



**ENHANCING THE RUNNING OF SMALL BUSINESSES IN SOUTH AFRICA, THE CASE
OF LIMPOPO PROVINCE**

By

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DECLARATION

I, Denzel Thando Nago, student number 11625688, hereby declare that this dissertation for, Masters in Business Management in the Department of Business Management, at the University of Venda titled “**Enhancing The Running Of Small Businesses In South Africa, The Case Of Limpopo Province**” hereby submitted by me has not been submitted previously for a degree at this or any other university. It is my own work in design and execution and all the material contained has been duly acknowledged.

Signature

Date: 03 September 2020



(D.T. NAGO)

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DEDICATION

This research is dedicated to my mother Mercyline Nago and to my son Cayleb Watidaishe Nago, this dissertation is for you.

ABSTRACT

The value of small businesses is known globally for its contribution towards economic growth, job creation and social progression. A plethora of entrepreneurial problems (for example, mismanagement of finance and lack of managerial skills) usually causes start-ups to have a short lifespan. Despite much effort by the government and private sector towards addressing these problems, high attrition rates among small businesses is still a problem in South Africa. Although considerable literature in entrepreneurship points out factors such as the lack of funding and lack of managerial skills as the leading causes for the high attrition rates among small businesses, research has overlooked one important factor which is entrepreneurs' inability or ability to adapt to the volatile business environment. This is instituted on the synchronisation of entrepreneurship challenges. It is in this regard that this study seeks to understand entrepreneurship problems of funding and skills challenges when operating a small business. With such a gap, this study argued, the lack of localised research aimed at enhancing small businesses in South Africa. This constitutes a research gap, which this study addressed. To attain this purpose, an exploratory research design guided by a qualitative research method was employed. This was coupled with data collection procedure which involved extracting data on enhancing small businesses by means of interviews with 6 respondents who were selected purposively. The value of this work is that it sought to understand the finance and skills challenge within the South African context. The implication of the study is that it potentially provides NonGovernmental Organisations (NGOs) and government with valuable tools to understand South African entrepreneurship and the effective channels of intervention for small business ventures.

Keywords: *entrepreneur, entrepreneurship, small business.*

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LIST OF ABBREVIATIONS

BBSDP: Black Business Supplier Development Programme

BPS: Business Process Services

CIPC: Companies and Intellectual Property Commission

DTI: Department of Trade and Industry

GED: Global Entrepreneurship Monitor

ISP: Incubation Support Programme

IT: Information Technology

ITR: Income Tax Returns

NGO: Non-Governmental Organisation

NYDA: National Youth Development Agency

NYDPF: National Youth Development Policy Framework

OECD: Organization for Economic Co-operation and Development

SAMAF: South African Microfinance Apex Fund

SARS: South African Revenue Service

SCORE: Sustaining Competitive and Responsible Enterprises

SEDA: Small Enterprise Development Agency

SIYB: Start and Improve Your Business

SMMES: Small, Medium and Micro Enterprises

WED: Women's Entrepreneurship Development

SB: Small Business

CHAPTER 1: INTRODUCTION AND BACKGROUND OF STUDY

1.1 Introduction and background

The power of small businesses as a catalyst for economic stability and growth, new job creation and social cohesion cannot be ignored worldwide (Agbim, 2013; Kirton, 2017; Iammarino, Rodríguez-Pose & Storper, 2017; Dannenberg, Diez & Schiller, 2018; Aelbrecht & Stevens, 2019; Thomas & Hedrick-Wong, 2019). Within the last four to five decades, a strategic realignment of economic policies to develop Small, Medium and Micro Enterprises (SMMEs) and entrepreneurship helped to sustain rapid economic growth for a number of nations globally and these include South Africa, Zambia, Botswana, Namibia and Seychelles (Agbim, 2013). There is growing recognition of the important role which small businesses play in economic development (Saxena, 2012; Hung, Chou, Ma & Lin, 2018; Sebikari, 2019). Having witnessed entrepreneurship efficacy to stimulate economic growth, numerous countries worldwide put much emphasis on the potential contribution of small businesses towards economic performance and accordingly provide support to small businesses. In addition, a 2018 study by the Small Business Institute, shows that there are only about 250 000 SMMEs in South Africa, accounting for just 28% of formal jobs in the economy despite SMMEs accounting for nearly 98.5% of the number of formal firms in the economy (Vuba, 2019). Unfortunately, the failure rate of small businesses is high globally (Ensari & Karabay, 2014). According to Chiloane-Tsoka and Mmako (2018) the failure rate of small businesses in South Africa is estimated between 70%-80% whilst in other African countries it ranges from 40%-75%. Various SMMEs support surveys have pin pointed the lack of access to funding and lack of entrepreneurial skills as major causes of failure of SMMEs globally (Ensari & Karabay, 2014; Hyder & Lussier, 2016; Mnisi & Rankhumise, 2015; Rahman, Yaacob, & Radzi, 2016). Consequently, a 'funding gap' and a 'skills gap' exist, despite various public and private sector initiatives that try to develop SMMEs.

Since 1994, South Africa has been faced with the challenges of reintegrating into world markets and the global economy (Hyder & Lussier, 2016). To achieve the objectives of economic growth through competitiveness and employment generation, South Africa's SMME economy has been actively promoted since 1995 (Hyder & Lussier, 2016). To this end, the South African government has established a plethora of agencies such as:

- 1) The Small Enterprise Development Agency (SEDA), aimed at designing and implementing development support programmes, promoting a service delivery network that increases the contribution of SMMEs to the South African economy, promoting job creation and equity and strengthening the capacity of service providers to support SMMEs.

- 2) The Small Enterprise Finance Agency (SEFA) was formed through a merger of the South African Micro-Finance Apex Fund (Samaf) and Khula Enterprise Finance Limited. SEFA caters for small businesses requiring funding up to a limit of R3 million. Their focus is to provide loans to small businesses through bridging finance, revolving loans, asset finance, working capital and terms loans.

These agencies help SMMEs in combating low skills levels and finance problems faced by SMMEs. Paradoxically, with such efforts by the government the 'finance gap' and 'skills gap' still exist in the South African business environment. The remedy is to close both the skills gap and financial gap and ensure that all aspiring entrepreneurs are equipped with the necessary skills and knowledge. This will ensure that they adapt and survive under the volatile business environment.

1.2 Research gap and Formulation of the Research Problem

Although a lot is written about SMMEs challenges and possible solutions to such challenges in current literature, a gap still exists (Hyder & Lussier, 2016; Mnisi & Rankhumise, 2015; Rahman *et al.*, 2016). More importantly, interventions such as effective management and technical assistance through counselling, has been found to be helpful for SMMEs, particularly when implementing key managerial functions (Agbim, 2013). Entrepreneurial assistance could further assist the small businesses to better manage other resources such as human resources and finance, as well as to learn ways of securing funding. This study, therefore, considers the existence of funding and skills challenge to small businesses and try to understand the operating of such entities. For instance, the unexplained situations of having more support schemes coupled with high failure rate of small businesses in the South African business environment. Such then shows evidence of a gap between finance and skills challenge when running small businesses.

More worrying is the fact that within South Africa, there is limited and localised research to understand the experiences by small businesses which might lead to failure at infancy stages. Hence, such a lack means that the South African government always contemplates if the causes of small business failure can be pinned to entrepreneurs or the government itself. Indeed, failure of the economic boom in South Africa may be pinned to other general problems such as lack of entrepreneurial skills (Vega-Redondo, Pin, Ubfal, Benedetti-Fasil, Brummitt, Rubera & Fornaciari, 2019), lack of entrepreneurial intentions (Zreen, Farrukh, Nazar & Khalid, 2019.), and problems in entrepreneurial education systems (Bauman & Lucy, 2019) among others. However, the gap between finance and skills challenge when operating small businesses, is evidence of a much deeper underlying problem, as this study argues. As such, this study attempts to provide a thorough exploratory research design on the entrepreneurial landscape from a South African perspective. More specifically, the study will relook the contemporary problems of small businesses in South Africa with a view to understand the funding and skills challenge when running small businesses, in such a manner as to:

- 1) Understand the funding challenge and skills challenges in order to increase the body of knowledge
- 2) Provide government and NGOs with a basis for formulating appropriate development policies which enhance small businesses.

From the above-mentioned gaps, the research problem is:

Despite the crucial role played by small businesses globally, it is notable that they ordinarily face a series of challenges. Current literature identified some of the challenges that small businesses normally face, among others cumbersome legal and regulatory constraints, lack of access to external financing, low human resources capabilities, lack of managerial skills and training and low technological capabilities. All these factors need to be managed properly if small businesses are to prosper. This study, therefore, considers the existence of funding and skills challenges to small businesses and tries to enhance the running of small businesses. For instance, the unexplained situations of having more support schemes coupled with high failure rate of small businesses in the South African business environment.

1.3 Research Questions

The following questions will be addressed in this research:

RQ1: What are the funding challenges experienced when running small businesses in Limpopo province, South Africa?

RQ2: What are the skills challenges experienced when running small businesses in Limpopo province, South Africa?

RQ3: How can the development of small businesses across the South African business environment be enhanced?

1.4 Aim of the Study and Objectives

The aim of this study is to investigate the causes of funding and skills challenges among small businesses and identifying actionable strategies thereof towards enhancing the operation of these small businesses in Limpopo Province, South Africa.

The specific objectives of the study are:

1. *To determine the causes of the funding challenges when running small businesses in Limpopo province, South Africa.*
2. *To determine the causes of the skills challenges when running small businesses in Limpopo province, South Africa.*
3. *Identify actionable strategies that the government and NGO's can use to enhance Small businesses.*

1.5 Contribution to the Body of Knowledge and Significance of the Study

Despite entrepreneurial initiatives both in pre-and post-colonial eras for most of the developing nations in Africa, most small businesses remain in the early stages of business development. Some of the small businesses are downsizing while others are closing shop (Chivasa, 2014). Some writers attribute the stunted growth of small businesses to economic crunches (Bulanova, Isaksen & Kolvereid, 2016). However, other reasons for such failures might fall to the misconceiving of challenges faced by small businesses when operating their enterprises, by policy

makers. Therefore, a distinct set of data should be collected aimed at identifying independent problems faced by small businesses in their day to day operations. Theoretically, this study offers an alternative lens of understanding the funding and skills challenge when running small businesses in Limpopo province. Undoubtedly, small business are very crucial to a nation's healthy economy, and their competitiveness is indispensable to nation's success and growth (Yew Wong & Aspinwall, 2004) hence highlighting the significance of this study.

