbo (2015), Sarakunze (2015) and Madya (2015) who also indicated that most SMMEs have owner/managers in the management composition of the businesses.

TABLE 5.8 CROSS TABULATION OF POSITION IN THE BUSINESS * BUSINESS SUCCESS

DESCRIPTORS			Business has been profitable				Total
			Strongly agree	Agree	Disagree	Strongly disagree	
Position in the Business	Manager	Count	31	46	4	2	83
		% of Total	9.2%	13.6%	1.2%	0.6%	24.6%
	Owner	Count	59	57	7	1	124
		% of Total	17.5%	16.9%	2.1%	0.3%	36.7%
	Owner/Manager	Count	67	53	6	5	131
		% of Total	19.8%	15.7%	1.8%	1.5%	38.8%
	Total	Count	157	156	17	8	338
		% of Total	46.4%	46.2%	5.0%	2.4%	100.0%

Another demographic factor that was considered as important was the number of employees which was categorised into four categories. This descriptor was also cross-tabulated with business success and the results are summarised in Table 5.9.

TABLE 5.9 CROSS TABULATION OF NUMBER OF FULL TIME EMPLOYEES * BUSINESS SUCCESS

Descriptors			Business has been profitable				Total
			Strongly agree	Agree	Disagree	Strongly disagree	
Number of full time employees	less than 10	Count	42	46	5	2	95
		% of Total	12.4%	13.6%	1.5%	0.6%	28.1%
	11 to 49	Count	115	110	12	6	243
		% of Total	34.0%	32.5%	3.6%	1.8%	71.9%
Total	Count	157	156	17	8	338	
	% of Total	46.4%	46.2%	5.0%	2.4%	100.0%	

The results in Table 5.9 indicate that the majority of SMMEs employing between 11 to 49 employees indicated that their businesses were successful. This may be due to the fact that these businesses have been successful and necessitated growth in employee numbers. Therefore, it can be said that 92% of SMMEs are successful with only less than 3% of SMMEs indicating that their businesses were not successful. When looking at the composition of employment it is noticeable that SMMEs were contributing towards employment creation even though there were no SMMEs whom were employing more than 50 employees.

Another demographic factor that was considered as important was the industry of operation. This descriptor was also across-tabulated with business success and the results are summarised in Table 5.10. The SMMEs who strongly agreed that their businesses were successful were those SMMEs who have been in operating on the retail and motor trade repair services followed by those operating in the construction industry.

TABLE 5.10 CROSS TABULATION INDUSTRY OF OPERATION * BUSINESS SUCCESS

Descriptors		Business has been profitable				Total	
		Strongly agree	Agree	Disagree	Strongly disagree		
Industry of operation	Agriculture	Count	11	7	0	2	20
		% of Total	3.3%	2.1%	0.0%	0.6%	5.9%
	Mining and quarrying	Count	3	2	0	0	5
		% of Total	0.9%	0.6%	0.0%	0.0%	1.5%
	Manufacturing	Count	9	4	2	0	15
		% of Total	2.7%	1.2%	0.6%	0.0%	4.4%
	Electricity, gas and water	Count	3	2	1	1	7
		% of Total	0.9%	0.6%	0.3%	0.3%	2.1%
	Construction	Count	29	34	2	2	67
		% of Total	8.6%	10.1%	0.6%	0.6%	19.8%
	Retail and motor trade repair services	Count	38	33	5	2	78
		% of Total	11.2%	9.8%	1.5%	0.6%	23.1%
	Wholesale trade, commercial agents and allied agents	Count	21	24	3	0	48
		% of Total	6.2%	7.1%	0.9%	0.0%	14.2%
	Catering, accommodation and other trade	Count	11	11	1	1	24
		% of Total	3.3%	3.3%	0.3%	0.3%	7.1%
	Transport, storage and communication	Count	20	25	2	0	47
		% of Total	5.9%	7.4%	0.6%	0.0%	13.9%
	Finance and business services	Count	9	11	1	0	21
		% of Total	2.7%	3.3%	0.3%	0.0%	6.2%
Others	Count	3	3	0	0	6	
	% of Total	0.9%	0.9%	0.0%	0.0%	1.8%	
Total	Count	157	156	17	8	338	
	% of Total	46.4%	46.2%	5.0%	2.4%	100.0%	

It was also important to do a cross-tabulation between the period of operation and business success. The results in Table 5.11 indicate that all the businesses in all categories of period of operation indicated that their businesses are successful. A very limited percentage of SMMEs indicated that their businesses were not successful.

TABLE 5.11 CROSS TABULATION OF PERIOD OF OPERATION IN BUSINESS * BUSINESS SUCCESS

Descriptors			Business has been profitable				Total
			Strongly agree	Agree	Disagree	Strongly disagree	
Period of operation in business	less than 1 year	Count	37	30	4	2	73
		% of Total	10.9%	8.9%	1.2%	0.6%	21.6%
	1 to 5	Count	61	68	5	3	137
		% of Total	18.0%	20.1%	1.5%	0.9%	40.5%
	5 to 10	Count	59	58	8	3	128
		% of Total	17.5%	17.2%	2.4%	0.9%	37.9%
	Total	Count	157	156	17	8	338
		% of Total	46.4%	46.2%	5.0%	2.4%	100.0%

The SMMEs who strongly agreed that their businesses were successful were those SMMEs who have been in operation for more than one year (18%). This was expected since the success of an SMME is easy to observe when a business has been in operation for a longer period of time.

Respondents level of education is another demographic descriptor that was cross-tabulated with business success. It is imperative to determine SMMEs' different educational backgrounds rate the success of their businesses. The results are summarised in Table 5.12

The results shown in Table 5.12 reflect the educational level of respondents in terms with the profitability of the business. SMMEs having high a school qualification are indicated as the highest percentage of SMMEs who have profitable business (42.3% which strongly agreed and agreed). This could be explained by the fact that most SMME owners do not have university degrees and/or qualifications. However, 20.4% of the SMME with university degrees reviewed their businesses as successful. This shows that there is a shift within the ownership and management of SMMEs where people with formal higher qualifications are involved in the management and ownership of SMMEs in South Africa.

TABLE 5.12 CROSS TABULATION OF EDUCATIONAL LEVEL * BUSINESS SUCCESS

Descriptors			Business has been profitable				Total
			Strongly agree	Agree	Disagree	Strongly disagree	
Educational Level	Never went to school	Count	28	26	3	0	57
		% of Total	8.3%	7.7%	0.9%	0.0%	16.9%
	Primary School	Count	25	22	3	1	51
		% of Total	7.4%	6.5%	0.9%	0.3%	15.1%
	High school	Count	65	78	9	5	157
		% of Total	19.2%	23.1%	2.7%	1.5%	46.4%
	College or university	Count	39	30	2	2	73
		% of Total	11.5%	8.9%	0.6%	0.6%	21.6%
Total	Count	157	156	17	8	338	
	% of Total	46.4%	46.2%	5.0%	2.4%	100.0%	

The location of a business is also a very important demographic descriptor to consider for cross-tabulation purposes.

TABLE 5.13 CROSS TABULATION OF LOCATION OF BUSINESS * BUSINESS SUCCESS

Descriptors			Business has been profitable				Total
			Strongly agree	Agree	Disagree	Strongly disagree	
Location of business	Rural	Count	53	56	6	3	118
		% of Total	15.7%	16.6%	1.8%	0.9%	34.9%
	Semi Urban	Count	39	33	6	1	79
		% of Total	11.5%	9.8%	1.8%	0.3%	23.4%
	Urban	Count	65	67	5	4	141
		% of Total	19.2%	19.8%	1.5%	1.2%	41.7%
Total	Count	157	156	17	8	338	
	% of Total	46.4%	46.2%	5.0%	2.4%	100.0%	

Table 5.13 indicates that urban SMMEs recorded the highest percentage of SMMEs who strongly agreed with the profitability of their SMMEs. However, SMMEs in all business locations agreed that their businesses were successful. However, only a few SMMEs (7.48%) from all locations indicated that their businesses are not profitable.

The following section takes a closer look at the Pearson Chi-Square test of independency to determine if any demographic descriptors were independent.

5.6 Pearson Chi-Square Test

The Chi-Square statistic is commonly used for testing relationships between categorical variables. The null hypothesis of the Chi-Square test is that no relationship exists on the categorical variables in the population; they are independent. For the purpose of this study, the Chi-square test was used to test the probability of independence of the distribution of demographic data.

- If $p \leq 0.05$ then there is statistically significant relationship.
- If $p > 0.05$ then there is no statistically significant relationship.

If the test indicated a statistically significant relationship it means that there is some association and only test two variables can be tested at any point in a one time. If the Chi-Square statistic value lies to the left of the $p = 0.05$ column, then the results are not significant ($p > 0.05$) and the null hypothesis cannot be rejected. Therefore, the conclusion is that the variables are independent. The following tables summarise the Chi-Square results for each one of the demographic descriptors in terms of business success.

TABLE 5.14 CHI-SQUARE TESTS FOR POSITION IN BUSINESS * BUSINESS SUCCESS

STATISTIC	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.195 ^a	6	.303
Likelihood Ratio	7.484	6	.278
Linear-by-Linear Association	1.094	1	.296
N of Valid Cases	338		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is 1.96.

Table 5.14 presents the Chi-Square results of position in business against the different categories of business success. The p-value of 0.303 this is > 0.05 and this specifies that the null hypotheses cannot be rejected. There are statically insignificant associations between the two variables and this shows that these variables are independent of each other.

5.15 CHI-SQUARE TESTS FOR INDUSTRY OF OPERATION * BUSINESS SUCCESS

STARISTIC	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.187 ^a	30	.763
Likelihood Ratio	23.805	30	.781
Linear-by-Linear Association	.034	1	.853
N of Valid Cases	338		

a. 28 cells (63.6%) have expected count less than 5. The minimum expected count is .12.

The results from Table 5.15 indicate the results of the association of business success against the industries in which the SMMEs operate. The p-value of 0.763 this is > 0.05 and this specifies that the null hypothesis cannot be rejected. There are no statistic significant associations between the two variables and these variables are independent.

TABLE 5.16 CHI-SQUARE TESTS NUMBER OF FULL TIME EMPLOYEES * BUSINESS SUCCESS

STATISTIC	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.342 ^a	3	.952
Likelihood Ratio	.343	3	.952
Linear-by-Linear Association	.105	1	.745
N of Valid Cases	338		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 2.25.

Business success was tested against all the categories of number of employees and the results in Table 5.16 indicate a p-value of 0.952 this is > 0.05 and means that the null hypothesis cannot be rejected because there is no relationship between the number of all full time employees and business success as the test result indicates that the variables are independent.

TABLE 5.17 CHI-SQUARE TESTS FOR PERIOD OF OPERATION IN BUSINESS * BUSINESS SUCCESS

STATISTICS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.167 ^a	6	.904
Likelihood Ratio	2.193	6	.901
Linear-by-Linear Association	.191	1	.662
N of Valid Cases	338		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is 1.73.

Table 5.17 reflects that the p-value is 0.904 and this is > 0.05 , meaning that the null hypothesis cannot be rejected because there is no significant relationship that exists between the period of operation and business success as the results indicate that variables are independent.

TABLE 5.18 CHI-SQUARE TESTS FOR EDUCATIONAL LEVEL * BUSINESS SUCCESS

STATISTICS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.585 ^a	9	.781
Likelihood Ratio	7.034	9	.634
Linear-by-Linear Association	.068	1	.795
N of Valid Cases	338		

a. 7 cells (43.8%) have expected count less than 5. The minimum expected count is 1.21.

Table 5.18 reflects that the p-value is 0.781 and this is > 0.05 meaning that the null hypothesis cannot be rejected because there is no significant relationship that exists between educational level and business success as the results indicate that variables are independent

TABLE 5.19 CHI-SQUARE TESTS OF LOCATION OF BUSINESS * BUSINESS SUCCESS

STATISTICS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.840 ^a	6	.829
Likelihood Ratio	2.853	6	.827
Linear-by-Linear Association	.054	1	.817
N of Valid Cases	338		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is 1.87.

Table 5.19 reflects that the p-value is 0.829 and this is > 0.05 meaning that the null hypothesis cannot be rejected because there is no significant relationship that exists between the location of business and business success as the results indicate that variables are independent.

What is evident from all the Chi-Square tests is that there are no statistical significant relationships between any of the demographic descriptors used for the purpose of this study and SMME perception of their business success. The subsequent section presents the hypothesis testing.

5.7 Hypothesis testing

In order to answer the research questions and objectives of this study it was imperative to formulate research hypothesis due to the nature of the study. The subsequent section deals with the testing of the research hypothesis and the results of each hypothesis are presented below.

(1) Hypothesis one: testing for private sector financial support.

H_{01a}: There is no significant relationship between financial support given by the private sector and SMME success.

H_{1a}: There is a significant relationship between financial support given by the private sector and SMME success.

In order to test this hypothesis, correlation and multiple regression analysis were done and the results obtained are indicated in Table 5.20 and Table 5.21.

TABLE 5.20: CORRELATIONS: HYPOTHESES 1_{0a}

Model	Unstandardized Coefficients		t	Correlation with SMME success	95.0% Confidence Interval for B	
	B	Std. Error			Lower Bound	Upper Bound
	(Constant)	2.249***			.407	5.521
Raw material grants	-1.347*	.573	-.607	.658*	-1.474	.779
Infrastructure grants	2.093	.576	.161	-.578	-1.041	1.227
Start-up grant	1.093*	.546	.161	.711*	-1.041	1.227
Technology grant	-2.180*	.781	-2.208	-.846	-.340	-.020
Marketing support grant	1.024*	.481	.293	.646**	-.184	.136

* p < .05 ** p < .01 ***p<.001

The results of the correlation analyses conducted to establish if there is a significant relationship between the predictors of financial support given by the private sector and SMME success indicated in Table 5.20 suggest that SMME success is significantly positively correlated with raw materials grants (p: 0.658), start-up grants (p: 0.711) and marketing support grant (p: 0.646) as predictors of financial support given by the private sector. This indicates that these forms of financial support contribute largely to the success of SMMEs. Infrastructure grants (p:-0.58) and technology grants (p:-0.846) are non-significantly negatively correlated, indicating that these forms of support do not contribute largely to SMME success.

TABLE 5.21: MULTIPLE REGRESSION HYPOTHESIS (H_{01a})

Model	Sum of Squares	df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
1 Regression	3.676	5	.735	1.556	.012	.651 ^a	.423	.687
Residual	156.833	332	.472					
Total	160.509	337						

The results from the multiple regression model (Table 5.21) with the five predictors (two predictors: provision of secured funding and provision of non-secured funding were removed due to collinearity produced $R^2 = .423$, $F_{dist} = 1.556$, $p = .012$ (which is < 0.05). The value of R-squared indicates that 42.3% variation of SMME success that can be explained by the financial support predictors. However, the results from the coefficients from the multiple regression model indicate that a unit increase in SMME success corresponds to a -1.35 significant decrease in raw material financial support grants; 1.09 significantly increase in start-up grants; -2.18 significantly decrease in the technology grants and -1.02 significantly increase in marketing support grant weight. Therefore, the null hypothesis could not be accepted since p value = 0.012 which is < 0.05 and it is thus decided that there is a significant relationship between financial support given by the private sector and SMME success as used in this model. These results are consistent with studies of Chimucheka (2012), Fatoki (2012), Mahembe (2012), Moorth et al. (2012; 227), Machirori (2012), Kamange et al. (2014), Sehat and Fooman, 2014 and Fooman (2014), Mohammed et al (2014) and Mqaba 2015 who also concluded that there is a significant relationship between financial support and business success, although none of these researchers distinguished between the public and private sector support, a facet that is privileged in this current study.

(2) Hypothesis One: testing for public sector financial support

H_{01a} There is no significant relationship between financial support given by the public sector and SMME success.

H_{1a} There is a significant relationship between financial support given by the public sector and SMME success.

The statistical tests that were used to test the hypothesis were correlation and multiple regression analysis, and the results obtained are indicated in Table 5.22 and Table 5.23.

TABLE 5.22: CORRELATIONS: HYPOTHESES 1_{0b}

Model	Unstandardized Coefficients		t	Correlation with SMME success	95.0% Confidence Interval for B	
	B	Std. Error			Lower Bound	Upper Bound
(Constant)	2.242***	.416	5.394		1.424	3.059
Raw material grants	-.167*	.077	-2.166	-.546*	-.318	-.015
Infrastructure grants	-.021	.130	-.163	-.641*	-.278	.235
Start-up grant	-.184	.190	-.968	.766*	-.558	.190
Technology grant	-.105	.076	-1.381	-.546	-.255	.045
Marketing support grant	.120	.131	.914	-.646*	-.138	.378

* $p < .05$ ** $p < .01$ *** $p < .001$

The results from the correlation analyses are summarised in Table 5.22 which shows the relationship between the predictors of financial support given by the public sector and SMME success. The results suggest that SMME success is positively significantly correlated with only start-up grants (.766) as a predictor of financial support given by the public sector, indicating that start-up as a financial support contributes largely to the success of SMMEs. Raw materials grant (-.546), Infrastructure grants (-.641) and marketing support grants (-.646) are significantly negatively correlated, and technology grants (-.546) is negatively correlated but not significant, indicating that it does not apparently contribute to the SMME success. Table 5.23 summarises the results of the multiple regression analysis.

The results from the multiple regression model (Table 5.23) with the five predictors (two predictors: provision of secured funding and provision of non-secured funding were removed due to collinearity) produced $R^2 = .231$, $F_{dist} = 2.260$, $p = 0.048$ (which is < 0.05). The value of R-squared indicates that 23.1% variation of SMME success and this can be explained by the financial support predictors.

TABLE 5.23: MULTIPLE REGRESSION MODEL: HYPOTHESIS (H_{01b})

Model	Sum of Squares	df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
1 Regression	5.284	5	1.057	2.260	.048	.481	.231	.684
Residual	155.225	332	.468					
Total	160.509	337						

However, the results from the coefficients from the multiple regression model indicate that a unit increase in SMME success corresponds to a -0.167 significant decrease in raw material financial support grants; -0.021 significant decrease in infrastructure grants; -0.184 decrease in start-up grants and -0.105 decrease in technology grants, and 0.120 increase in marketing support grants weight.

Therefore, the null hypothesis is not accepted since $p = 0.048$, which is < 0.05 and it is concluded that there is a significant relationship between financial support given by the public sector and SMME success as used in this model. These results are consistent with studies of Chimucheka (2012), Fatoki (2012), Mahembe (2012), Moorth et al. (2012; 227), Machirori (2012), Kamange et al. (2014), Sehhat and Fooman, 2014 and Fooman (2014), Mohammed et al. (2014) and Mqaba 2015 who also concluded that there is a significant relationship between financial support and business success, although they do not focus on both the private and public sector.



(3) Hypothesis 2a and 2b: testing for public sector non-financial support

The following hypotheses were tested in line with the non-financial support and SMME success.

H_{02a} There is no significant relationship between non-financial support given by the public sector and SMME success.

H_{2a} There is a significant relationship between non-financial support given by the public sector and SMME success.

H_{02b} There is no significant relationship between non-financial support given by the private sector and SMME success.

H_{2b} There is a significant relationship between non-financial support given by the private sector and SMME success.

To test these hypotheses, correlation and multiple regression analysis were done and the results obtained are indicated in Table 5.24 and Table 5.25.

TABLE 5.24: SUMMARY STATISTICS OF CORRELATIONS RESULTS: HYPOTHESIS 2a AND 2b (H_{02a} and H_{02b})

Model	Private sector				Public sector			
	Unstandardized Coefficients		t	Correlation with SMME success	Unstandardized Coefficients		t	Correlation with SMME success
	B	Std. Error			B	Std. Error		
(Constant)	1.979***	.341	5.799		2.136***	.287	7.447	
Generic business start-up advice and support	-.056	.114	-.488	-.560	-.212*	.088	-2.407	-.128*
Consultancy and advice on business plans	-.041	.077	-.537	-.412	.007	.092	.081	-.540
Marketing information	-.162	.107	-1.510	-.694*	-.020	.091	-.222	-.508
Advice on raising finance	.043	.098	.445	-.529	-.137	.109	-1.251	-.464
Advice on accessing new markets	.128	.079	1.611	.105*	.279*	.104	2.693	.664
General business planning	.267	.105	2.536*	.353	-.032	.097	-.330	-.632
Resource allocation	.027	.102	.262	-.453	-.058	.106	-.547	-.566
Managerial control and leadership	.025	.123	.204	-.346	-.021	.098	-.210	-.559
Human resource management	-.157	.084	-1.862	-.150*	.100	.118	.846	-.512
Financial management	-.088	.090	-.975	-.581	.053	.104	.506	.411
Operation management	.027	.108	.249	-.435	.013	.100	.133	-.322
Marketing management	-.044	.105	-.418	-.657	-.069	.109	-.633	-.608
Entrepreneurship training	-.110	.112	-.985	-.487	.011	.087	.123	-.724

Business planning writing course	.169	.111	1.526	.220	-.076	.102	-.746	-.774
Resource allocation training	-.035	.085	-.411	-.454	.010	.093	.109	-.623
Managerial control training	-.091	.102	-.894	-.582	-.004	.098	-.042	-.642
Leadership training	-.051	.105	-.485	-.562	-.072	.102	-.702	-.511*
Self-management training	.062	.085	.723	-.411	.038	.093	.416	.505
Financial planning training	-.014	.031	-.461	-.628	.043	.097	.442	-.457
Business ethics	.020	.033	.608	.617	-.170	.096	-1.782	-.145*
Business networking	-.157	.085	-1.853	-.489	-.140	.107	-1.301	-.128*
Product development training	.106	.087	1.220	.613	-.085	.101	-.841	-.111*
Start-up coaching	-.065	.082	-.801	-.762	.139	.094	1.482	.411
Business incubation	.008	.108	.074	-.633	-.037	.111	-.336	-.333
Business expansion mentoring	-.048	.087	-.547	-.833	.084	.091	.922	-.233

* p < .05 ** p < .01 ***p<.001

The results of the correlation analyses conducted to establish if there is a significant relationship between the predictors of non-financial support given by the private sector and public sector and SMME success are set out in Table 5.24. From the private sector the results indicate that SMME success is negatively significantly correlated with marketing information ($p = -0.694$), advice in accessing new markets ($p = -0.105$) and human resource management ($p = -0.150$) as predictors of non-financial support given by the private sector.