1.6 The Proposed Conceptual Framework

In order to resolve the research problem and research questions, the following conceptual framework consolidating the challenges of running a small business is proposed in Figure 1:

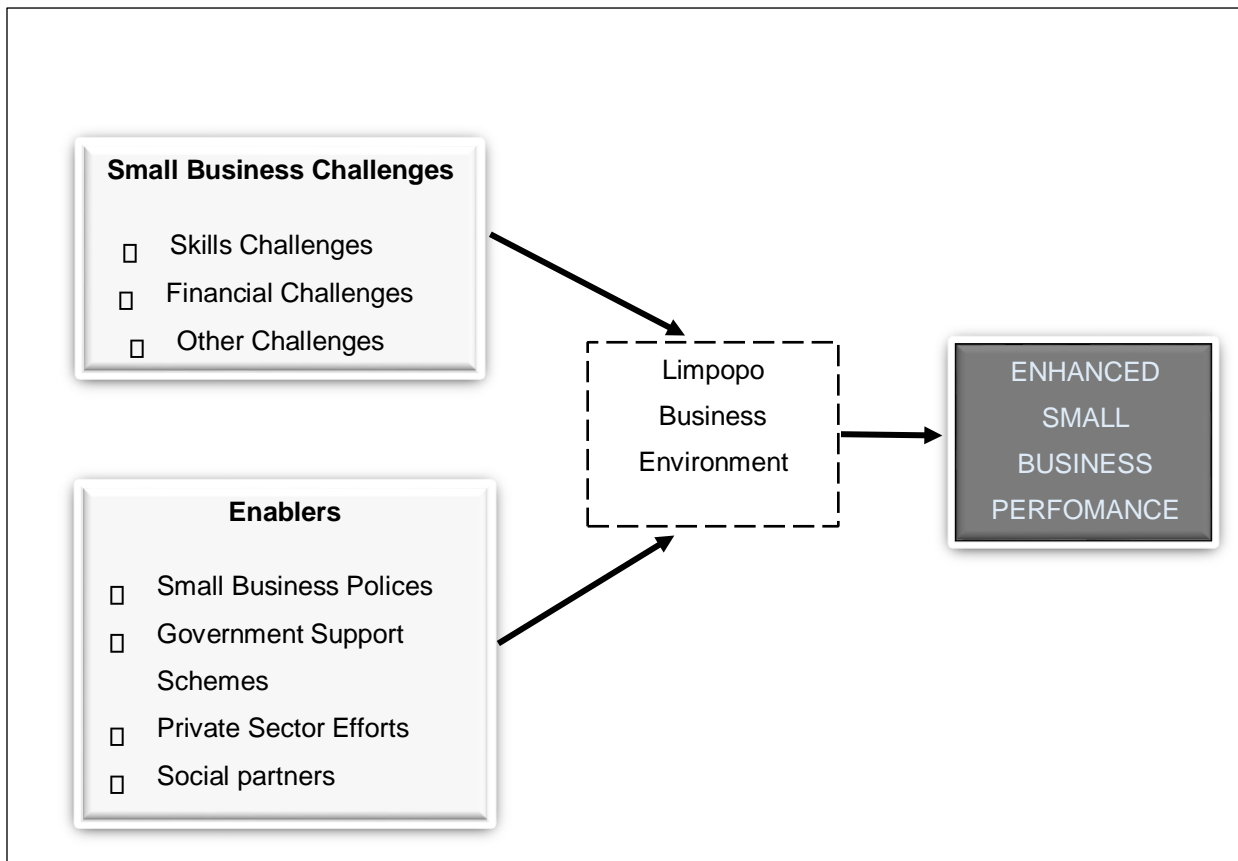


Figure 1: Proposed Conceptual Framework

Source: Own construct

The conceptual framework of the challenges facing small businesses presented in Figure 1 assumes that, the level at which small businesses are affected by skills, funding challenges and other challenges is influenced by the business environment in which these small businesses operate in. In this regard, various small business support surveys have pinned lack of access to funding and lack of entrepreneurial skills as major causes of failure of small businesses globally (Ensari & Karabay, 2014; Hyder & Lussier, 2016; Mnisi & Rankhumise, 2015; Rahman *et al.*, 2016). Consequently, a 'funding gap' and 'skills gap' exist, despite various public and private sector initiatives trying to enhance small businesses. Despite efforts by the government (see Figure 1) the 'finance gap' and 'skills gap' exist in South African business environment. The solution then is to close the skills gap, ensure that all aspiring entrepreneurs are equipped with the necessary skills. This will ensure that they adapt and become sustainable under the dynamic environment conditions.

1.7 Delimitations of the study

The study was delimited to Limpopo province only. As such results of the study may not necessarily be generalised to other provinces in South Africa or other countries. The research was also delimited to only looking at skills and financial challenges, although there are other challenges being faced by small businesses.

1.8 Definition of Key Terms

Entrepreneur: Casson (2005) suggests that, an entrepreneur is someone who discovers, exploits, and evaluates opportunities and the coordination of scarce resources to create future goods and services. Nieman and Nieuwenhuizen (2009) and Moos (2014) refer to an entrepreneur as a person who sees an opportunity in the market, gathers resources, creates and grows a business venture to satisfy these needs. He/she takes the risk of the venture and is rewarded with profit if it succeeds, therefore, this study will employ this definition.

Entrepreneurship:

Entrepreneurship is the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market (Nieman & Nieuwenhuizen, 2009). Hatten (2015) defines entrepreneurship as the emergence and growth of a new business. According to Barringer (2015) entrepreneurship is a process by which individuals pursue

opportunities without regard to resources they currently control. This study will make use of the following definition of entrepreneurship:

The emergency and growth of a new business involves a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to meet these needs. He/she takes the risk of the venture and is rewarded with profit if it succeeds (Nieman & Nieuwenhuizen, 2009).

Small business:

Moos (2014) also defines a small business as one that is independently owned, managed and controlled, is not dominant in its field of operation and employs less than 50 people with turnover not exceeding R5 million per year. This study uses this definition.

1.9 Chapter Outline of the Dissertation

This chapter introduced the research. It also discussed the major problem which the research addresses and a discussion of the research questions. This sheds light on understanding funding and skills challenges when operating a small business. As recommended by (Perry, 1998) this dissertation follows the five-chapter thesis structure. Accordingly, the dissertation chapters are structured as follows:

Chapter 1: Introduction - This chapter provided a general overview of the study in terms of an introduction, motivation, rationale and contribution of the study. Background of the study, research problem and research questions, the formulated aims and the objectives of the study are presented in this chapter as well.

Chapter 2: Literature Review – This chapter provided a literature review on enhancing the running a small business.

Chapter 3: Methodology – Consistent with the conceptual framework to be developed in Chapter 2, this chapter provided a description of the suitable research methodology to address the research questions and objectives. Justification of such is given by evaluating alternative research designs and methodologies, thus pronouncing the selected methodology as being most appropriate to answer the research questions and problem. Also, ethical issues and trustworthiness are discussed in this chapter.

Chapter 4: Analysis and Results – the analysis of the collected qualitative data was presented and interpreted in this chapter.

Chapter 5: Conclusions and Recommendations – This is the final chapter of this dissertation. It concludes the research by giving a detailed discussion of the implications of the study. Furthermore, limitations of the study were presented in this chapter. Conclusions and recommendations were presented within the policy and practical implications.

2. CHAPTER TWO: LITERATURE REVIEW

2.1 Chapter Overview

The background and motivation for the study were provided in the previous chapter. Chapter two provides a review of literature on the finance challenges, skills challenges, other challenges, government efforts, policy framework and other private sector efforts. In particular, it provides an understanding of the finance and skills challenges faced by small businesses. The conceptual framework as it relates to the research is presented. Lastly, the development of the research problem is outlined.

2.2 Defining Entrepreneurship

Entrepreneurship scholars debated the concept of entrepreneurship on several perspectives. A historic standard definition of entrepreneurship revolved around two notions that is, owning and managing a business (Johannessen, Olsen & Lumplan, 2001). Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources and fundamental skill of building solid business plans and finally, the vision to recognize opportunity where others see chaos, contradiction and confusion (Kuratko, 2004).

Entrepreneurship has been recognised as an essential factor which contributes significantly to the well-being of the country's economy, and its contribution to alleviate poverty and create employment has been well recognised (Herrington, Kew, Kew & Monitor, 2010). Witbooi, Cupido and Ukpere (2011), explain that entrepreneurial activities around the world account for about 70% of the global GDP on average; however, in South Africa entrepreneurial activities contribute only 35% of the country's GDP, account for 97.5% of all businesses, contribute 43% of the total of salaries and wages paid out and employ 55% of all formal private sector employees in the country (Van Aardt & Bezuidenhout, 2014).

Scholars such as (Frederick, 2007; Johnson, Danis & Dollinger, 2008; Barringer, 2012; Moos, 2014; Hatten, 2015), have presented a wide range of definitions of the term entrepreneurship.

Within these works, typical questions that entrepreneurship researchers probe include (Stokes, Wilson & Mador, 2010);

1. *The people involved in entrepreneurship;*
2. *The environment within which entrepreneurship occurs;*
3. *Entrepreneurial behaviors displayed by entrepreneurs;*
4. *The creation of organizations by entrepreneurs;*
5. *Opportunities identified and exploited;*
6. *Innovation, whether incremental, radical and/or transformative; 7. Assuming risk, at personal, organizational and even societal levels and,*
8. *Adding value for the entrepreneur and society.*

The majority of authors in entrepreneurship have since acknowledged that there is no straightforward definition of entrepreneurship (Casson, 2005). Table 1.1 defines entrepreneurship according to different writers. These definitions all encompass around innovation, identifying an opportunity and therefore, making a profit from the opportunity.

Table 1.1: Definitions of Entrepreneurship

| REFERENCE | DEFINITION |
|----------------------------------|--|
| Timmons and Spinelli (2004) | Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced for the purpose of value creation and capture. |
| Frederick <i>et al.</i> , (2006) | Entrepreneurship is a process of innovation and new venture creation through four major dimensions –individual, organisational, environmental, process- that is aided by collaborative networks in government, education and institutions. |
| Dollinger (2008) | Entrepreneurship is the creation of innovative economic organisation (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty. |
| Venter <i>et al.</i> , (2008) | Entrepreneurship is the process of conceptualising, organising, launching and- through innovation- nurturing a business opportunity into a potentially high growth venture in a complex, unstable environment. |
| Nieman and Nieuwenhuizen (2009) | Entrepreneurship is the emergency and growth of new business. Entrepreneurship is also the process that causes change in the economic system through innovations of individuals who respond to opportunities in the market |

| | |
|--------------------------------|---|
| Kearney <i>et al.</i> , (2010) | Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risk and uncertainties and receiving the resultant rewards of monetary and personal satisfaction. |
| Barringer (2012) | Entrepreneurship is a process by which individuals pursue opportunities without regard to resources they currently control. |
| Spinelli (2012) | Entrepreneurship is defined as a broader, holistic way of thinking, reasoning and acting that is opportunity obsessed and leadership balanced |
| Hatten (2015) | Entrepreneurship refers to the emergence and growth of a new business |

Source: Moos (2014)

The entrepreneur therefore, is someone who discovers, exploits, evaluates opportunities and coordination of scarce resources to create future goods and services (Casson, 2005). According to Morris (1998) entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment.

Other important aspects of entrepreneurship as identified by (Nieman, 2006) are as follows;

- *Identifying an opportunity:* this means that there must a real business opportunity.
- *Innovation and creativity:* something new and different is required.
- *Getting resources:* capital, labour and operating equipment must be found.
- *Creating and growing a venture:* this refers to the starting of a new business venture or the conversion of an existing business.
- *Taking risk:* this means that there will be personal and financial risk involved for the person who embarks on the entrepreneurial process.
- *Being rewarded:* reward is an essential element of the free-market system. It can be in the form of profit or an increase in the value of the business.
- *Managing the business:* this means that there must be planning, organisation, leadership and control of all the functions in the business venture.

Timmons (2000), alludes that entrepreneurship is a process of creating or seizing an opportunity and pursuing it regardless of resources currently controlled by the entrepreneur. Entrepreneurs prefer to be in control of their business, but they can also be found in large corporations where they have freedom to build their own organisations in their own way with profit motives. These are referred to as intrapreneurs or corporate entrepreneurs (Pinchot, 1985).

The South African government realised the importance of developing entrepreneurship and small businesses in the National Development Plan. The 1995 White Paper on the Development of Small Business identified several constraints facing small businesses and therefore, indicates that SMMEs are an important vehicle to address the challenges of (a) Job creation, (b) economic growth and (c) equity/poverty alleviation in South Africa.

- (a) **Job creation:** microenterprises improve the average production of labour of the country at large by providing jobs for unemployed low-skilled employees who do not have adequate skills and knowledge to get jobs in large businesses (Berry *et al.*, 2002).
- (b) **Economic growth:** The success of SMMEs plays an important role in the economy by creating employment and thus contributing to economic growth. The significant contribution of these enterprises in economies is important to many countries as they play an essential role in creating employment (Levy & Powell, 2005).
- (c) **Equity/poverty alleviation:** In creating employment the SMMEs alleviate poverty within communities, therefore, reducing the number of families who suffer from the serious unemployment effects (Agupusi, 2007).

The phrases, *exploit* as well as *evaluate opportunities* usually translates the entrepreneurial intention to the act of creating a new venture (Spinelli & Adams, 2012). Coordination of scarce resources needs the entrepreneur to be an exceptional leader and organizer (Spinelli & Adams, 2012). Such qualities from the entrepreneur together with the necessary resources to exploit the identified opportunity will determine the success of a new venture. However, another element of entrepreneurship which is vital in the definition, is innovation. Entrepreneurship is the skills and innovativeness by which people take initiative to become involved in productive pursuits for achieving their objectives (Chowdhury, 2008).