This indicates that these forms of non-financial support do not contribute largely to the success of SMMEs. According to these results, finance was ranked as the most important need and this is followed by accounting, then business plan writing, and the fourth need was identified as that of business management. These results affirm the Resource Based Theory and the studies of Chimucheka (2011), Sarakunze (2015) and Madya (2015) who also found that finance is viewed by SMMEs as one of the most important needs in business development and support.

From the public sector, the results indicate that SMME success is negatively significantly correlated with generic business start-up advice and support ($p = -0.128$), leadership training ($p = -0.511$), business ethics ($p = -0.145$) business networking ($p = -0.128$) and product development ($p = -0.111$) as predictors of non-financial support given by the public sector. This indicates that these forms of non-financial support do not contribute significantly to the success of SMMEs.

TABLE 5.25: SUMMARY STATISTICS OF THE MULTIPLE REGRESSION MODEL (H02a & H02b)

Model		Sum of Squares	df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
Private sector	Regression	14.442	25	.578	1.234	.207	.401	.161	.684
	Residual	146.067	312	.468					
	Total	160.509	337						
Public sector	Regression	14.342	25	.574	1.225	.215	.299 ^a	.089	.684
	Residual	146.167	312	.468					
	Total	160.509	337						

The results from the multiple regression model (Table 5.25) produced $R^2 = .16$, $F_{dist} = 1.234$, $p = 0.207$ (which is > 0.05) for the private sector and $R^2 = .089$, $F_{dist} = 1.225$, $p < .215$ for the public sector. The value of R-squared indicates that 16% and 8.9% variation of SMME success can be explained by the non-financial support predictors for private and public sectors respectively. However, the null hypothesis cannot be rejected since $p = 0.207$ which is > 0.05 for private and $p = 0.215$ which is > 0.05 for public sector, showing that there is no significant relationship between non-financial support given by the private and public sectors and SMME success as used in this model. These results differ and are not consistent with the studies of Chimucheka (2012), Fatoki (2012), Mahembe (2012), Moorth et al. (2012;227), Machirori (2012), Kamange et al. (2014), Sehhat and Fooman, 2014 and Fooman (2014), Mohammed et al. (2014) and Mqaba 2015 who concluded that there is a significant relationship between non-financial support and business success. Even though these results are not consistent with previous studies, it is important to highlight that one of the reasons why there was no significant relationship may be attributed to the fact that the non-financial support SMMEs receive does not necessarily match the needs and expectations of the SMMEs. It is this important note that matters - even though non-financial support is being provided, if it is not the right support then it will not yield the intended result.

(4) Hypothesis 3a and 3b: testing for public sector business intervention

H_{03a}: There is no concurrence in business interventions delivered by the public sector and SMME needs.

H_{3a}: There is concurrence in business interventions delivered by the public sector and SMME needs.

H_{03b}: There is no concurrence in business interventions delivered by the private sector and SMME needs.

H_{3b}: There is concurrence in business interventions delivered by the private sector institutions and SMME needs.

The statistical tests that were used to test these hypotheses were correlation and regression analysis and the results are summarised in Table 5.26 and Table 5.27.

The results of the correlation analyses conducted to establish if there is a significant relationship between the predictors of business intervention delivered by the private and public sector institutions and SMME needs are set out in Table 5.26. From the private sector, the results indicate that SMME access to different business training ($p = 0.236$) and managerial skills due to support (0.100) are positively significantly correlated with SMME needs. The results further indicate that SMME needs are significantly negatively correlated to SMME satisfaction with financial support ($p = -0.095$), and receiving training in all functional areas ($p = -0.014$). This indicates that these forms of business intervention do not meet the very specific needs of SMMEs.

TABLE 5.26: CORRELATION: HYPOTHESIS (H_{03a} and H_{03b})

Model	Private sector				Public sector			
	Unstandardized Coefficients		t	Correlation	Unstandardized Coefficients		t	Correlation
	B	Std. Error			B	Std. Error		
(Constant)	2.408***	.461	5.224		2.021**	.582	3.472	
Satisfied with financial access	.191*	.069	2.774	.156**	-.157	.087	-1.806	-.095*
Have access to different business training offered	-.230***	.053	-4.363	-.314***	.263***	.067	3.943	.236***
Have access to business information	-.085	.063	-1.337	-.237***	-.125	.080	-1.566	.063
Have managerial skills due to assistance	.010	.062	.153	-.184***	.053	.079	.671	.100*
Have access to technologies	-.081	.068	-1.186	-.182***	.119	.086	1.386	.136**
Have received training on selected functional areas	.162	.103	1.571	.041	.036	.130	.276	.043
Have received training in all functional areas	.151	.103	1.460	.095*	-.012	.130	-.092	-.014

* $p < .05$ ** $p < .01$ *** $p < .001$

From the public sector, the results indicate that SMME needs are positively significantly correlated to satisfaction with financial support ($p = 0.156$), access to different business forms of training ($p = 0.314$) and receiving training on all functional areas ($p = 0.095$) as predictors of business intervention given by the public sector. This indicates that these forms of intervention contribute largely to the needs of SMMEs. The results further indicate that SMME needs are significantly negatively correlated with access to business information ($p = -0.237$) and managerial skills due to support ($p = -0.184$). This indicates that these forms of business intervention do not meet the needs of SMMEs.

The results from the multiple regression model (Table 5.27) produced $R^2 = .148$, $F_{dist} = 8.177$, $p = .000$ (which is < 0.005) for private sector and $R^2 = .076$, $F_{dist} = 3.857$, $p = .000$ (which is < 0.005) for the public sector. The value of the R-squared indicate that there is a 14.8% and a 7.6% variation of SMME needs that could be explained by the concurrence in business interventions delivered by predictors for private and public sectors institutions respectively. However, the null hypothesis is rejected since $p = 0.000$ which is < 0.05 for the private and $p = 0.000$ which is < 0.05 for the public sector and it is thus concluded that there is concurrence in business interventions delivered by the private and the public sectors and SMME needs as used in this model. These results are consistent with that of Dalberg (2011) and Mashombo (2014).

TABLE 5.27: SUMMARY STATISTICS OF THE MULTIPLE REGRESSION MODEL

Model		Sum of Squares	Df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
1	Private sector								
	Regression	51.645	7	7.378	8.177	.000 ^b	.384 ^a	.148	.950
	Residual	297.731	330	.902					
	Total	349.376	337						
2	Public sector								
	Regression	38.843	7	5.549	3.857	.000 ^b	.275 ^a	.076	1.199
	Residual	474.722	330	1.439					
	Total	513.565	337						

(5) Hypothesis 4a: testing for Functionality score of intervention (H_{04a})

H_{04a}: There is no statistically significant relationship between the functionality score of intervention and SMME performance.

H_{4a}: There is a statistically significant relationship between the functionality score of intervention and SMME performance.

In order to test the hypothesis, correlation and regression analysis were done and the results are summarised in Table 5.28 and Table 5.29.

TABLE 5.28: SUMMARY STATISTICS CORRELATIONS RESULTS H_{04a}

Model	Unstandardized Coefficients		t	Correlation
	B	Std. Error		
1 (Constant)	2.392	.237	10.084***	
1 Received training in all management functional areas	-.131	.133	-.984	-.054

* p < .05 ** p < .01 *** p < .001

The results of the correlation analyses conducted to establish if there is a significant relationship between the functionality score of SMME intervention of the private and public sectors and SMME performance. These results indicate that the functionality score of SMME intervention is negatively insignificantly correlated (p: -0.054) with SMME performance. This shows that the functionality score of SMME intervention does not affect SMME performance.

TABLE 5.29: MULTIPLE REGRESSION MODEL HYPOTHESIS 4_{0A}

Model		Sum of Squares	df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
1	Regression	1.145	1	1.145	.968	.326 ^b	.054 ^a	.003	1.088
	Residual	397.577	336	1.183					
	Total	398.722	337						

The results from the multiple regression model (Table 5.29) produced $R^2 = .054$, $F_{dist} = 0.968$, $p = .326$ (which is > 0.05) for functionality score interventions. The value of R-squared indicates that there is a 5.4% variation of SMME performances that can be explained by the functionality score of intervention. However, the null hypothesis cannot be rejected since $p = 0.326$ which is > 0.05 functionality score of intervention and decide that there is no statistically significant relationship between the functionality score of intervention and SMME performance as used in this model. This is in line with the results of Collett et al. (2014), Kamange et al. (2014), Lampadarios (2015) and Albuquerque et al. (2016) who indicated that support provided to SMMEs does not cover all functional areas of business. This is also in concurrence with the results of the hypothesis in all functional areas as discussed earlier.

(6) Hypothesis 4b: testing for Functionality scores of SMME intervention (H_{04b})

H_{04b}: Functionality score of SMME intervention is not the same for public and private sector institutions.

H_{4b}: Functionality score of SMME intervention is the same for public and private sector institutions.

In order to test the hypothesis, correlation and regression analysis was done and the results are summarised in Table 5.30 and Table 5.31.

TABLE 5.30: CORRELATIONS RESULTS: HYPOTHEIS (H_{04b})

Model	Unstandardized Coefficients		t	Correlation	
	B	Std. Error			
1	(Constant)	2.028***	.067	30.298	
		-.047	.036	-1.327	-.072

* p < .05 ** p < .01 *** p < .001

The results of the correlation analyses conducted to establish if there is a significant relationship between the functionality score of SMME intervention of the private and public sectors. Table 5.30 indicate that the functionality score of SMME intervention is negatively significantly correlated (p = -0.72) with public and private sectors. This shows that the functionality score of SMME intervention is not the same for the public and private sectors.

TABLE 5.31: MULTIPLE REGRESSION MODEL: HYPOTHEIS (H_{40b})

Model		Sum of Squares	df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
1	Regression	.098	1	.098	1.760	.186 ^b	.872 ^a	.405	.236
	Residual	18.719	336	.056					
	Total	18.817	337						

The results from the multiple regression model (Table 5.31) produced R² = .405, F_{dist} = 1.760, p = 0.186 (which is > 0.050 for functionality score interventions. The value of R-squared indicates that there is a 40.8% variation for both the public and the private sectors that can be explained by the functionality score of SMME intervention. However, the null hypothesis is not rejected since p= 0.186 is >0.05 and it is thus concluded that the functionality score of SMME intervention is not the same for the public and the private sectors as used in this model. However, these results are consistent with studies done by Buhler (2010), Bae et al. (2014) and Bosire and Nzaramba (2014).

(7) Hypothesis 5a and 5b: testing for monitoring and evaluation (H_{05a} and H_{05b})

H_{05a}: There is no monitoring and evaluation of business success after intervention and support by the public sector.

H_{5a}: There is monitoring and evaluation of business success after intervention and support by the public sector.

H_{05b}: There is no monitoring and evaluation of business success after intervention and support by the private sector.

H_{5b}: There is monitoring and evaluation of business success after intervention and support by the private sector.

The statistical tests for testing these hypotheses are depicted in Table 5.32 and Table 5.33.

TABLE 5.32: CORRELATION: HYPOTHESIS (H_{05a} and H_{05b})

Model	Private sector			
	Unstandardized Coefficients		T	Correlation
	B	Std. Error		
(Constant)	1.717***	.085	20.280	
Private sector institutions have adequate monitoring and evaluation after training	-.039	.063	-.623	-.061
Public sector institutions have adequate monitoring and evaluation after training	.001	.064	.010	-.051

* p < .05 ** p < .01 ***p<.001

The results of the correlation analyses were used to determine if monitoring and evaluation of business success is done after business intervention and support from the private and public sectors. The results indicate SMME success is negatively insignificantly correlated with monitoring and evaluation with the private sector (p = -0.061) and the public sector (p = -0.051).

TABLE 5.33: MULTIPLE REGRESSION MODEL: HYPOTHEIS (H_{05a} and H_{05b})

Model	Sum of Squares	Df	Mean Square	F	Sig.	R	R Square	Std. Error of the Estimate
Private sector								
1								
Regression	.599	2	.300	.628	.535 ^b	.961 ^a	.504	.691
Residual	159.910	335	.477					
Total	160.509	337						

The results from the multiple regression model (Table 5.33) produced R² = .504, F_{dist} = 0.628, p = .535 (which is > 0.05) for monitoring and evaluation of business intervention. The value of R-

squared indicates that there is a 50.4% variation for support by the private and public sectors that do have an effect on SMME success which can be explained by the monitoring and evaluation of business intervention. However, the null hypothesis is not rejected since $p = 0.535$ which is >0.05 and it is therefore concluded that monitoring and evaluation of business success after intervention and support by the private and public sector is not done. This result is consistent with studies done by Smit and Watkins (2012) and Mazzarol (2015) who also found out that SMME performance is not monitored and evaluated after SMME receive support. A summary of the results of the hypothesis testing are presented in Table 5.34.

TABLE 5.34 SUMMARY OF RESULTS

Hypothesis	Decision
H _{01a} There is no significant relationship between financial support given by the public sector and SMME success.	Reject
H _{01b} There is no significant relationship between financial support given by the private sector and SMME success.	Reject
H _{02a} There is no significant relationship between non-financial support given by the public sector and SMME success.	Do not reject
H _{02b} There is no significant relationship between non-financial support given by the private sector and SMME success.	Do not reject
H _{03a} : There is no concurrence in business interventions delivered by the public sector and SMMEs needs.	Reject
H _{03b} : There is no concurrence in business interventions delivered by the private sector and SMMEs needs.	Reject
H _{04a} : There is no statistically significant relationship between the functionality score of intervention and SMME performance.	Do not reject
H _{04b} : Functionality score of SMME intervention is not the same for public and private sector institutions.	Do not reject
H _{05a} : There is no monitoring and evaluation of business success after intervention by the public sector.	Do not reject
H _{05b} : H _{05a} : There is no monitoring and evaluation of business success after intervention by the private sector.	Do not reject
H ₀₆ : SMMEs who received support from the public sector do not plough back the same as those supported by the private sector.	Do not reject

5.8 Qualitative data analysis

This study also obtained qualitative data from respondents by means of the research instrument and this was done to obtain narrative and descriptive information that was not captured as part of the quantitative data. For the purpose of this study, only two questions in the research instrument were open ended and the results were analysed through grouping responses into different themes and the results are summarised in Table 5.35 and Table 5.36.

TABLE 5.35 HOW PUBLIC AND PRIVATE SECTORS CAN IMPROVE SUPPORT

PERCENTAGE	SUGGESTION
85	Be more interactive with SMMEs
80	Provision of affordable finance
73	Be more affordable
72	Be more visible
68	More training sessions
57	Giving attention to more specialised training such as planning, financial control
38	Increasing support services packages

The results indicate that many of the SMMEs suggested that both the public and private sectors should interact more with SMMEs. Furthermore, SMMEs indicated that the public and private sectors ought to be more visible and provide affordable finance, as well as providing more attention to specialised and demand driven training. These suggestions are in line with some of the major issues raised in the literature review on the delivery of support to SMMEs. Table 5.36 provides suggestions that SMMEs made concerning improving their operational businesses.

TABLE 5.36 SUGGESTIONS FOR IMPROVING SMME SUCCESS

PERCENTAGE	SUGGESTION
90	Improving access to finance
82	Access to markets
78	Understand of small businesses needs by private and public sector
73	Help to grow the business
67	Improving networking
88	Provision of business specific support

The results as summarised in Table 5.36 indicate the main areas that SMMEs mentioned that would improve their success and the mostly mentioned suggestions were access to markets, improving access to finance, as well as understanding the needs of SMMEs and helping SMMEs to grow the least suggestions were improving networking. These suggestions are also in line with the

discussions of many scholars in the area of SMME support and development and it is also in concurrence with the overall findings of this study.

5.9 Summary

This chapter presented the results and the data analysis of this study. The chapter firstly discussed the demographic information of the sample as well as the significant questions in the research instruments. The chapter further discussed and interpreted multiple regression and hypothesis testing of the study. Decisions on whether to reject or not to reject hypotheses were made and conclusions were drawn based on statistical results. The findings of this study were also discussed in line with other previous studies. The main findings of this study were that there is a significant relation between SMME success and financial support for both the public and private sectors. In addition, non-financial support for both the public and private sectors does not have a significant relationship with SMME success in this study. The results also showed that monitoring and evaluation of SMME performance was not done after they have received support from both the public and private sectors. Furthermore, the findings showed that both the private and public sector do not meet the needs of SMMEs which shows a gap between the demand and supply side. The results also showed that SMMEs do not receive support in all functional areas of businesses. The following chapter provides an overview of the study, conclusions and recommendations of this study.

CHAPTER 6 RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

Given the alarming percentage of unsuccessful SMMEs it was meaningful to investigate the causes of poor performance and failure faced by SMMEs. According to Gray et al. (2012:573), the failure of SMMEs is a vitally important area for research and they rightly state that no policy can be formulated for SMMEs without a central understanding of the business malfunctioning significance. This comprises the identification of major problems that are assumed to discourage and hurdle SMME performance. Numerous research studies have been done on the success and growth factors of SMMEs, however the success rate of SMMEs is still low.

Therefore, it is important to find ways of reducing the failure rate of SMMEs. Hence this study looked at the relevance of support provided by both the private and public sector in developing SMMEs. Although the effect of business support intervention has been investigated in the past, relying on these results, given the complexities of both the private and public sectors, is not sufficient since changes in the business landscape occur over time.

Furthermore, the need to create successful small businesses calls for new methods of evaluating the impact and relevance of both the public and private sector business support interventions on the success of SMMEs. Therefore, it is inaccurate to assume the relevance, applicability and validity of public and private sector support in an SMME context without continuously retesting the business intervention models over time and across different provinces in the country. Against this background, the main objective of this study was to develop a support framework for SMME success in the Eastern Cape Province, South Africa.

The previous chapter presented the analysis and interpretation of the research results and this chapter presents a synopsis of what was achieved in line with the objectives of this study with specific focus on a summary of the key finds of this study. The contribution of this study towards the body of knowledge and the main limitations of this study, recommendations to different stakeholders as well as the conclusion of this chapter are addressed.

6.2 Synopsis of this study

The main purpose of this study was to discover new ways of reducing the failure rate of SMMEs in the Eastern Cape province of South Africa by looking at SMME support from both the private and public sectors. This study aimed to develop an SMME support framework that could be used to increase the success rate of SMMEs. The study furthermore looked at the relevancy of both financial and non-financial support on the success of an SMME. Another important objective of this

study was to determine if monitoring and evaluation of SMME performance take place after they have received support from both the private and public sectors, as well as determining if SMMEs plough back into the SMME sector.

Chapter one provided the introduction and background to this study. Objectives and the hypotheses of the study were also dealt with in this chapter. Furthermore, this chapter noted that although there was noticeable growth in the number of successful entrepreneurs witnessed over the last two decades in South Africa, the majority of SMMEs in South Africa fail within the first three years of being in business.

It was further indicated that the factors that reduce the failure rate of SMMEs had not been investigated and addressed adequately. It is against this background that it was proposed that a new support framework for SMME success that provides important insights about not only what reduces failure of SMMEs but also privileges an understanding of how these insights could be applied to the South African context so as to improve the success and survival rate of South African SMMEs.

Chapter two provided a discussion of the theories underpinning this study. Theories of business management and business success were discussed in greater length in this chapter. It is important to note that the theoretical model adopted for this study was also presented in Chapter 2, see Figure 6.1 for the sake of easy reference.