Innovation is defined as the specific tool of entrepreneurship by which entrepreneurs exploit change as an opportunity for a different business or service (Van Aardt & Bezuidenhout, 2014). In essence, innovation has to address market needs and requires entrepreneurship if it is to achieve commercial success (Teece, 2010). Therefore, innovation and entrepreneurship complement each other because innovation is the source of entrepreneurship and entrepreneurship allows innovation to flourish and helps to realize its economic value (Orchard, 2015). Considering the aspect of innovation, entrepreneurship may now be viewed as what

happens at the node of history and technology (Spinelli & Adams, 2012). History is the arranged record of what has occurred in ancient times and technology constitutes of ways to understand the future (Acs, 2007). This may bring about two further perceptions in the understanding of entrepreneurship namely:

- i. The standard of technical knowledge: It consists of codified language and knowledge.
- ii. The technology opportunity set: It consists of all the opportunities that are unexploited.

Therefore, investments in new information increase the technology opportunity set and sharpens out ability for prospective entrepreneurs to gaze into the future (Acs, 2007). Consequently, for the purposes of this study entrepreneurship may be defined as:

The emergency and growth of a new business. It involves a person who sees an opportunity in the market, gathers resources, creates and grows a business venture to meet these needs. He/she takes the risk of the venture and is rewarded with profit if it succeeds (Nieman & Nieuwenhuizen, 2009).

2.3 The Entrepreneurial Process

The process of pursuing a new venture is embodied in the entrepreneurial process, therefore, it is important to understand the stages which a prospective entrepreneur goes through before being an entrepreneur (Venter *et al.*, 2015). Chakuzira (2019), identified four different steps in the entrepreneurial process in which the entrepreneur creates a new venture, as shown in Figure 2.1;



Figure 2.1: The Entrepreneurial Process

Source: Chakuzira (2019)

The multiple conceptualisations of entrepreneurship relate to different stages which the entrepreneur might have gone through prior to the establishment of the business (Stevenson & Jarillo, 2007). The stages as illustrated include, identifying and evaluating the opportunity, developing a business plan, determining the resources required, and consequently starting and

managing the enterprise. Hence it is important to understand that these stages form the key concepts in the definition of entrepreneurship which was defined by (Nieman & Nieuwenhuizen, 2009) as the emergency and growth of new business involving a person who sees an opportunity in the market, gathers resources, creates and grows a business venture to meet these needs.

Hisrich, Peters and Shepherd (2005) indicated that the entrepreneur has to follow a certain process to find, evaluate, and develop an opportunity. These authors referred to this as the entrepreneurial process in which they distinguished six phases which are;

Step 1: Idea generation

Step 2: Opportunity evaluation

Step 3: Business plan development (Planning the venture)

Step 4: Determination of required resources

Step 5: Formation and management of business enterprise

Step 6: Growth and harvest

It is natural to think of the early stages as occurring sequentially, however, they are proceeding in parallel (Morrison, 2018). This simply means some of the stages occur at the same time (Morrison, 2018). Gielnik, Zacher & Schmitt (2017) add that as a small business owner is evaluating a business opportunity, they are most likely at least forming a hypothesis of a business strategy. As the small business owner is testing the hypothesis they are also likely to be beginning to execute the first steps of their marketing plan and possibly the sales strategy as well (Van Aardt & Bezuidenhout, 2014). In the growth phase the small business owner continues to refine their basic idea, as they get feedback from operating the business, they also re-evaluate the opportunity as to whether it is still profitable and consequently revise their business plan.

Venter *et al.*, (2015) also suggests that there are six process components observed by scholars as being commonly shared by small business entrepreneurs which include:

1. *Locate business opportunities;*
2. *Accumulate resources;*

3. *Market products and services;*
4. *Produce products;*
5. *Build organisations; and*
6. *Respond to government and society.*

Table 2.2 includes research that has been conducted in respect of the skills drawn upon during the entrepreneurial process. The table is not comprehensive but indicative of a wide range of “skills” that purportedly are associated with entrepreneurship and innovation.

Table 2.2: Skills drawn upon during the entrepreneurial process

| BEHAVIOUR /SKILLS | EXPERT TERM | RESEARCH SOURCE |
|---|---|-------------------------------------|
| Ability to endure and cope with difficulties | Resilience | Shapiro (1975) |
| Able to grow and sustain the enterprise | Strategic competence | Reynolds and White (1997) |
| Recognition of opportunity and ability to work out the means-end framework | Alertness; counterfactual thinking | Baron (2000) |
| Ability to garner necessary material resources | Resourcefulness | Rowe (2001) |
| Ability to convince others of value of opportunity | Persuasiveness; social skill; leadership; | Jack and Anderson (2002) |
| Recognition of social need/ market need. | Social/market knowledge, Prior knowledge, Resourcefulness | Ardichvili, Cardozo, and Ray (2003) |
| Ability to overcome institutional and other constraints | Political astuteness | Baron and Markman (2003) |
| Ability to differentiate amongst opportunities/information | Judgement | (Gaglio, 2004) |
| Ability to manage risk and shoulder responsibilities in conditions of uncertainty | Risk-propensity; responsibility | Miner and Raju (2004) |

| | | |
|---|--|--|
| Self-believe, self-awareness and ability exert influence and create change | Self-efficacy | Markman and Baron (2007) |
| Ability to manage other people | Interpersonal skill; leadership | Baron <i>et al.</i> , (2007) |
| Able to go the distance, energetic, motivation and effort expended | Commitment, stamina, energy, effort, motivation, achievement motivation, passion | Baron <i>et al.</i> , (2007) |
| Able to apply appropriate skills associated with different stages of business and drive its development forward | Multi-skilled: flexibility; dynamic capabilities | Zahra, Gedajlovic, Neubaum, and Shulman (2009) |
| Decision-making capability | Decision making; problem formulation and diagnostic skills | Schenkel, Matthews, and Ford (2009) |
| Trust in own judgement; trusting | Self-confidence; trust; overconfidence | Chell (2013) |
| Networking and social embedding | Social competence; networking capability | Chell (2013) |
| Ability to learn the “rules” and make the right move at the right time | Social learning; adeptness | Chell (2013) |
| Ability to develop an idea as commercial opportunity, applying the appropriate resources; ability to plan and think ahead | Business acumen; business planning | Chell (2013) |

Source: Chell (2013)

2.4 Defining a Small Business

Scaborough and Zimmerer (2003) state that there is no universal definition of a “small business” yet. The issue of what constitutes a small or medium enterprise is a major concern in literature. Different authors have usually given different definitions to this category of business. The definition of firms by size varies among researchers. Egbuogu (2003) notes that definitions of a small business varies both among countries and continents. Storey (2016) corroborates by stating there is no single, uniformly acceptable definition of a small business. The major criteria used in

defining small businesses include combinations of the following: number of employees, financial strength, sales value, relative size, initial capital outlay and types of industry (Osotimehin, Jegede, Akinlabi & Olajide, 2012). Some authors attempt to use the capital assets while others use skill of labour and turnover level, while others define small businesses in terms of legal status and method of production (Abor & Quartey, 2010).

In other developed countries such as the United States of America, Britain and Canada, small businesses are defined in terms of annual turnover and number of paid employees (Osotimehin *et al.*, 2012). In Britain for example a small business is defined as a business that has an annual turnover of 2 million pounds or less with fewer than 200 paid employees. A common definition of a small business is one that employs fewer than 100 people. The National Small Business Act 102 of 1996 (as amended) Department of Trade and Industry (2003:8) offers an official definition of small business in South Africa based on two notions which are qualitative and quantitative:

In terms of the qualitative criteria, which relate to the ownership structure of the business:

- must be a separate and distinct business entity
- cannot be part of a group of companies
- must include subsidiaries and branches, if applicable when measuring the size
- should be managed by its owners
- can be a natural person, sole proprietorship, partnership or a legal person such as a close corporation or company.

In terms of quantitative criteria, it is presented in the Schedule to the Act and classifies businesses into micro, very small, small and medium using the following criteria in respect of the different sectors of the economy:

- total full-time paid employees;
- total annual turnover; and
- total gross asset value (excluding fixed assets).

Table 2.3 depicts the particular parameters in respect of each of these criteria;

Table 2.3: Classification of Small businesses

| CATEGORY | FEATURES |
|----------|----------|
|----------|----------|

| | |
|------------|---|
| Micro | <ul style="list-style-type: none"> • 1-5 employees, mostly family • Owner managed • No licence needed. Labour legislation needed. • Formal business premises • Informal business • 1-5 years of existence • Basic skills and training • Turnover below the R300,000 VAT registration level |
| Very small | <ul style="list-style-type: none"> • Less than 10 employees • Includes self-employed craftsmen • Managed by owner • Basic management structure • Part of the informal economy • 5 years and above of existence • Annual income below the R300, 000 VAT registration level. • Semi-skilled and unskilled employees |
| Small | <ul style="list-style-type: none"> • Less than 100 employees • Owner managed • Semi-complex management structure • More established than very small enterprises • Skilled and unskilled personnel • Semi-formal • Fixed and formal business premises • Annual income above the R300,000 VAT registration level • Less than 10 years of existence |
| Medium | <ul style="list-style-type: none"> • Up to 200 employees • Still managed by owner • Decentralized management structure • Division of labour/skilled employees • Follows all legal/formal requirements • Fixed and formal business premises • Above R1,000,000 annual income • Above 10 years of existence |

Source: Small Business Development (SBD, 2005) Micro businesses: As depicted by Table 2.3, micro businesses which employ 1 to 5 employees and mostly family employees. These types

of businesses are owner managed and no licence needed nor is labour legislation required. They are also characterised with formal business premises and at times some of these businesses fall in the informal business sector. Such businesses will be also in existence from 1 to 5 years; operated by employees possessing basic skills and training and have a turnover below the R300,000 Value Added Tax (VAT) registration level.

Very small businesses: These types of business employ less than 10 employees; includes selfemployed craftsmen and are managed by the owner. They are operated by the basic management structure and are part of the informal economy. Also, these businesses are characterised by 5 years and above of existence, with an annual income below the R300, 000 VAT registration level, and operated by semi-skilled and unskilled employees.

Small businesses: These forms of businesses employ less than 100 employees, are owner managed and operated with a semi-complex management structure. They are more established in contrast to very small enterprises. Skilled and unskilled personnel are employed in such businesses. They are semi-formal operated at fixed and formal business premises with an annual income above the R300,000 VAT registration level. These businesses should have been in existence for less than 10 years to be classified under this category.

Medium businesses: These businesses employ up to 200 employees. They are managed by the owner, guided by a decentralized management structure. The personnel comprises of division of labour/skilled employees, following all legal/formal requirements and operated on fixed and formal businesses premises. These businesses attain an annual income that is above R1,000,000 and above 10 years of existence.

Hatten (2015) highlight that most researchers and academics will consider a business to be small if it;

- is independently owned, operated and financed i.e. one or very few people manage it without a formalised management structure;
- has a relatively small share of the marketplace or relatively little impact on its industry; and □ is independent and does not form part of large enterprise.

Wickham (2001), highlights that it is important to distinguish between small businesses and entrepreneurial ventures as both are critical to the performance of the economy but serve different economic functions. They both;

- pursue and create new opportunities differently;
- fulfil the ambitions of their founders and managers in different ways; and □ present different challenges to economic policy makers.

2.5 Trends in Small Business Entrepreneurship

Entrepreneurship has been described globally as the backbone of several booming economies in the world. Audretsch, Grilo, and Thurik (2007) noted that entrepreneurship brings employment creation, a solution to social issues, flexibility, a wide variety of opportunities and increased income. Therefore, efforts to promote entrepreneurship should focus on solutions to local challenges (Zahra *et al.*, 2009). On the other hand, it was only in the last two decades of the twentieth century that any considerable attention was paid by academia to the role of higher education in the creation of SB entrepreneurs (Hills & Welsch, 1986; Scott & Twomey, 1988). Hence, it is important to understand the challenges faced by small business owners.

2.5.1 Small Business Entrepreneurship in Africa

Currently it is estimated that there are 1.1 billion Small Business (SB) entrepreneurs in Africa, which is the size of China (Biola, 2016). This suggests that SB entrepreneurship can be the future driver of industrial entrepreneurial narrative in this continent. Given the sheer numbers and susceptibility to fail, one may argue that making sure that Small and Medium size Enterprises (SMEs) are self-sustaining is important, hence the right step would be to ensure economic sustainability (Lose & Tengeh, 2015). To do this, there is a need for a more responsive education programme and a change in the socialisation structures which entrepreneurs grow up under (Kamau, Njihia & Wausi, 2016).