Chapter three offered an overview of the SMME sector in South Africa. SMMEs are defined according to the National Small Business Act 102 of 1996. This chapter discussed the contribution of SMMEs and the sectors in which SMMEs operate. Furthermore, Chapter Three pointed out that SMMEs are important for any economy, particularly in South Africa, for they aid in reducing the high unemployment rate, poverty and inequality through entrepreneurship. Public and private sector support structures for SMMEs were also discussed in detail in this chapter. The chapter further interrogated different SMME support strategies in both developed and developing structures and highlighted some of the best practices. The effect of SMME support on the success of a business was also discussed in detail.

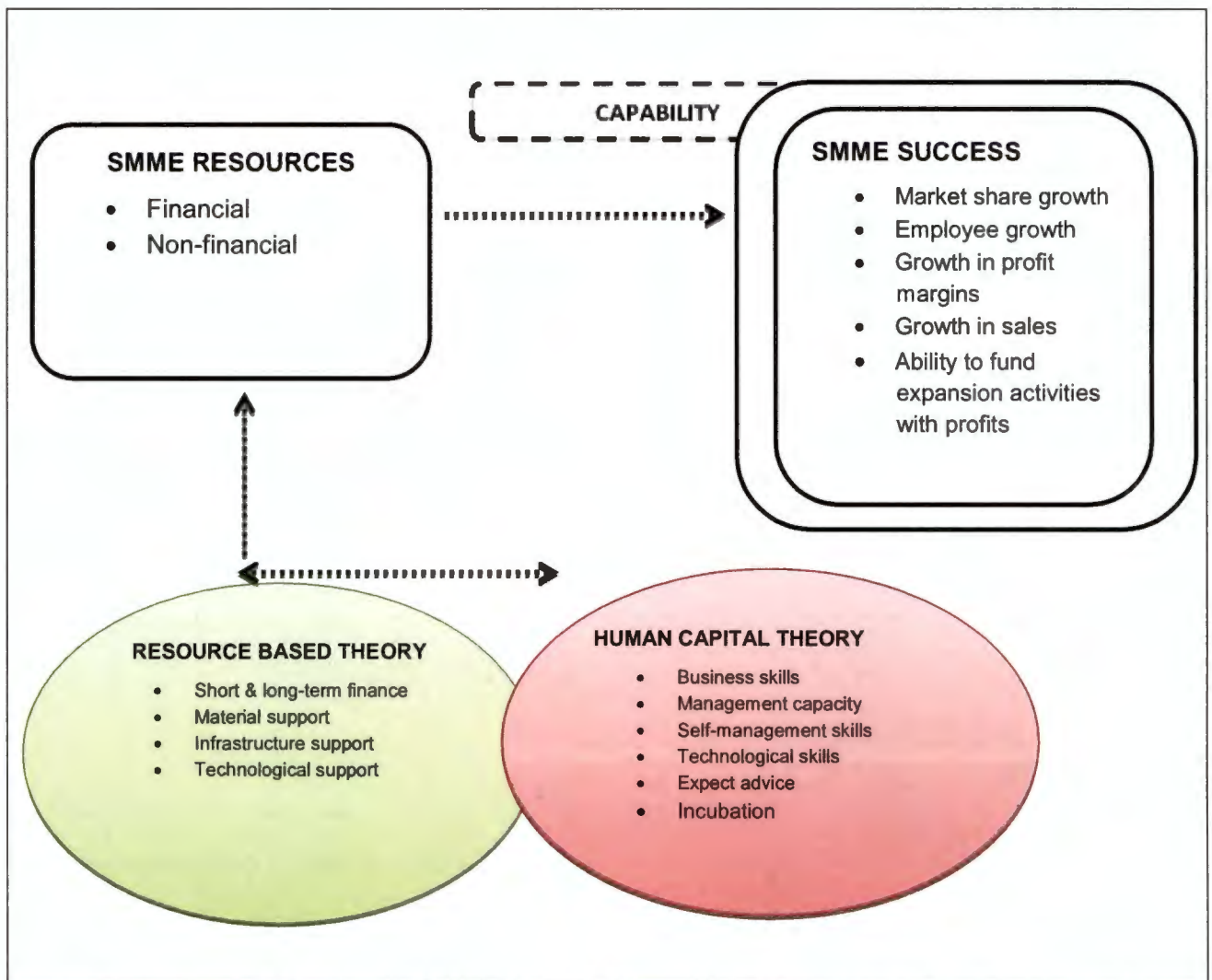
Chapter four discussed the research methodology of this study. The research paradigm was also discussed in detail, including the research design followed. This chapter further discussed the research process followed for the purpose of this study as well as the population frame and data analysis procedures to be followed. Due to the nature of the study, a post-positivity research paradigm was followed with a mixed method research approach.

Chapter five provided presented, analysed and interpreted the research results. Since the research methodology was a mixed methods approach, the chapter was divided into two sections where the

initial section of the chapter presented the quantitative data research results as well hypothesis testing and multiple regression analysis. The second section dealt with the analysis and presentation of qualitative data.

Chapter six provides the main findings, estimates the contribution of the study and identifies some of the limitations of the study as well as the recommendation. Ultimately, this chapter proposes areas of further research.

FIGURE 6.1 THEORETICAL MODEL OF THE STUDY



Significant relationships were empirically determined and verified by this study. The summary of the results in chapter presents and contextualise the findings. The major findings were integrated and applied to construct a proposed SMME support framework.

6.2.1 Literature review revisited

Although there seem to be conflicts in some areas, literature evidence provided in Chapter 2 and 3 of this study generally suggested a positive relationship between SMME support and the success of the business.

According to GEM (2010) the main barriers faced by small businesses were inaccessibility to finance, lack of affordable infrastructure to operate the business, inadequate skills and managerial proficiency, as well as a lack of information and technology. These challenges cause SMMEs not to expand their inception of operations. From this background to this study it is clear that both the public and the private sectors provide support programmes to SMMEs. However, even though the level of support SMMEs receive is high in South Africa, their failure rate is also significantly high and disproportionate in comparison to those SMMEs who have not received any support.

Numerous studies identified many causes of small business failure in both developed and emerging economies. There are basically three general categories which explain the causes of business failure, namely:

- Resources and opportunities as a point of view of explaining SMME failure.
- Business management expertise as an explanation of SMME failure.
- Multiple origins/causes of failure as an explanation of SMME failure.

In a bid to modify the success of SMMEs in South Africa, new structures are being explored to enhance the growth of SMMEs (Bayhan, 2010:1). Despite the efforts put into the SMME sector, the failure rate of SMMEs is still very high not only in South Africa but in Southern Africa. Many SMMEs fail because owners and managers do not integrate financial management, business management and accounting practices to create a holistic managerial aptitude for their business. This causes inadequate financial control and cash flow problems which collectively induce failure amongst the SMMEs.

6.3 Summary of results

The summary of results will be given in line with the research objectives of this study. It has to be noted that the objectives of this study were divided into a primary objective and specific secondary objectives. In order to provide a summary of the results the objectives will be revisited.

- **To develop a framework which can be used as a theoretical and practical basis to drive and improve business support intervention and the SMME success rate in South Africa.**

An SMME support framework was developed and is presented in section 6.4 under the contribution of this study. The development of the support framework was based on the results of the study.

Issues raised in the literature review, as well as in the responses given by the SMMEs, formed the foundation for the development of the support framework.

- **To examine the effect of financial support (from both public and private institutions) on the overall success of SMMEs.**

In order to attain this objective a correlation and a multiple regression analysis were done and the results as presented in Chapter 5 show that SMME success is positively significantly correlated with only start-up grants as a predictors of financial support given by the private sector, indicating that start-up as a financial support contribute largely to the success of SMMEs. The results from the multiple regression led to the conclusion that there is a significant relationship between financial support given by the public sector and SMME success used in the model.

These results are consistent with studies of Chimucheka (2012), Fatoki (2012), Mahembe (2012), Moorth et al. (2012:227), Machirori (2012), Kamange et al. (2014), Sehhat and Fooman, 2014 and Fooman (2014), Mohammed et al. (2014) and Mqaba 2015 who also concluded that there is a significant relationship between financial support and business success although they do not distinguish between the public and private sector.

- **To analyse the impact of non-financial support (from both public and private institutions) on the overall success of SMMEs.**

This objective was attained through a multiple regression and correlation analyses as presented in Chapter 5. The results of the correlation show that there is a relationship between the PREDICTORS of non-financial supports given by the private and public sector and SMME success. However, the results of the multiple regression show that there is no significant relationship between non-financial support given by the private and public sector and SMME success used in the model.

These results are not consistent with the studies of Chimucheka (2012), Fatoki (2012), Mahembe (2012), Moorth et al. (2012:227), Machirori (2012), Kamange et al. (2014), Sehhat and Fooman, 2014 and Fooman (2014), Mohammed et al. (2014) and Mqaba, (2015) who concluded that there is a significant relationship between non-financial support and business success. However, even though the results are not consistent with previous studies it is important to highlight that one of the reasons why there was no significant relationship may be attributed to the fact that the non-financial support received by SMMEs does not necessarily match the needs and expectations of SMMEs. It is important to note that even though non-financial support is being provided, if it is not the right support then it will not yield the intended results.

- **To ascertain how SMMEs in South Africa perceive the relevance of business interventions (from both the private and public sector) on business success.**

In order to attain this research objective a correlation and multiple regression analyses was done and the results in Chapter 5 show the concurrence in business interventions delivered by private and public sector institutions and SMMEs needs. Therefore, results from the multiple regression led to the conclusion that there is concurrence in business interventions delivered by private and public sector institutions and SMMEs needs used in the model. These results are consistent with that of Dalberg (2011) and Mashombo (2014) who indicated that some of the support programmes aimed at the development of SMMEs are relevant to their needs and are yielding a positive impact on the success of SMMEs.

- **To establish if SMMEs receive support in all functional areas at the right stage of business development from both the private and public sector.**

The results from the multiple regression and correlation analyses as presented in Chapter 5 show a statistically significant relationship between the functionality score of intervention and SMME performance. However, the results from the regression analysis led to the conclusion that there is no statistically significant relationship between the functionality score of intervention and SMME performance used in the model. These results are consistent with studies done by Buhler (2010), Bae et al. (2014) and Bosire and Nzaramba (2014).

- **To assess if a gap exists between SMME expectations and the support provided by both private and public sector.**

To attain this objective, SMMEs were asked if their expectations were met by both the public and private sectors. The result as presented in Chapter 5 shows that more than 90% of SMMEs indicated that their expectations were not met. This led to the conclusion that a gap exists between SMME expectations and support provided by both the public and private sectors.

These results are consistent with studies done by Buhler (2010), Dalberg (2011), Bae et al. (2014), Bosire and Nzaramba (2014) and Mashombo (2014) who indicated that even though SMME support programmes were available some of the support programmes aimed at development of SMMEs are not relevant to their needs.