According to Gwija, Eresia-Eke and Iwu (2014), lack of skill is considered to be the main threat to entrepreneurship in Africa, as exposure to the necessary critical knowledge and experience to do business may not have been acquired as yet. Entrepreneurs often lack mentorship, which includes acquiring important soft skills, i.e. time management, corporate professionalism and management skills training (Gwija *et al.*, 2014). SB entrepreneurs are usually not in interaction

with other entrepreneurs which could increase their ability to collaborate and network, thus improving their ability to find more opportunities, had they been exposed (Gwija *et al.*, 2014).

It is critical at this point to mention that with pandemic unemployment in Africa, it is even more crucial for young female entrepreneurs, to venture into entrepreneurship, as they are disadvantaged in the labour market because of the perception between being employed and raising a family (Okojie, 2003). Most importantly, it is worth noting that SB entrepreneurs in Africa are dependent on their families, There is therefore, a phenomenon of prolonged dependency being experienced in Africa (Awogbenle & Iwuamadi, 2010).

2.5.2 Entrepreneurship in Southern Africa

Small Businesses Entrepreneurs in Southern Africa perceive their lack of skill to be a contributing factor for their failure in entrepreneurship (Uzoma Aja-Okorie & Onele Adali, 2013). Added to this, they recognise their lack of capital, skills, support and market opportunities as critical (Audretsch *et al.*, 2007). Lack of skill is a significant barrier to SB entrepreneurship in Southern Africa. Therefore, there is need to put in place mechanisms to fast-track SB entrepreneurial skills and abilities, whilst improving their environment to become successful business.

2.5.2.1 Small Business Entrepreneurship in South Africa

The SMME sector has been promoted since 1995 in order to meet the national economic growth objective Business Enterprise Entrepreneur Support (BEES, 2005). BEES (2005) argues that despite the ongoing government initiatives such as the development of SEDA, the situation of most small businesses remains highly problematic. In South Africa entrepreneurship has received a considerable focus after the establishment of National Youth Development Agency in 2008 (Nieman & Nieuwenhuizen, 2009). Paradoxically, with such programmes in place, unemployment levels are still rising in South Africa. It is worth noting that many young people face a bleak future given the number of graduates who are unemployed. The most ambitious amongst the small business entrepreneurs look to start their own business as a way of keeping their heads above water. Such enthusiasm seems to be experienced among SB entrepreneurs in South Africa.

Social barriers are a serious obstacle to SB entrepreneurship in South Africa (Fatoki, 2010). There is also a skills gap that this research seeks to prove. Due to lack of skills, SB entrepreneurs usually do not have experience, adequate knowledge and necessary networks. The combination of these two barriers, specific to SB entrepreneurship is referred to as a socio-skill barrier. The existence, of such gap is explored by this research. With all these problems faced by SB in South Africa, it is the responsibility of the government and all stakeholders in both the private and public sector to work together to change the environment for SB entrepreneurship.

As SB entrepreneurs struggle for economic freedom, they have to work hard and be willing to accept assistance when it is provided. Assistance will manifest through adequate policy formulation and, more importantly, implementation thereof (Biola, 2016). The Department of Trade and Industry (DTI, 2013) argues that the promotion of entrepreneurship and small business remains an important priority of the government of South Africa. The government therefore, has to protect citizens by ensuring that physiological needs, safety needs and social needs are met whilst they promote and develop the economy. Thus, it begins with the government creating an adequate environment for SB enhancement.

2.6 Funding Challenges faced by small businesses.

Small businesses are not spared from the global economic financial turmoil which periodically occurs worldwide and therefore, they must adjust their financial needs to accommodate such dynamic phenomena (Agwa-Ejon & Mbohwa, 2015). In order to succeed and prosper small businesses need to establish a sound financial management function hence, it becomes vital to investigate the financial challenges these small businesses are experiencing. Therefore, the various funding challenges faced by small businesses are discussed in the next section.

2.6.1 Lack of access to external finance

Access to financial capital plays a critical role in the enhancement of entrepreneurship (Baron & Markman, 2000). Lack of short, medium and long term capital, inadequate access to financial resources and credit facilities affect the growth of micro and small scale enterprises (Osotimehin

et al., 2012). Inadequate sources and supply of funds have been a major setback to the realisation of many brilliant business ideas and outward expansion of existing business (Oppong, Owiredu & Churchill, 2014). Traditional external sources of capital can include banks, friends, family, credit cards and so forth (Alvarez & Barney, 2014). However, these sources of finance are often not available in abject poverty, therefore, most small businesses turn to banks and micro financiers as friends and family are often impoverished as the entrepreneur (Storey, 2016). In abject poverty, individuals will not be having a credit history comparable with the one used in developed countries to qualify for credit cards and bank loans (Alvarez & Barney, 2014).

Most of the small business owners fail to get external funds due to absence of tangible security and credit in the market. Cook and Nixson (2000) observe that, notwithstanding the recognition of the role of small businesses in the development process in many countries, small business development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs in order for the enterprise to be sustainable. A World Bank study found that about 90% of small businesses surveyed stated that credit was a major constraint to new investment (Abor & Quartey, 2010). Another survey by Jasra, Hunjra, Rehman, Azam and Khan (2011) found that there is limited access to financial resources available to smaller businesses compared to larger businesses and the consequences for their growth and development.

Lack of access to external financing is considered a major challenge to the growth of small businesses, and it has accounted for high rates of failure among small businesses. The procedure to access the loan facility is too time-consuming that its delay often disappoints small business owners (Saxena, 2012). According to Shah, Nazir, Zaman and Shabir (2013) financial institutions behave more cautiously when providing loans to small businesses, which are usually charged comparatively high interest rates, high collateral and loan guarantees. The rejection rate for bank loans in South Africa is high with only 25% likely to be successful (out of 84.4% applied) and out of 25% successful applications, 85% of applicants accepted the loan but only 18% finally got the loan (National Credit Regulator, 2011). According to the World Bank (2013), in Southern Africa the existing small businesses viewed limited access to finance as the top constraint (29.1% of respondents), followed by crime and corruption. Krasniqi (2007) indicates that loan policies and collateral requirements discourage firms from obtaining loans from banks. Berger and Udell (1998) and Galindo, Schiantarelli & Weiss (2005) indicate that in both developing and developed

countries, small firms have less access to external financing, which restraints small firms in their operations and growth compared to large firms. Another study by Beck and Demirguc-Kunt (2006) shows that developing countries have evidence of small businesses facing greater financial obstacles than larger firms. Rocha, Farazi, Khouri and Pearce (2011) corroborates by stating that the most binding constraint on small business growth is access to financing, while other obstacles appear to matter much less.

Major difficulties faced by small business owners include the low level of purchasing power of consumers (for example in small communities) which results in insufficient sales volumes, lack of finance to start business, reduced profits due to competition, pricing of goods and services (Tessema Gerba, 2012). These challenges make it difficult to raise money through loans. More often than not, small business owners have inadequate recognised forms of collateral such as physical assets to offer, so they are often excluded from traditional financial market (Oviawe, 2010). This issue of collateral is vital for small businesses, as they rarely own sufficient fixed assets to qualify for bank loans. Cash flow problems can be exhausted when small business owners invest heavily in start-up equipment (Bhidé, 2003). Private equity and access to debt, is also difficult to access for most of the small business owners, as they are mostly involved in lowvalue income activities, found to not be enough even for survival at times (Biola, 2016). Hence due to the difficulties in accessing external finance, (Klein, 2014) suggests that most entrepreneurs start their business with their savings and loans from friends and family. Bank loans are an important source of funding for small businesses, however, this has proved to be a hurdle too mountainous for small business owners to climb (Lappalainen & Niskanen, 2013). A cursory analysis of survey and research results of small businesses in South Africa, for instance, reveals common reactions from small businesses owners interviewed. When asked what they perceive as constraints in their businesses and especially in establishing or expanding their businesses, they answered that access to funds is a major constraint (Abor & Quartey, 2010). This view is also reflected in perception questions answered by small businesses owners in many surveys (Graham & Quattara, 1996; Rwigema & Karungu, 1999).

Mwobobia (2012) argues the financial difficulties confronting entrepreneurs in developing countries such as South Africa, are a serious challenge to enhancing small businesses. Adisa, Abdulraheem and Mordi (2014) corroborate that most entrepreneur's business ideas are aborted before they are implemented due to lack of funding. Other research material suggests that the

lack of funding is connected to very rigid financial policies that banks and other financial institutions make use of. These policies rank collateral as the major requirement for small business owners to poses when applying for funding, therefore, making small business experience what is called “financial illusion”, thus small businesses are excluded from applying for loans as they do not have the collateral needed for one not to be considered a financial risk (Kennedy, Tennent & Gibson, 2006; Mambula, 2002; Moses & Adebisi, 2013). A large portion of small businesses does not have access to adequate and appropriate forms of credit and equity or financial services more generally (Abor & Quartey, 2010).

The difficulty in raising capital through equity, leads to dependence on small money lenders for loans. Small money lenders charge discriminating interest rates that present a mountainous challenge to small business owners (Cole, Goldberg & White, 2004). In competing for the corporate market, formal lending institutions have structured their products to serve the needs of large corporations hence making it difficult for small businesses to be able to match the requirements (Freeman, 2010). In South Africa, typical hindrances towards small businesses obtaining finance include: inadequate collateral on the part of the entrepreneur and a lack of credit history (Financial Services Regulatory Task Group, 2007). Financial products should be customised to the needs and capabilities of the small business sector (Moos, 2014). Khavul (2010) states that microfinance loans, typically small unsecured loans to individuals and groups for the purpose of starting a business, are the development solution to a lack of entrepreneurial capital. Microfinance institutions often combine traditional lending practices with strong social and cultural controls (Bornstein, 1996). For example it is not unusual for those seeking to obtain capital from microfinance bank to be recommended to the bank by a family member or a friend (Anderson, Locker & Nugent, 2002).

2.6.2 Lack of expertise to handle finance and record keeping

Certain skills are required when handling finance which is a vital resource in a business (Jill Collis & Hussey, 2013). Record keeping is particularly important to the integrity of the business (Osotimehin *et al.*, 2012). According to Ishak, Omar and Ahmad (2012); (Yusuf 1997) research has confirmed that financial management is one of the biggest problems confronting small businesses. Thus, some of the small business owners do not have the necessary skills and expertise of how to handle finance within their enterprise. Poor record keeping and lack of information management are very pronounced among small businesses (Adisa *et al.*, 2014).

These phenomena undoubtedly pose many challenges to the success of small business.

The overwhelming majority of small business owners do not prioritise record keeping, and very few that keep records do not do it professionally. It is surprising that some small business owners think that keeping records is not necessary (Adisa *et al.*, 2014). Financial statements are difficult to maintain when running a small business, for example having to conform to stringent tax laws and regulations (Brigham, Ehrhardt, Nason & Gessaroli, 2016). However, it has been argued that for small business to operate successfully, entrepreneurs need to properly manage their business, keep up-to-date records of their business affairs including finances, documents and store the business financial records (Ejemobi, 2013). Morrison, Rimmington and Williams (1999) state that a number of entrepreneurial ventures do not pay much attention to efficiency and financial education.

2.6.3 Lack of knowledge on how to apply for funding

The inability to produce an acceptable business plan, poor market research, the absence of a viable business ideas and lack of access to vibrant markets are other challenges faced by small businesses in South Africa according to The Global Entrepreneurship Monitor (GEM, 2014) . Chimucheka and Rungani (2011), also support that non-viable business ideas also result in the rejection of loan applications to financial institutions. Difficulties in accessing investment capital may also arise from SMME owner's lack of understanding of loan application procedures, or a private lending institutions bias against small businesses due to relatively high costs of administering relatively small loans (Bannock, 2002). Wright and Robbie (1998) corroborates that a lack of skills or training may reduce an entrepreneur's understanding of, and ability to complete the application process for loans or tenders. Owners of small businesses frequently lack the ability to present a convincing business plan to lending institutions, and lending institutions are often biased against financing small businesses.

A large number of small businesses are also excluded from accessing financial support due to being informal, thus not being a registered business (Agwa-Ejon & Mbohwa, 2015). Banks are not set up to deal with small loans , this may add further complications to the formal small businesses (Stiglitz, 1993). In comparison of small businesses to large business only 59% of SMEs had any credit products compared to 82% of large firms (Burns, 2016). Small business

owners are not knowledgeable about the steps that one needs to take when approaching financial institutions like banks for funding (Fraser, Bhaumik & Wright, 2015).

2.6.4 Inability to distinguish business capital from personal funds

Small business owners have a serious challenge of failing to distinguish between their business funds and personal funds. Hence, they use one account for both business and personal purposes. As a result most small business owners do not have proper accounting system which is threatening to their business performance and survival (Onaolapo, Fasina, Opoola & Olatunji, 2011). The inability to distinguish working capital from money meant for personal use is a serious challenge staring at small business owners with the worst consequence of this challenge being the closure of the enterprise. These findings also align with Huang and Brown (1999) study about problems of small businesses, the study highlights that SB owners fail to distinguish between business funds and personal funds hence they end up using the wrong funds which leads to the business under performing thereby leading to closure of most of the enterprises.

2.7 Skills challenges faced by small businesses

There is considerable evidence that entrepreneurial ventures that lack the relevant entrepreneurial skills, technical skills, management experience, are inflexible and tend to fail (Lose & Tengeh, 2015). Despite numerous institutions providing training and advisory services, there is still a skills gap in the small business sector as a whole (Abor & Quartey, 2010). The skills challenges faced by small businesses are discussed in the next section.

2.7.1 Lack of adequate training and education

An inadequately trained workforce is a major business barrier for small businesses (Herrington, Kew & Kew, 2010). Carson and Gilmore (2000) argued that essential factors to the growth and success of small business are educated and skilled labour forces. Therefore, education and training play a crucial role in enabling small enterprises to cross the threshold to mature

businesses (Porter & Kramer, 2019). According to Sperling (2017), firms with a skilled and well-educated workforce are bound to be more efficient and sustainable. As noted by Jensen, Johnson, Lorenz, Lundvall and Lundvall (2016) human resource capacities form one of the most significant areas for the success of small businesses. Chandler and McEvoy (2000) support this notion indicating that human resource capacities have a positive effect on the growth of small businesses, which increase employee skills, motivation, and eventually improve the productivity and long-term sustainability of small businesses. Similarly, Batra and Tan (2003), note that a well-educated and skilled workforce has more learning and innovative abilities.

Goldstein (1980) defined training as the systematic acquisition and development of the knowledge, skills and attitudes required by employees to adequately perform a task or job or to improve performance in the job environment. Onasanya (2005) defined training as a form of specialized education aimed at giving the trainee a particular or specialized knowledge, skill and attitude which one must possess to effectively perform in a given position. Over time, small businesses have been embarking on training and capacity building for their employees so as to enhance productivity and overall performance (Malaolu & Ogbuabor, 2013). This is due to the recognition of the important role of training and manpower development on employees' productivity and organizational performance. The training and capacity building initiatives also assist small businesses to gain some competitive advantages in the industry. Therefore, a lack of skills presents a serious problem for small businesses. The effect of training and manpower development on employees' productivity and organization performance has attracted considerable interest in the analytical and empirical literature (Malaolu & Ogbuabor, 2013).

Training has the distinct role in the achievement of an organizational goal by incorporating the interests of the small business and the workforce (Selznick, 2011). Leitch (2006) recommends investing in the literacy and numeracy skills of employees to improve their chances of employability, enhance productivity at company level and competitiveness internationally.

Employee training and manpower development are important since formal educational system does not provide adequate specific skills for a position in a particular small organisation (Malaolu & Ogbuabor, 2013). However, other individuals may have the requisite skills, knowledge, abilities and competencies needed for certain positions within these small businesses (Drucker, 2018). When the workforce is not adequately trained they will not be able to reach their full potential when executing their tasks hence achieving minimal results (Selznick, 2011). Training and manpower

development is vital for small businesses as it builds a team that is effective, efficient and well motivating, thereby enhancing the confidence and self-esteem of employees (Cannon & Edmondson, 2005).

The human capital theory states that training and education raises the productivity of workers by imparting useful knowledge and skills, therefore, raising workers' future income by increasing their lifetime earnings (Hong, Hao, Kumar, Ramendran & Kadiresan, 2012). Skills are not the same as abilities (Matthews, Jones & Chamberlain, 1992). Skills development and capacity building is very important for small businesses in order for them to survive (Aremu & Adeyemi, 2011). The application of appropriate skills produces proficiency at executing tasks, whereas abilities are similar to more general traits. However, skills tend to be taken for granted; once learnt they are discounted, undervalued and are largely ignored and they are not executed (Chell, 2013). An educated workforce performs their tasks in a more efficient and effective way hence they achieve better results. Lack of certain skills by the workforce may lead to a significant loss of customers which reduces the profitability of the business (Adisa *et al.*, 2014). DTI (2003) acknowledges that a shortage of skills and limited entrepreneurship capacity act as constraints to employment growth.

Mahola, Aderibigbe and Chimucheka (2019) argued that the entrepreneurship education in South Africa has a positive effect on entrepreneurial adoption, advancement and risk aversions. Mothibi and Malebana (2019) support this supposition acknowledging that the revision of curriculums being entrepreneurship oriented is imperative towards enhancing and boosting the entrepreneurial prospects of the South African entrepreneurial arena. Training and manpower development also create chances for the promotion of employees to replace those who have left the organization. The benefits of training and manpower development to small business sustainability are indeed innumerable. Therefore, small business owners or managers should have the necessary skills in order to operate sustainable enterprises.

2.7.2 Lack of managerial and entrepreneurial skills

Several studies have considered the management capacities of the top management team as key factors for small business growth. According to Fatoki and Garwe (2010), management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient. Singh, Garg and Deshmukh (2008) emphasize that management skills are necessary for small

businesses to survive and achieve growth. Ates, Garengo, Cocca and Bititci (2013) state that management skills are crucial for the growth of small businesses and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure. Growth patterns of small businesses are associated with their managerial capacities (Pasanen, 2007).

The lack of managerial know-how places significant constraints on small business development (Bouazza, Ardjouman & Abada, 2015). Even though small businesses tend to attract motivated managers they can hardly compete with larger firms. The scarcity of management talent has a magnified impact on small businesses (Abor & Quartey, 2010). Formal education is one way of acquiring management skills (Noe, Hollenbeck, Gerhart & Wright, 2019). Skills are multidimensional constructs which comprise the cognitive which is knowledge and what is learnt; the affective which is expression and what is experienced felt; the behaviour which is action at strategic, tactical and personal levels and lastly the context which is the sectoral, occupational, job and tasks levels, including the breadth, the demands and the inherent responsibilities (Chell, 2013). Didonet, Simmons, Díaz-Villavicencio and Palmer (2012) define managerial skills as a set of complementary skills that are integrated and possessed by the business owner. These are administrative ability, persuasiveness, fluency in speaking, creativity, diplomacy and conceptual skills.

Analoui (1995) argues that people-related skills are crucial in small businesses because small business interact directly with their customers. Therefore, increased skills training may also improve an entrepreneur's ability to overcome many constraints that small business owners encounter. A small business owner's lack of knowledge or management skills, or inability to multitask, and not competing products, may cause business failure (Clover & Darroch, 2005). Once a small business has started up, access to expansion or working capital may be restricted by an entrepreneurs ability to understand private sector loan financing schemes, weak organizational arrangements, overly complex application procedures and private lending institutions bias against financing small businesses (Welter & Smallbone, 2011). The lack of support services or their relatively higher unit cost can hamper small business efforts to improve their management, because consulting firms are often not equipped with appropriate cost-effective management solutions for small businesses (Abor & Quartey, 2010). This is a result of high cost of training and advisory services while others do not see the need to upgrade their management skills due to complacency (Abor & Quartey, 2010).

Competent entrepreneurs arguably are able to better develop and exploit perceived opportunities, develop more suitable strategies and as such are more likely to perform effectively (Mitchelmore & Rowley, 2010). The skills required by small business owners include problem solving, interpersonal communication, assertive conduct, decision making, and conflict resolution and negotiation skills. However, different small business owners have different personalized management styles. Walker, Radmond, Webster and LeClus (2007) argue that small business owners do not always employ a manager that is highly skilled in management because they will not be able to compensate them according to the current market rates. Markman and Baron (2007) make a case for further research in entrepreneurial competencies at the individual level. Management decisions in small businesses are made by the owner regardless of their skills in managing people but believe in the general way of conducting business activities (Carson & Gilmore, 2000). Xheneti and Bartlett (2012) argue that managerial skills have an important role in explaining differences in business performance.

Given the above literature review pertaining lack of managerial skills, past studies have shown that lack of managerial skills is impeding the affluence of businesses. However, the studies focus mainly on micro causes forgoing the macro aspects that causes the lack of managerial skills among small businesses and the probable actionable corrective strategies. This study addresses the gap.

2.7.3 Lack of adequately motivated and shortage of workforce

The DTI (2003) found that the majority of South Africa's SMMEs rarely survive beyond their nascent phases, lasting for an average of less than 3.5 years. This is mainly attributed by inadequate workforces. Small businesses do not have the resources to foot a high wage bill hence most entities are bound to operate whilst short staffed. Most small businesses operate with normally below the average number of staff they are supposed to have in order for the business to operate effectively and efficiently (Drucker, 2016).

Osabiya (2015), states that motivation is concerned with why people behave in a certain way and it generally means the direction and determination of action. People are an organization's most

valuable asset and that is especially true in relatively low-tech small businesses that are not labour intensive (Pathirage, Amaratunga, & Haigh, 2007). The success of any small business can almost be traced to motivated employees (Osabiya, 2015). This is especially true and important in today's turbulent and often chaotic environment where the commercial success depends on employees using their full talents (Osabiya, 2015). The ability to attract, retain and develop talented employees is a key feature of a successful business (Noe *et al.*, 2017).

Unlike physical assets, people have their own individual needs which must be met and habits which must be managed if they are to contribute to organizational growth and development (Drucker, 2012). Some employees bring their own perspectives, values and attributes to organizational life, thus when managed effectively these employees bring considerable benefits to the organization (Mullins, 1999). However, when managed poorly employees have the potential to severely limit organizational growth and threaten the viability of a business.

Employees are the core of any business and their presence and contribution is very important in such a way that they determine the sustainability of the company. A company may have a good manager, a good vision and excellent goals, however, if it neglects its employees, that company is practically in turmoil (Osabiya, 2015). Employees that are unsatisfied produce unsatisfactory results, which leads to the business not performing well. Therefore, it is very vital for top management to always satisfy their employees in their jobs; when they are satisfied; they strive for the company's goals and aim therefore, achieving the business's set goals (Armstrong, 2006).

The success of any business lies with the management's ability to provide a motivating environment for their employees and it remains a challenge for managers to keep staff motivated and performing well in the workplace (Markos & Sridevi, 2010). Huy (2011) corroborates this by explaining that the manager needs to know the behaviour of each employee and what might motivate each one individually. Therefore, by understanding employee's needs, managers can understand what rewards to use to motivate them. The goal of most companies is to benefit from positive employee behaviour in the workplace by promoting a win-win situation for both the company and workers (Osabiya, 2015).

2.7.4 Labour laws and International Labour Organisation (ILO)

South Africa's labour laws have been found to be a significant regulatory obstacle to business growth, particularly when it comes to laying off employees (OECD, 2015). Bannock (2002) adds that the success of labour brokers in South Africa is evidence of a complex labour regulatory system. Small business owners often perceive that South African labour legislation is overly complex and favourably biased toward businesses with less labour relative to capital employed (Clover & Darroch, 2005). Specific aspects of South African Labour legislation are imposing either financial or administrative constraints on small business operations. These include paying a skills levy and managing employee's Unemployment Insurance Fund (UIF) payments (Clover & Darroch, 2005). Small business owners also highlight that government legislated Value Added Tax (VAT) imposes a disproportionate burden on smaller businesses in South Africa (Smulders, Sitglingh, Franzen & Fletcher, 2012).