- **To evaluate if monitoring and evaluation of SMME performance after business intervention and support (by both public and private institutions) takes place.**

The results from the multiple regression and correlation analyses are summarized in Chapter 5 and show that the monitoring and evaluation of business intervention and support by the private and public sector do have an effect on SMME success. However, the results from the results the multiple regression led to the conclusion that monitoring and evaluation of business success after intervention and support by the private and public sector is not done. This result is consistent with

studies done by Smit and Watkins (2012) and Mazzarol (2015) who also found out that SMME performance is not monitored and evaluated after SMME receive support.

- **To determine if successful SMMEs plough back into the private and public sector after achieving success takes place.**

This objective was attained by asking SMMEs a range of questions in a scale format determining if they plough back in the sector after receiving support. The results as presented in Chapter 5 shows that the majority of SMMEs (95%) highlighted that do not plough back into the SMME sector. After conducting the literature review there were no studies which specifically looked at how SMMEs plough back in the sector, which was one of the major gaps that was found in literature? There was only a study done by Mazzarol (2015) who indicated that most SMMEs do not even have a cooperate strategy. The findings of this study are in line with these results.

- **To compare the South African SMME business support interventions with international best practices for SMME support and provide policy recommendations on an effective SMME business support intervention model.**

The comparison of SMME support programmes was done in Chapter 3 where international best practices were outlined. Best support programmes for benchmarking were also identified from both developing and developed countries.

6.3.1 Demographic profile

The following is a summarised presentation of the demographic profile findings of SMMEs in the Eastern Cape Province, based on the analysis of the data set of this study which is fully presented in Chapter 5.

- The majority SMMEs in the Eastern Cape province of South Africa are managed by their owners.
- Most SMMEs in the Eastern Cape province of South Africa operate small businesses (according to the National Small Business Act 102 of 1996) and employ between six and 50 full-time employees.
- Although respondents were drawn from a number of sectors of the economy including construction and manufacturing, most SMMEs operate the retail and motor trade repair services and construction sector.
- Sixty-one per cent of entrepreneurs have attained at least high school in their level of education. However, very few have university qualifications (degrees).
- The majority of SMMEs operate in rural and semi urban areas and this due to the nature of the province.

6.4.1 Contribution to the body of knowledge

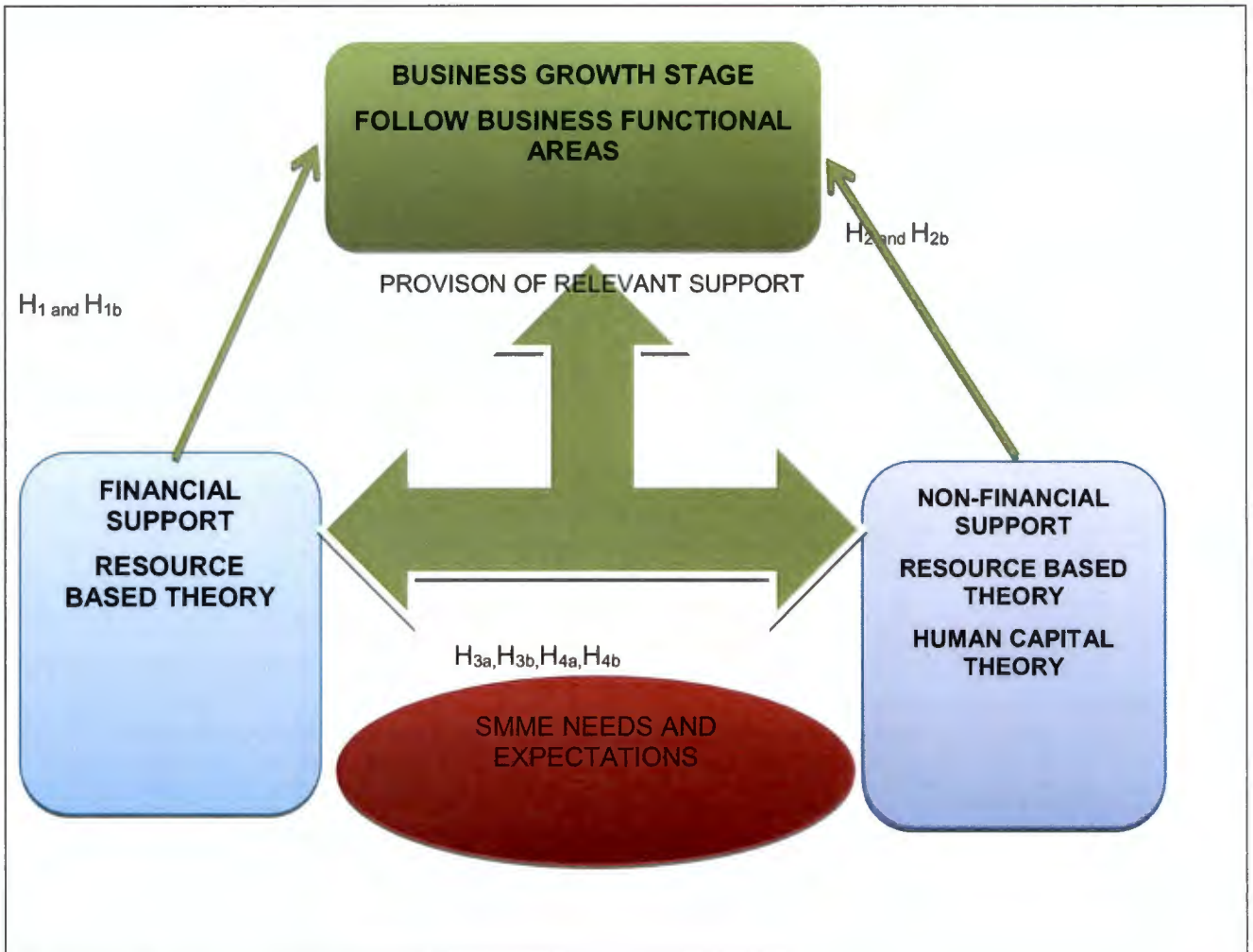
The study has contributed to the body of knowledge on the success of SMMEs by providing new insights into the factors that affect the success of SMMEs. The findings of this study also contribute to the discourse on entrepreneurial success factors, including the debate on whether entrepreneurs can be made (through financial and non-financial support).

The findings also give an idea that the performance of SMMEs is not dependent on one factor at a particular time, but it is affected by a number of factors including both internal and external resources.

This study supports the notion explained in the Resource Based Theory and Human Capital Theories however, the study's contribution is a combination of these two theories with the basic functional areas of management. It is important to note that both financial and non-financial support can only be relevant if it is used effectively and efficiently at the right stage of business development. Therefore, non-financial support, such as business training, must follow the business management sequence of planning, organising, leading and controlling so as to enhance the relevancy of the support in line with strategic business management processes.

Figure 6.2 provides the relationship of research objectives, theoretical foundation of the study as well as the contribution of new knowledge emanating from the research findings.

FIGURE 6.2 CONTRIBUTION TO THE BODY OF KNOWLEDGE



6.4.2 Practical implication

Literature has shown that both the public and private sectors are investing in the development of SMMEs. However, there is a gap in how the support is given by both the private and public sectors.

This study indicates a need to include SMMEs in the development of support initiatives and to monitor and evaluate the performance of SMMEs after intervention to enable their success which in turn will allow both private and public sectors to attain the return on investment through SMME ploughing back to the SMME sector.

The development of SMMEs must not be seen as expenditure but must be rather treated as an investment. Figure 6.3 provides a proposed framework which both the government and private sector can use when developing SMME support programmes and policies.

In this framework both the private and public sectors should have synergy when developing SMME support programmes. This framework also recommends both the public and private sectors support agencies to have consultations with SMMEs. After the development of SMME support programmes these agencies need to group SMMEs according to their business growth stages since the needs of the business differ with the level of growth.

Specific groups of SMMEs will then receive relevant financial and non-financial support which is demand driven to avoid mismatching of the support programmes. After SMMEs have received any form of support there is need for monitoring and evaluation of their performance and in case of non-financial support such as trainings if SMMEs fail the evaluation process they will be retrained on that specific training. For those SMMEs who would have passed they will share best practices to other developing SMMEs, thus contributing to the SMME sector. This whole process is summarised in Figure 6.3.