Small business owners have found that once they have employed workers, the law makes it difficult to lay the workers off if the business can no longer afford to keep them or if they prove to be unproductive. Labour laws do not provide for cyclical downswings in small businesses. Therefore, such small businesses tend to be subject to relatively high labour costs, which in South Africa is the result of labour laws which were well intentioned to benefit workers. South Africa has relatively high minimum wages, however, these are proving costly for small businesses, particularly at their start up stage (GED, 2013). With small businesses finding it costly even to hire unskilled and semi-skilled workers, this adds to the hindrance of small business growth. Small business owners find it harder to hire skilled workers hence they tend to hire unskilled workers (Aja-Okorie & Adali, 2013).

The International Labour Organisation (ILO) has a department in South Africa, The Small and Medium Enterprises Unit which seeks to unlock the potential of creating more and better jobs in small businesses, a sector they consider the bulk of employment in South Africa is being provided (Chen, 2012). ILO has a mandate to of building entrepreneurship and management especially that of SMMEs. The ILO has a five product line which seeks to enhance the small businesses, these are Start and Improve Your Business (SIYB), Women's Entrepreneurship Development (WED), Value Chain Development, Evidence-based Policy Development- Enabling Environment for Sustainable Enterprises and lastly Sustaining Competitive and Responsible Enterprises (SCORE) (Valerio, Parton & Robb, 2014).

2.8 Other Challenges

Small businesses also encounter other challenges as they operate in different environments and these are discussed in detail in the subsequent sections.

2.8.1 Competition

Chesbrough (2010) identified competition as one of the major hindrances to the growth of small businesses. Small businesses face severe competition from large sized organizations and urban entrepreneurs (Storey, 2016). Small businesses incur high costs of production due to high input costs which are a result of lack of economies of scale. Major problems faced by marketers are the problem of standardization and competition from large scale units (Adejimola & Olufunmilayo, 2009). Competition from large scale units also make it difficult for small businesses to survive. When firms in a market are sharing a common product; do not differ in terms of human capital or any other factors and do not require specific capabilities there are limited barriers to entry and imitation of goods and services becomes easy (Alvarez & Barney, 2014). Micro financiers also play an important role in encouraging small businesses to open firms that imitate other firms within the same market as these markets may be well known to be profitable therefore, making competition stiff and lowering their risk of a failed investment (loan).

When there are no barriers to entry and little to no inter-firm differences in a market, economic wealth is eliminated (Alvarez & Barney, 2014). In other words, microfinance loans enable virtually anyone to enter the market through the formation of an easily imitable business (Alvarez & Barney, 2014). Therefore, when barriers to entry are eliminated and easily imitated opportunities are exploited, supply begins to exceed demand, causing profits to decrease and thus limiting or eliminating wealth creation possibilities. In developed economies small business entrepreneurs would have other opportunities available to them after the initial ones fail however, in abject poverty entrepreneurs do not have alternative opportunities to exploit therefore, they have microfinance debt to repay (Alvarez & Barney, 2014). Small businesses have limited financial resources and hence cannot afford to spend more on such activities as sales promotion, marketing and branding that large businesses can afford (Johanson & Mattsson, 2015). Small businesses are faced with greater external competition and the need to expand market share.

However, small businesses have limited international marketing experience, poor quality control, product standardisation, and little access to international partners, these challenges continue to impede small business expansion into the international market (Aryeetey & Aryeetey, 1998). Small businesses also lack the necessary information about foreign markets on how to penetrate them profitably (Abor & Quartey, 2010).

Constraints to new entrants in the SMME sector should be unblocked through the provision of adequate support to ensure that small businesses survive the harsh introduction to the stiff competition of big business in the mainstream economy (Legodi & Kanjere, 2015). Zodwa (2019) indicated that competition in South Africa is stiff in a manner that is resulting the increased failure rate of small businesses. Zodwa (2019) adds that not being able to invest back to the business due to financial constraints can reduce the growth rate of the business makes it even more difficult to compete with bigger companies that have access to more resources. Therefore, creating an appropriate environment for the establishment of small businesses will foster the promotion for self-sustaining small businesses.

2.8.2 Lack of technical skills

Information technology (IT) is very common among small business owners, but usually they lack skills to take advantage of such technological advancements (Uzoma Aja-Okorie & Onele Adali, 2013). Drucker (2012) noted that new technologies improve efficiency, enable greater production, and are a source of profit for small businesses. According to Teece (2010) technological capabilities benefit small businesses in several ways: They enhance small business efficiency, reduce costs, and broaden market share, both locally and globally. As noted by Kaplan and Haenlein (2010) a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. Romijn (2001); (Yusuf, 2003) point out that low technological capabilities hinder and discourage small businesses from fully reaching their potential. Countries with high levels of technological growth tend to have high levels of entrepreneurial growth.

Small businesses find it difficult to keep up with the latest information technology trends as they require large sums of investment (Laudon & Laudon, 2015). In terms of technology, small

businesses have difficulties in gaining access to appropriate technologies and information on available techniques to improve their daily operations (Lee & Lee, 2015). In most cases small businesses utilize foreign technologies and information with a scarce percentage of shared ownership or leasing. They usually acquire foreign licenses, because local patents are difficult to obtain (Abor & Quartey, 2010). However, the absence of antitrust legislation favours larger firms, while the lack of protection for property rights limits small businesses' access to foreign technologies (Quartey & Kayanula, 2000).

2.8.3 Networking

The intensity of family and personal relationships among small business owners can be helpful but they may also present obstacles to effective business relationships (Saxena, 2012). Small businesses rely on internal linkages that encourage the flow of goods, services, information and ideas that enhances their performance (Brunswicker & Vanhaverbeke, 2015). Small business owners who spend their time getting work done do not have the capacity to network to find more business (Storey, 2016). It is important to connect more small business owners to each other as this presents new opportunities, markets and new customers (Stark, 2015).

2.9 Small business policies

Many small businesses fail in spite of support from government and private initiatives (Cant & Wiid, 2013). Small businesses experience problems not only during economic downturns but also during economic progress (Kongolo, 2010). This section reviews the literature on small business policies in South Africa. It outlines the policies and their role in enhancing small businesses in emerging economies. Small business policies are designed to promote economic growth and development in a sustainable manner (Gilbert, Audretsch & McDougall, 2004). Small business policies are emerging as one of the most essential instruments for economic growth (Moos, 2014). The commitment of government in the small business sector is to ensure that small businesses progressively increase their contribution to growth and performance of the South African economy in critical areas, such as job creation, equity and access to markets (Legodi & Kanjere, 2015). Regulatory constraints pose serious challenges to small businesses and their development, however, a wide ranging structural reforms have led to some improvements, and prospects for enterprise development remain to be addressed at the firm-level (Abor & Quartey, 2010). The

high start-up costs for firms, including licensing and registration requirements, can impose excessive unnecessary burdens on small businesses.

B-BBEE stands for Broad-Based Black Economic Empowerment. It is based on the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) which contains a set of Codes of Good Practice and has sections about measuring ownership, management control, employment, skills development, preferential procurement, enterprise development, socio-economic development, and qualifying small enterprises. B-BBEE facilitates the management of economic activities and also ensuring an increased number of black individuals who own and run businesses (Akinsomi, Kola, Ndlovu & Motloug, 2016).

The National Small Business (NSB) Act of 1996 was promulgated as a replacement to the now repealed Small Business Act of 1981. It provides a guideline for organs of State to promote small businesses, and for measures on related matters. This Act provides for the establishment of the National Small Business Advisory Council (NSBAC) and Small Enterprise Development Agency (SEDA). The aim of the Act is to represent and promote the interests of small business in South Africa, as visualised in the National Strategy for the Development and Promotion of small, medium and micro enterprises (SMMEs). The SEDA is responsible for advancing the policies in support of small business to sustain and enhance competitiveness, and for designing and implementing development support projects that enhanced job creation, entrepreneurship and economic growth.

The National Small, Micro Medium Enterprise policy is aimed at developing and building a robust and sustainable policy environment that places SMMEs at the centre of accelerated economic growth and sustainable development (Moos, 2014).

2.10 Government Support Schemes

The South African government has made efforts in trying to support small businesses through various schemes and mechanisms in order to meet NDP targets (Mrwebi & Evbuomwan, 2015). Some of these specialised institutions and schemes are listed below but not limited to the following;

This support scheme does not aid startups but to small businesses that have been operating for more than one year. This grant offers up to a maximum of R1million. It aims at increasing the competitiveness and sustainability of small businesses. However, the conditions to qualify for the grant are that the business must be above 51% black owned. Secondly, the business must be registered with the CIPC (Companies and Intellectual Property Commission). Applicants should have a valid South African Revenue Service (SARS) tax clearance and Income Tax Returns (ITR) 14 SARS document. Lastly, it should have the minimum turnover specified by the scheme (DTI, 2005). The objectives of the scheme are as follows; to fast-track existing Small, Medium and Micro Enterprises (SMMEs) that exhibit good potential for growth into mainstream economy; to grow black-owned enterprises by fostering linkages between black SMMEs and corporate and public sector enterprises; to complement current affirmative procurement and outsourcing initiatives of corporate and public sector enterprises and to enhance the capacity of grant recipient enterprises to successfully compete for corporate and public sector tenders and outsourcing opportunities.

National Youth Development Agency (NYDA) was established to accommodate the needs of the youth in entrepreneurship. It deals with survivalist businesses, start-ups and growing businesses. This agency mostly deals with the youth between the age of 18 years and 35 years. Although it still gives grants, it mostly focuses on mentorship and development programmes for youth entrepreneurs (DTI, 2008). The agency was established primarily to tackle challenges that the nation's youth face. The NYDA was established by an Act of Parliament, Act no 54 of 2008. The existence of the NYDA should be located within the broad context of South Africa's development dynamics. The NYDA focuses on youth who have potential but limited access to resources. For youths to have access to the grants offered by the NYDA they have to participate in programmes designed through the National Youth Development Policy Framework (NYDPF) for at least 2 years (DTI, 2008). The NYDA plays a leading role in ensuring that all major stakeholders such as the government, private sector and civil society, prioritise youth development and contribute towards identifying and implementing long-lasting solutions that address youth development challenges.

Small Enterprise Development Agency (SEDA) was established after the passing of the National Small Business Amendment Act (Act 29 of 2004). It is mandated to implement government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government. This agency implements the government's small

business strategy by ensuring that all small businesses funded by the government follow an exclusive unique standard. An initiative of SEDA is SEDA Technology Programme (STP) which focuses on technology development in SMMEs (Khan, 2014). SEDAs mission is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.

Incubation Support Programme (ISP) seeks to nurture enterprises and groom them so that they become sustainable. These firms must possess innovative and creative ability to enable them to rejuvenate the community in which they operate (DTI, 2005). The importance of small business incubation was established in September 2012 by the Minister of Trade and Industry through the Incubation Support Programme (ISP). This program was set to be administered for a period of ten years and is set to end in March 2022. The aim of the program is to encourage private sector partnership with government to support business incubators in order to develop small, medium and micro enterprises and nurture these into sustainable enterprises that can create employment and contribute to economic growth (Cullen & Chandler, 2014). The incentive is provided in pursuit of ensuring that small businesses are eventually graduated into the mainstream economy through the dedicated support provided to the incubators. This creates successful enterprises with potential to revitalize communities and strengthen local and national economies. The then Minister of Trade and Industry Minister Davies said “This is one of the platforms that a country can use to promote broader economic participation, uplift the country’s entrepreneurial base and encourage start-up activities”(Cullen & Chandler, 2014).

According to the Minister the government of South Africa takes cognisance of the fact that growth of an entrepreneurial base and the sustainable development of Small businesses remains a determining factor and a key priority in fostering broadening participation in the economy. A program of this nature has both the envisaged potential of bringing a vast number of enterprises from the survivalist stage and informal economy into being main players in the mainstream economy. The target of the government was to have established 250 new incubators by 2015 under the ISP, the success of these incubates lies in good practice.

Business Process Services (BPS) this grant is geared toward the creation of employment for the youth as well as create more offshore businesses. However, the businesses viable for this grant

must be involved in business process activities (DTI, 2005). Other conditions include requirements for the least number of jobs it should have created after a specified period of time and have a high percentage of youth employed by the project. It must also follow the B-BBEE requirements (DTI, 2005). National Coordinating Office for Manufacturing Advisory Centers Namac Trust is one of the most successful agencies in the support of small business. It operates as a subsidiary agency of the DTI. It comes up with effective projects and solutions to problems faced by small businesses (DTI, 2005).

National Empowerment Fund (NEF) is one of the prominent arms of the DTI. It specializes in providing loans to threshold, start-up and already existing businesses aiming for growth. It has the distinctive role of supporting and upholding the Codes of Good Practice of the B-BBEE. It also aims to encourage more black economic participation and the promotion of investment and saving among black people (DTI, 2005). NEF comprises four different types of funding which are iMbewu Fund, Rural and Community Development Fund, uMnotho Fund and Strategic Projects Fund. Ntsika Enterprise Promotion Agency, this agency mostly renders services along the lines of research, management, marketing and other non-financial related support (DTI, 2015). Ntsika Enterprise offers programmes such as mentorship, access to technology, trainers of company training workforce, trade and investment development and materials development for small businesses (Mukumba, 2014). Ntsika also supports survivalists, micro sized and very small enterprises (Agwa-Ejon & Mbohwa, 2015).

The Organization for Economic Co-operation and Development (OECD) is an intergovernmental economic organisation established to stimulate economic progress and world trade, with membership of 36 countries. OECD has a firm mission of promoting policies that will improve the economic and social well-being of people around the world (Aguilera, Rupp, Williams & Ganapathi, 2007).

2.11 Private Sector Efforts and Social Partners

The private sector hosts other small businesses and large businesses. These businesses sometimes offer help to small businesses through various methods like mentoring, training and development (St-Jean & Audet, 2012). Hence these mechanisms also help small businesses in

becoming sustainable and profitable in the long run. However, the business environment may not be suitable for some of these initiatives hence the existence of the skills challenges, financial challenges and other challenges despite efforts to mitigate them (Boserup, Tan & Toulmin, 2013). The DTI (2013) argues that various key players in the South African Economy share the importance of investing in stimulating small business activity.

African Capacity Building Foundation (ACBF), this organisation is a subsidiary of the African Union, ACBF is the African Unions Specialized Agency for Capacity Development. ACBF assists governments, regional economic communities, civil society and individuals world-wide to facilitate the timely implementation of continental and national development agendas. The foundation also assists on decisive steps to develop the practical skills urgently required for the continents' economic transformation. ACBF works to build strategic partnerships, extend grants, offer technical support and provide access to relevant knowledge related to capacity building in Africa (Senik, Scott-Ladd, Entrekin & Adham, 2011).

The Presidential Job Summit was initiated in 2017, with the intention to create 100 000 jobs by the year 2018. This initiative formed twenty industry task teams which each had to establish a working plan on how to create 5000 jobs in each industry. The summit addressed issues in terms of skills development, SMME support, regulatory reforms, inclusive growth and transformation of SMMEs (Rogerson, 2018). The public and private sector all participated in the launch of the programme including organisations such as SEDA and SEFA.

2.12 Conclusion

This chapter presented the literature from previous studies starting with defining entrepreneurship and discussing the entrepreneurial process. The chapter then defined small businesses and explored trends in small businesses entrepreneurship in Africa and Southern Africa. The funding challenges faced by small businesses were reviewed. The chapter then discussed small business policies, government support schemes and concluded by discussing private sector efforts towards small business development. The subsequent chapter 3 focuses on the methodology that was adopted to answer the research objectives.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a detailed explanation of the research methodology that was employed by this study. It discusses the research approach that was used by the researcher to carry out this study and justifies the reasons of using such research approach in the realisation of the research objectives. This chapter clarifies the way in which the research problem was solved. It describes the population, sampling technique, data collection methods, the research design, research instruments and how the results were analysed.

3.2 Research Paradigm

A paradigm is a set of assumptions and perceptual orientations shared by members of a research community (Given, 2008). This study made use of the interpretivist paradigm in order to understand the skills and financial challenges faced by small businesses in Limpopo province. Therefore, the purpose of interpretive paradigm is to understand a particular phenomenon, not to generalize to a population (Farzanfar, 2005). The interpretivist paradigm views reality and meaning making as socially constructed and it holds that people make their own sense of social realities (Tuli, 2010). The researcher made use of the interpretivist paradigm because it seeks to describe and translate the meaning of phenomena, an objective that the researcher intended to satisfy (Collis *et al.*, 2003).

3.2.1 Justification of the interpretivist paradigm

The interpretivist paradigm was used in this study as it ascertains that reality is constructed by the researcher and places more emphasis on the existence of multiple worldviews that result from the interaction, contact, and communication among people as argued by (Bailey, 2006). This paradigm also enabled the researcher to view the world through the perceptions and experiences of the participants. Researchers prescribing to the interpretivist school of thought often talk about the processes of interaction among individuals about social interaction and engagement. They also focus on the specific contexts in which people live and work, in order to come to an

understanding of the historical, cultural, and social settings of the participants (Thomas, Menon, Boruff, Rodriguez & Ahmed, 2014). The interpretivist paradigm was used since it involves an understanding of several participant meanings.

3.3 Research method

This study was a qualitative research. Qualitative research is the collection, analysis and interpretation of data that cannot be meaningfully quantified (Gelo, Braakmann & Benetka, 2008). Qualitative research involves a process of building a holistic image of the phenomenon being studied in a natural setup. It is generally less structured than quantitative research, due to the details of data collected such that it often uses smaller sample sizes (Wiid & Diggins, 2013).

3.3.1 Justification of the qualitative methodology

A qualitative approach is perfect for the exploration of human experience (Yin, 2009). Denzin (2013), attested that qualitative methodology is applied in studying complex issues and it enables the researcher to generate strong data on the experiences, perceptions, and beliefs of the participants to deepen the general understanding. Marshall and Rossman (2014) acknowledge that a qualitative research is appropriate for the exploration of the human experience because the researcher can complete an investigation as constructed and understood by those who have firsthand experience with the problem.

The aim of this study is to investigate mechanisms to enhance the running small businesses in South Africa, in Limpopo Province hence there was a need to utilize and adopt the methodology best suited to capture important insights from the relevant data thus qualitative methodology was appropriate. A key advantage of using a qualitative methodology lies in the fact that it builds a holistic description of the researcher's study area and enables a more holistic understanding of complex issues and processes (McMillan & Schumacher, 1993). Qualitative methods, however, do have their own challenges, as observed during the study. For instance, there is a tendency for the respondents to deviate from the objective(s) of the research or give out historical data that was not directly relevant to the objectives of the study. The qualitative approach was appropriate as in order to understand the causes of skills and funding challenges and actionable strategies

thereof. Such an approach is appropriate as it provides an opportunity of in-depth understanding of the phenomenon and provides room for further probing where need be. Therefore, in this case the researcher cannot quantify the financial and skills challenges experienced by small businesses, they should be analysed qualitatively to gain an in-depth understanding of these problems.

3.4 Population of the study

Wiid and Diggins (2013), defined population as the total group of people or entities from whom information is needed. The population for this study was small business entrepreneurs of selected areas in Limpopo province. These are Thohoyandou, Tzaneen and Lephalale in Limpopo province, South Africa. Tzaneen is Limpopo's second largest town after Polokwane located in the Mopani District Municipality and Thohoyandou is one of the biggest eco-towns in Vhembe District. On the other note Lephalale is at the eastern side of the province. The researcher selected these three towns to ensure a fair representation of the sample. As a result, the areas were selected based on their systematic locations in the province.

3.5 Sampling Techniques

Sampling is method of drawing the sample from the population (Tustin, 2005). Purposive sampling was used in this study. Purposive is a non-probability sample that is selected based on characteristics of a population and the objective of the study (Palinkas *et al.*, 2015). Purposive sampling is also known as judgemental, selective or subjective sampling. Purposive sampling is very useful in situations when the researcher wants to reach a certain targeted sample quickly and where sampling for proportionality is not the main concern (Crossman, 2018).

A maximum variation/heterogeneous purposive sample was selected to provide a diverse range of cases relevant to small businesses operating in Limpopo province. The purpose of purposive sampling was to get as much insights as possible into the event or phenomenon under investigation. Therefore, in this study small business entrepreneurs were approached purposively in order to investigate the financial and skills challenges faced by SB entrepreneurs in Limpopo province.

3.6 Sample size and Selection Criteria

The population sample size was determined through data saturation. Wiid and Diggines (2013) highlight that qualitative research involves a small sample or group of people. The sample is not considered to be representative of larger populations, hence producing in-depth data. The qualifying criteria for respondents were:

- (i) Small business entrepreneurs or managers who have been in business for a period of between two to five years.
- (ii) The researcher identified small businesses that have between 5-50 employees.
- (iii) The small businesses should have a turnover of not more than R1 000 000 annually.
- (iv) Respondents should be 18 years of age or older in line with ethical considerations

The data openly described the nature of the financial and skills challenges which are being faced by SB entrepreneurs in Limpopo Province. Data was collected until the researcher reached a point where consistent data was flowing (data saturation). These enterprises had some degree of business and managerial challenges such as financial challenges and skills challenges (Moos, 2014). This helped the researcher to most likely identify small businesses who are faced with skills and financial challenges as their businesses would have survived the infancy phase of implementing a business plan into a running business.

3.7 Justification of the Sample Size

Creswell (1998) states that phenomenological studies should have a minimum sample of five respondents and a maximum of 25 respondents. Morse (1994) also suggests that when conducting a qualitative research using interviews the recommended sample size is six respondents, hence this study adopted a minimum of five respondents and the maximum was determined by data saturation. The signs of data saturation were noted when the researcher had collected data from the sixth respondent.

3.8 Research Design

According to Tustin, Lighthelm, Martins and Van Wyk (2010) a research design is a plan to be followed to realise the master plan that specifies the methods and procedures for collecting and analysing the required information. Wiid and Diggines (2013) highlight that they are three research designs namely exploratory, descriptive and causal. This study employed an exploratory research design.

Exploratory research is used when studies are intended to explore a relatively unknown area. It is also necessary when more information and insight are required about a problem, opportunity or phenomenon. Therefore, the objective of exploratory research design is to acquire insight and consequently enhancing the running of small businesses (Wiid & Diggines, 2013). This research focused on gaining an in-depth understanding of the realities of small businesses particularly with reference to the financial and skills challenge they experience without in order to come up with ways that will enhance small businesses in Limpopo Province.

3.9 Data collection

Data was extracted on the challenges faced by small businesses by means of interviews with the respondents. An interview is a two way conversation between the researcher and the respondent, in which the researcher seeks to ask a set of particular questions with the intention of acquiring qualitative information from the respondents (Collis & Hussey, 2013). An interview guide was designed and used for this study. The interview guide was developed guided by the three research questions in order to satisfy the aim of the study. In depth interviews were used in order to gain the information the researcher wants to understand and secondly in order to gain more knowledge from the respondents, hence also allowing the respondents liberty to express their views and opinions on other areas that the researcher may not have highlighted (Blumberg, Cooper & Schindler, 2008). Rudolph (2018) contends that interviews can yield a great deal of useful information, especially because researchers can ask questions in relation to biographical information, hence identifying people's present and past behaviours. The researcher collected data from the selected three areas which were Lephalale, Thohoyandou and Tzaneen. The interview guide, which was used during the data collection phase, is attached in the Appendix section (see Appendix 1).

3.10 Conducting the interviews

The in-depth interviews were conducted mostly in the respondent's business premises. The respondents were comfortable in their business premises to establish a platform for flexibility. During the interviews, it is important to establish good understanding with the respondent and put him or her at ease. The researcher's main responsibility was to listen, observe and guide the respondent through the conversation until all the important issues on the interview guide were explored.

The researcher used a digital voice recorder with the consent of respondents. The voice recorder enabled the researcher to collect all the information being given by respondents without missing any necessary information which could happen if the researcher was writing down the respondent's answers. Hence the recorder ensured that the precise information is available. The interviews lasted between 20 and 35 minutes. Interviews were conducted in English, Tshivenda and Sepedi with the help of a research assistant who was acquainted with these languages.

3.11 Data Analysis

The purpose of data analysis is to interpret and draw conclusions from the collected data (Johnson & Onwuegbuzie, 2004). According to Braun and Clarke (2006), qualitative data analysis refers to the non-numerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships. The in-depth interviews which were recorded using a digital voice recorder were transcribed using Microsoft word. The transcriptions were analysed using Archive of Technology, Life World and Language for text interpretation (ATLAS.ti) version 8, a qualitative data analysis computer programme.