FIGURE 6.3 PROSED FRAMEWORK FOR SMME SUPPORT

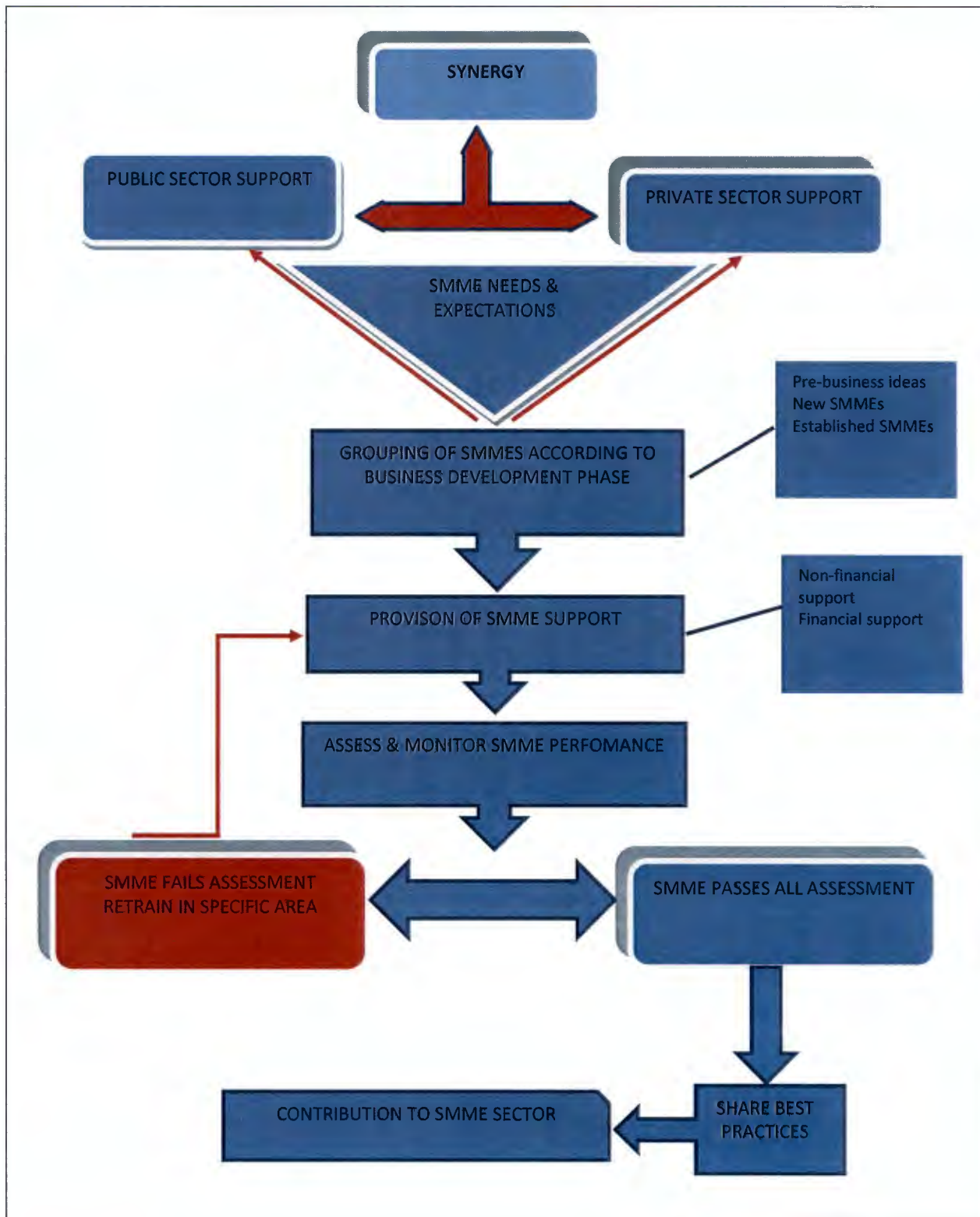


Figure 6.3 has presented the main contribution of this study the subsequent section will discuss the recommendations of the study.

6.5 Recommendations

Based on the findings of the study, recommendations are suggested to SMMEs, the government and to the private sector institutions.

6.5.1 The government

The South African government should continue creating an enabling environment for entrepreneurship and SMME development as this leads to improved job creation. Government should also provide support to such entrepreneurs. However, this support should not be limited to financial components only through loans, but ought to include training and provision of networking opportunities.

The modern governments appreciate the role that SMMEs play in the economy because they (SMMEs) help government achieve goals related to unemployment, income equality and poverty mitigation. The South African government is adhered to ensure that all forms of SMME support are effective and efficient through monitoring and evaluation.

Government furthermore should enhance entrepreneurial spirit. The prominence on 'entrepreneurship' as a school subject should start at a very early stage. However, this should be as early as in primary school since the majority of SMME owners/managers in this study have education at matriculation level. This will promote competent individuals who have mastered the art of entrepreneurship. The subject should be compulsory to all, if government is to realise any benefits in the long-run through successful SMME growth.

Government should improve the awareness of government support institutions. The research findings noted ignorance of SMME owners/managers concerning attending seminars, workshops or accessing any government support services. Most SMMEs are not listed on the Johannesburg Stock Exchange (JSE), hence cannot raise capital with easy. Thus, the need of government institutions such as Khula, SEDA and DTI to pitch up and support government's vision. However, these institutions are making limited progress in providing assistance because SMMEs are still unaware of these organisations. Continuous analysis may be needed to initiate other support institutions and nation-wide promotion of these institutions will provide much needed access to funding and managerial training workshops

Government may also support SMMEs by subsidising them and providing loan guarantees. Another recommendation to government is to loosen business legalities and commercial laws restricting SMMEs. This can be achieved through reduced taxation or zero taxation within the first three years since commencement, since most SMMEs fail within this period.

6.5.2 Private sector

It is suggested that financial institutions and other providers of SMMEs support in the private sector develop products that are responding to specific needs of SMMEs even though SMMEs are in many cases treated as risk customers. Financial institutions should, however, work together with business associations to which SMMEs are affiliated in order to reduce the risk of non-payment of loans. By excluding the greater part of this group, financial institutions are actually losing the market to informal financial service providers.

There is also a need for synergy between the private sector, institutions of higher learning, consulting companies, and the public sector so as to avoid duplication of services but rather to share responsibilities in areas where each stakeholder has strengths. This will enable effectiveness and the efficient use of resources from both the private and the public sector.

6.5.3 Owner-Managers

The findings of the study at hand revealed significant implications for the management of SMMEs. The owners/managers should clearly understand and adopt the appropriate management functions (planning, organising, staffing, leading, controlling), as detailed in this study. This should be implemented in every department to increase business performance.

There are business incubators that SMMEs can approach and gain entrepreneurial advice, skill and technical knowhow. Incubators such as Chemin in the Nelson Mandela Bay, the Innovation Hub and Raizcorp business incubators provide supportive drive to entrepreneurs. The spiral of SMME failures has been greatly reduced for businesses who do participate in incubation programs. Regular training sessions, workshops and short courses can be used as a tool to develop SMME managers/owners. The newly enacted SMME legislation and new business practices and operational tools are widely shared by incubation centres.

This study outlined that many SMMEs are in isolation in the South African business environment and that there is need for SMMEs to be encouraged to network so that ideas and information can be shared, eliminating information asymmetry. Networking should be done horizontally and vertically providing SMMEs with avenues to gain through reduced transactional costs, access relevant market information, acquiring quality suppliers or buyers, and enjoy increased chances of obtaining funding from relevant institutions. Through networking SMMEs can build business relations which may improve business performance.

Most SMMEs are sole trader businesses and this may be restricting SMME growth as synergy of ideas generally results in increased performance. SMME tend to do their business in isolation. There is a need of synergy among SMME practitioners through merging finances, skills, technical

knowhow, ideas and other resources. This will provide a much needed robust resource base which is critically lacking among SMMEs. In this way SMMEs can achieve growth, develop and create better employment opportunities in their geographical areas and access international markets.

Most SMMEs, however, are not locally and internationally competitive. There is a need for SMMEs to adopt market analysis, customer feedback and satisfaction and be agents of change when providing their products and services to the market. Most SMMEs are just offering similar products to the market resulting in cut-throat competition. Hence the need to practise market analysis through employing competent innovative staff qualified for the task.

6.5.4 SMME sector

The SME sector is the backbone of the South African economy. Therefore, it is imperative to find ways to increase the performance of SMMEs in order to attain maximum utility of this sector. The research findings highlighted that performance of SMMEs was limited due to incompetence and other external variables. Of importance is enabling ways to get successful SMMEs to share their best practices with SMMEs who are struggling. This will in turn improve the knowledge base on the success rate.

The SMME sector should also participate in the development of SMME policy and programmes to ensure that SMME needs and expectations are taken into account right from the policy development stage so as to bridge the gap between SMME support expectations and what they are actually receiving.

6.6 Limitations of the study



This study was limited to the Eastern Cape province of South Africa, and hence there is need for users of these findings to be cautious since the findings may not be applicable or generalisable to the entire country due to this contextual constraint.

This study only included SMMEs who are registered and data was collected only from owners and/or managers of SMMEs, thus general employees were purposively excluded from participating in this study. Perceptions of their employees or other business people operating around entrepreneurs could provide alternative insights regarding the predicaments surrounding the SMMEs in the Eastern Cape as well as other provinces.

This study adopted a mixed method approach but exerted more emphasis on the quantitative research approach, hence foreclosing the advantages of qualitative research. The researcher argues that although this method was useful and effective in achieving the objectives set for this study, a follow-up through a full qualitative study in the same area could provide exciting

revelations on the day-to-day operations of entrepreneurs which also affect their business performance.

6.7 Future research

It is suggested that a similar study be conducted in other provinces, or where sufficient resources are available, such a study should be replicated at national level to establish perceived differences in the manner in which SMME support is provided in all the different provinces of South Africa from both the public and the private sector.

It is also proposed that an in depth study into the experiences of and challenges faced by entrepreneurs when accessing support be conducted in South Africa. It is also suggested that a comparative study on practices and strategies adopted by public and private sector agencies in supporting SMMEs be launched to validate and add to the findings established here.

6.8 Conclusion

The research was able to add insight into the existing body of knowledge concerning SMME success in South Africa. The main findings of the study highlighted that human, technical and management skills are determinants of SMME success. These findings are consistent with the Human Capital Theory and Resource Based Theories. These theories state that, for a business to enjoy competitive advantage, it is only achievable when the business enjoys or has full control of unique resources which cannot be substituted.

However, there is a general indication of a lack of understanding of the needs of SMMEs by both the private and public sectors, thus leading to a lack of knowledge as to how to support these businesses. Over and above that, there is a lack of integration between the providers of support from both the private and public sectors, as most are providing similar services to similar segments of the market. This study therefore highlights that programmes that are developed for SMMEs must be demand driven to avoid a mismatch between SMME expectations and the support provided.

It is recommended that there is separation of responsibilities between the private and public sector. This will enable thorough monitoring and evaluation of both streams of support programmes and SMMEs performance. This will increase confidence in the support programmes offered to SMMEs.

Concurrently, this will in future allow for through research into the characteristics that are unique to the South African SMME support environment. This is vital as the literature on South Africa is currently insufficient, thus creating a dependency on literature from other countries which do not have necessarily have the same characteristics as SMMEs in South Africa.

It is critical that SMMEs of South Africa are recognised and given an opportunity to grow into viable businesses through the provision of proper and through assistance in order for them to be appropriately trained, mentored, as well as properly assisted with essential resources. This will end the notion of one size fits all approach because each environment has its own unique set of characteristics.

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ANNEXURE 1 ETHICAL CLEARANCE



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ETHICS APPROVAL CERTIFICATE OF PROJECT

Based on approval by the Human Sciences Research Ethics Committee (HSREC) on 02/11/2016, the North-West University Institutional Research Ethics Regulatory Committee (NWU-IRERC) hereby approves your project as indicated below. This implies that the NWU-IRERC grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the project may be initiated, using the ethics number below.

Project title: A new paradigm for the success of Small, Micro and Medium Enterprises in the Eastern Cape.	
Project Leader/Supervisor: Prof M Potgieter	
Student: EC Rungani	
Ethics number:	N W U - 0 0 4 7 3 - 1 6 - A 9
	<small>Institution Project Number Year Status</small>
	<small>Status: S = Submission; R = Re-Submission; P = Provisional Authorisation; A = Authorisation</small>
Application Type: Doctoral application	
Commencement date: 2016-10-26	Expiry date: 2019-10-26
Risk:	N/A

Special conditions of the approval (if applicable):

- Translation of the informed consent document to the languages applicable to the study participants should be submitted to the HSREC (if applicable).
- Any research at governmental or private institutions, permission must still be obtained from relevant authorities and provided to the HSREC. Ethics approval is required BEFORE approval can be obtained from these authorities.

General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following:

- The project leader (principle investigator) must report in the prescribed format to the NWU-IRERC via HSREC:
 - annually (or as otherwise requested) on the progress of the project, and upon completion of the project
 - without any delay in case of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project.
 - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the HSREC. Would there be deviation from the project protocol without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date, a new application must be made to the NWU-IRERC via HSREC and new approval received before or on the expiry date.
- In the interest of ethical responsibility the NWU-IRERC and HSREC retains the right to:
 - request access to any information or data at any time during the course or after completion of the project;
 - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process.
 - withdraw or postpone approval if:
 - any unethical principles or practices of the project are revealed or suspected,
 - it becomes apparent that any relevant information was withheld from the HSREC or that information has been false or misrepresented,
 - the required annual report and reporting of adverse events was not done timely and accurately,
 - new institutional rules, national legislation or international conventions deem it necessary.
- HSREC can be contacted for further information via Estie.Fmtoch@nwu.ac.za or 018 269 2873.

The IRERC would like to remain at your service as scientist and researcher, and wishes you well with your project. Please do not hesitate to contact the IRERC or HSREC for any further enquiries or requests for assistance.

Yours sincerely

Prof LA Du Plessis
Digitally signed by
Prof LA Du Plessis
Date: 2016.11.08
07:47:51 +02'00'

Prof Linda du Plessis
Chair NWU Institutional Research Ethics Regulatory Committee (IRERC)

ANNEXURE 2 RESEARCH INSTRUMENT

Dear Respondent

You are hereby invited to take part in a research study aimed at finding ways of improving the success of Small Micro and Medium enterprises in the Eastern Cape province. This study is conducted as a requirement for the fulfilment of the Doctor of Philosophy in Business Management degree at the North West University (Mafikeng Campus). The research is for academic purposes, hence all information supplied will be strictly held confidential. Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.

It would be appreciated if the owner or manager completes this questionnaire and please answer the questions as thoroughly and objectively as possible. Please tick the most appropriate answer and provide further comments where applicable. The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with the summary of the findings on request.

Thank you in advance for taking part in this study.

Ms. Ellen Chenesai Rungani

Telephone number: 0718774507

Email :erungani@ufh.ac.za

It all starts here™



I hereby give my voluntary consent to participate.

Yes	Continue to the screening section
No	Thank respondent and terminate the interview

SECTION 1: SCREENING QUESTIONS

S1. What position do you hold in the business?

Manger	Continue to S2
Owner	Continue to S2
Owner/manager	Continue to S2
Other (e.g. employee)	As to speak to the manager or owner. If not available, try to make an appointment for another time

S2. Is your business a formally registered SMME?

Yes	Continue to section 2
No	Terminate interview

SECTION 2: GENERAL BUSINESS INFORMATION

1. Indicate the economic sector you operate in.	
Agriculture	
Mining and quarrying	
Manufacturing	
Electricity, gas and water	
Construction	
Retail and motor trade repair services	
Wholesale trade, commercial agents and allied agents	
Catering, accommodation and other trade	
Transport, storage and communication	
Finance and business services	
Other (please specify)	

2. Number of full time employees	3. Period of operation
less than 10	less than 1 year
11 to 49	1 to 5
50 to 100	5 to 10
More than 100	10+
4. Educational Level	5. Location of business
Never went to school	Rural
Primary School	Semi Urban
High school	Urban
College or university	

6. Put a tick mark (✓) under the choices below if any of these statements are true of your business. 1-strongly agree 2-agree 3-disagree 4-strongly disagree	Strongly agree	Agree	Dis agree	Strongly disagree
My business has been profitable during the last financial year.				
My business has grown over the past two years.				
The profit has been increasing over the past three years.				
I have been paying salaries and wages for at least two and a half years.				
I make enough money to live comfortably.				
My business is employing more people now than two years ago.				
The turnover/sales of my business have increased over the past two years.				
My business is not successful.				

7. Please indicate how successful your business is.	0 NOT	1	2	3	4	5	6	7 VERY
0 = not successful.....7 very successful								

SECTION 3: BUSINESS SUCCESS INTERVENTIONS AND SMME SUPPORT

8. Please indicate the four most important areas in which you need assistance. (A number 1 = most important and 4 = least important)	
Accounting	
Business management (planning, organising, leading and controlling)	
Business plan	
Finance	
Human resources	
Access to technology	
Legal aspects	
Access to Markets	
Research	
Other: (Please list)	

9. Would you want business support agencies to help you with the following:	YES	NO
Business training (for example management, book keeping, planning, organising, leading and controlling).		
Access to finance		
Access to technology		
How to access the services of support agencies		
Infrastructure		
Business ethics		

10. The following are major support areas provided by both private and public institutions to SMMEs. Has your business received any of the following services and business support? Please indicate with a tick **Yes** if you have or **No** if you have not yet received any support.

BUSINESS SUPPORT RECEIVED	PUBLIC SECTOR (Government agency)		PRIVATE SECTOR (Bank)	
	YES	NO	YES	NO
BUSINESS ADVICE AND INFORMATION				
Generic business start-up advice and support				
Consultancy and advice on business plans				
Marketing information				
Advice on raising finance				
Advice on accessing new markets				
BUSINESS MANAGEMENT SUPPORT				
General business planning				
Resource allocation				
Managerial control and leadership				
Human resource management				
Financial management				
Operation management				
Marketing management				
TRAINING				
Entrepreneurship training				
Business planning writing course				
Resource allocation training				
Managerial control training				
Leadership training				
Self-management training				
Financial planning training				
Business ethics				
Business networking				
Product development training				
MENTORING				
Start-up coaching				
Business incubation				
Business expansion mentoring				
Business counselling				
FINANCIAL ASSISTANCE				
Raw material grants				
Infrastructure grant				
Start-up grant				
Technology support grant				
Marketing support grant				
Secured funding				
Non-secured funding				

Please respond to the following questions.	PUBLIC SECTOR (Government agency)		PRIVATE SECTOR (Banks etc)	
	YES	NO	YES	NO
11. Did you receive training in all management functional areas?				
12. Were your expectations met by the services and support you received from both the public and private sector?				

SECTION 4: RELEVANCE OF BUSINESS INTERVENTIONS (FROM BOTH THE PRIVATE AND PUBLIC SECTOR) ON BUSINESS SUCCESS

13. The major factors that affect performance in SMMEs are listed below. Please read each statement and evaluate it in relation to your business.

(1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 = Strongly disagree)

Please respond to the following statements.	PUBLIC SECTOR (Government agency)				PRIVATE SECTOR (Banks)			
	1	2	3	4	1	2	3	4
I am satisfied with the financial accessible.								
I have access to different business training offered.								
I have an access to information to exploit business opportunities.								
I have the necessary managerial skills due to the assistance I have received.								
I have access to necessary technologies.								
I have received training in all functional areas of the business (training in planning, organising, leading and controlling).								
I have received training in selected functional areas of business.								

14. What is your perception of the impact of the support provided by public institutions (government) and private institutions (banks) on the performance of your business?

(1 = Substantial increase, 2 = Slight increase, 3 = No effect, 4 = Slight decrease, 5 = Substantial decrease)

Item	PUBLIC SECTOR (Government agency)					PRIVATE SECTOR (Banks)				
	1	2	3	4	5	1	2	3	4	5
Profit margin										
Sales revenue										
Customer spending										
Market share										
Profitability										

15. When you think about the assistance available what advantages and disadvantages can you identify with this process? Evaluate the following statements.

(1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 = Strongly disagree)

Statement	PUBLIC SECTOR (Government agency)				PRIVATE SECTOR (Banks)			
	1	2	3	4	1	2	3	4
The support provided is relevant.								
The assistance is sufficient.								
It is not always possible to reach the right people.								
It is takes too long to get assistance.								
The assistance is not well coordinated.								
The assistance that we receive does not focus on all managerial functional areas.								
Assistance we receive does not match with our needs.								

SECTION 5: MONITORING OF SMME PERFORMAMNCE AFTER RECEIVING SUPPORT

16. What monitoring and evaluation have you received with the assistance received? Evaluate the following statements and please rank the public and private support separately.

1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 = Strongly disagree

Statement	PUBLIC SECTOR (Government agency)				PRIVATE SECTOR (Banks)			
	1	2	3	4	1	2	3	4
There is follow up after every training.								
There are feedback session after receiving support.								
There is consultation during training.								
Retraining on and after a post training assessment.								
There is adequate monitoring and evaluation after training and support on the performance of my business.								
There is no monitoring and evaluation after training and support based on the performance of my business.								

Please respond to the following questions.	YES	NO
17. Does the private and public sector SMME support programmes include consultation with SMMEs?		
18. How much say do SMMEs have in the creation of support programmes?		
19. Do you have any cooperate investment strategy?		

20. What are the activities you engage in to plough back into the SMME sector? Evaluate the following statements and please rank the public and private sector separately.

Put a tick mark (✓) under the choices below if any of these statements are relevant to your business. 1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 = Strongly disagree	Strongly agree	Agree	Dis agree	Strongly disagreed
	We assist new SMMEs during training organised by the public sector.			
We share experiences during SMME business seminars offered by the public sector.				
We share best practices during SMME workshops organised by public sector.				
We assist new SMMEs during training organised by the private sector.				
We share experiences during SMME business seminars offered by the private sector.				
We share best practices during SMME workshops organised by the private sector.				
No opportunities are provided for us to share our experiences with other SMMEs.				

21. Please provide any suggestions you might have as to how the public and private sector can improve their services and support offered to SMMEs.

.....

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.....

.....

22. Please provide us with any comments or suggestions concerning improving the success of your business?

.....

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Thank you for your participation.

ANNEXURE 3 ENGLISH EDITOR CERTIFICATE



NORTH-WEST UNIVERSITY
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10th November, 2017

TO WHOM IT MAY CONCERN

CERTIFICATE OF EDITING

I, Muchativugwa Liberty Hove, confirm and certify that I have read and edited the entire dissertation, "A Support Framework for SMME Success in the Eastern Cape Province, South by Ellen Chenesai Rungani submitted for the degree *Philosophiae Doctor in Business Management* at the North-West University.

Ellen Chenesai was supervised by Professor M Potgieter.

I hold a PhD in English Language and Literature in English and am qualified to edit academic work of such nature for cohesion and coherence.

The views and research procedures detailed and expressed in the dissertation remain those of the researcher/s.

Yours sincerely

Dr M.L.Hove (PhD [North-West University], MA [Manchester], PGDE [UZ], PGCE [UZ], BA Honours, English [UZ])

Original details: Dr M.L.Hove (22055215) C:\Users\22055215\Desktop\CERTIFICATE OF EDITING.docm
10th November, 2017
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