3.12 Archive of Technology, Life world and Language for text interpretation (ATLAS.ti)

ATLAS.ti is a scientific software that is useful towards the analysis of qualitative data. The product enables researchers to assign codes or labels to text, sounds, pictures, or video; to search these codes for patterns; and to construct classifications of codes that reflect stable models of the conceptual structure of the underlying data (Lewis, 2004). For the purposes of this research ATLAS.ti 8 was used for data analysis.

ATLAS.ti 8 was used for data analysis because of three reasons, which are; easy access to training and support for the programme; secondly, in comparison with other qualitative software,

ATLAS.ti was more cost-effective and within the financial budget of the research and lastly based on recommendations from other researchers, such as (Lewis, 2004) and (Friese, 2019).

Chakuzira, (2019) states that ATLAS.ti has four main stages called “managers” that process data. These are the document manager, quotation manager, code manager and network manager. The different ATLAS.ti stages are discussed in the following sections.

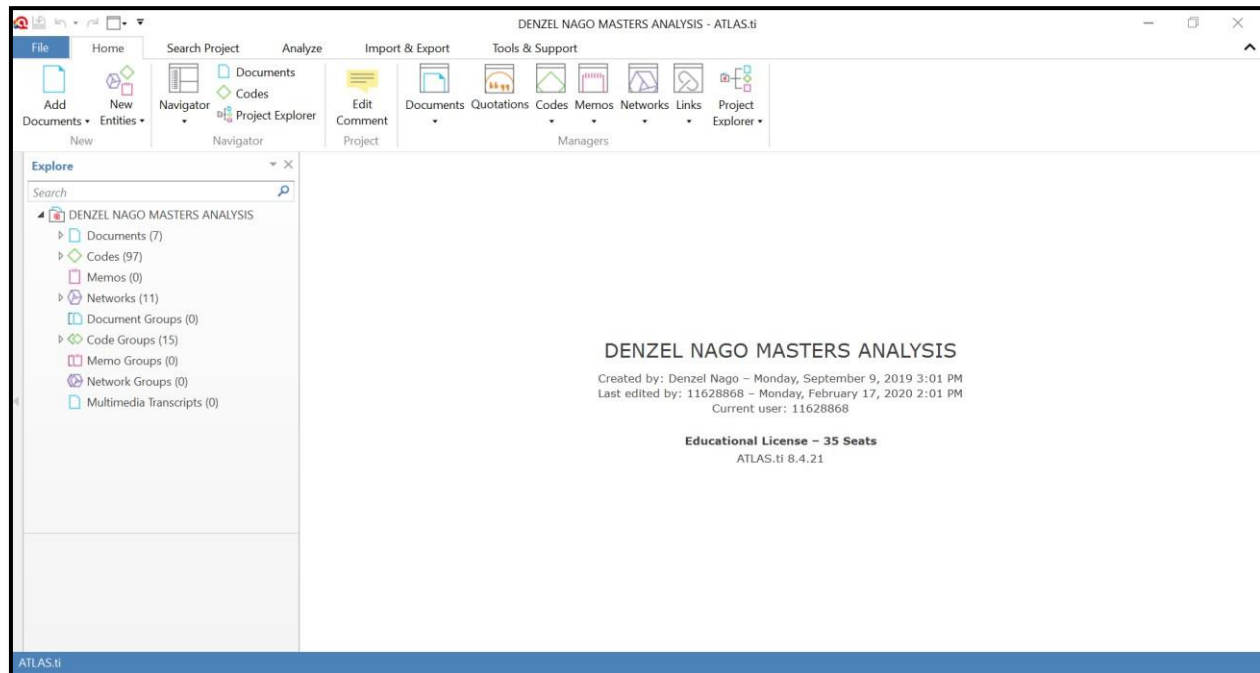


Figure 3.1: ATLAS.ti main window

Source: ATLAS.ti 8.2.32

Data from respondents was analysed using the frame work thematic analysis. Srivastava and Thomson (2009) state that, a framework thematic analysis is flexible during the analysis process in that it allows the user to either collect all the data then analyse it or do data analysis during the collection process. The different ATLAS.ti steps were used to clarify the framework thematic analysis as explained in the following sections:

STEP 1: Attitude of openness

The researcher started the data collection phase with an attitude of openness by the researcher thereby ensuring that the appropriate emerging codes were extracted from the interview. All the information extracted from the interviews was transcribed and imported to the ATLAS.ti to form the primary document as shown in figure 3.2.

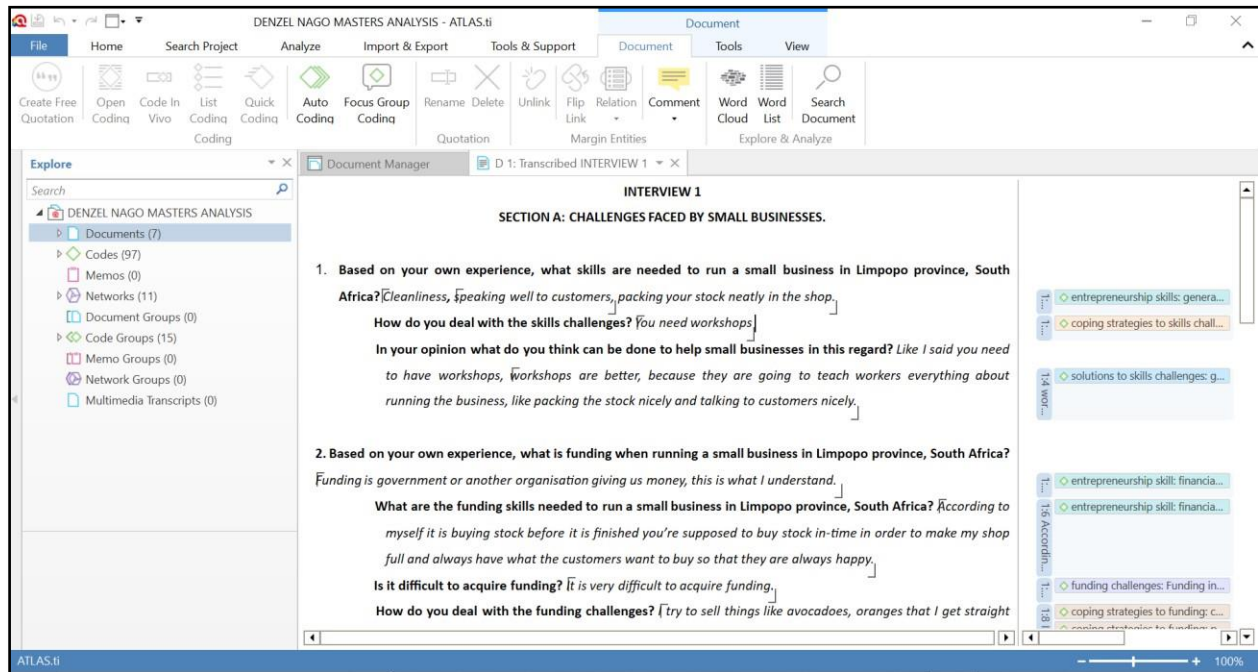


Figure 3.2: ATLAS.ti Primary Document Manager Window

Source: ATLAS.ti 8.2.32

The Primary Document Manager programme can store and analyse several documents simultaneously, and these are temporarily stored in the Primary Document Manager (for example, Transcribed Interview 1.dox in Figure 3.2). Furthermore, the primary document manager allows for the creation of Primary Document Families, which assisted in organising data for this study (Chakuzira, 2019).

STEP 2: Constant Comparison and Open Coding

The next step involved the generation of various categories or group names by a constant comparison of data through a procedure known as “open coding” (Age, 2011). By using this function data was clustered into related ideas or themes called “codes” (see Figure 3.3).

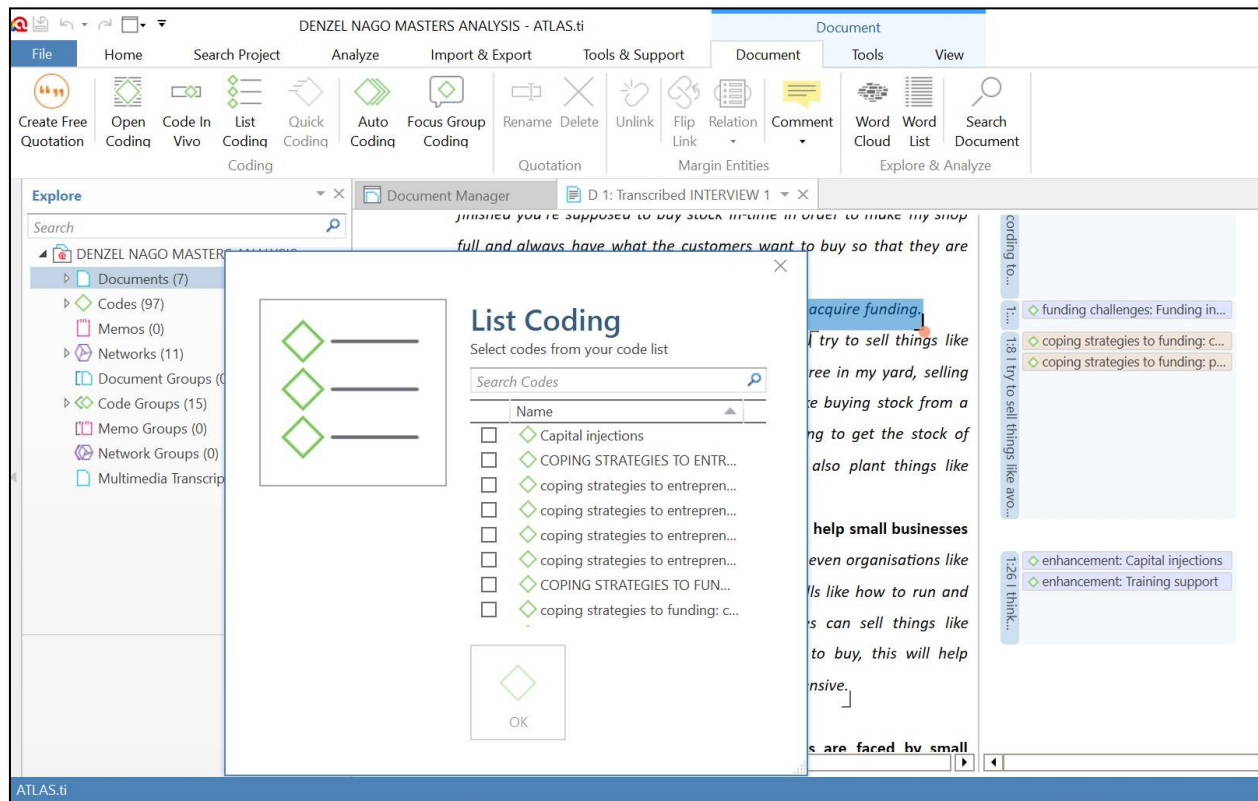


Figure 3.3: ATLAS.ti codes option window

Source: ATLAS.ti 8.2.32

In this second step the researcher obtained meaning from the paragraphs, sentences, phrases and words on the primary document manager text on ATLAS.ti. The researcher highlighted the paragraph, sentence, phrase or word and right clicked on the highlighted text to create a code as shown in Figure 3.3. This process was continuously repeated on all primary documents therefore, allowing the researcher to create multiple codes.

ATLAS.ti supports seven methods of assigning codes (Friese, 2019). First, there are codes that can be created without being associated to specific text; these are known as “Free Codes” (Friese, 2019). “Open Coding” is a technique in which a code is assigned to specific pieces of text, and this is the more common approach and was used by this study. Once codes have been stored in the Codes Manager, there is an option of assigning additional pieces of text with existing codes

from a list- “coding by list” (Archer, Herman, van Vuuren, & Hugo, 2017). “InVivo” coding is another feature supported by ATLAS.ti. This feature is used for assigning a code to text utilising actual text as the code while “quick coding”, on the other hand, assigns one specific code to multiple pieces of text (Archer et al., 2017).

STEP 3: Core category and selective coding

Multiple codes were amalgamated into groups in which further analysis was conducted as shown in Figure 3.4.

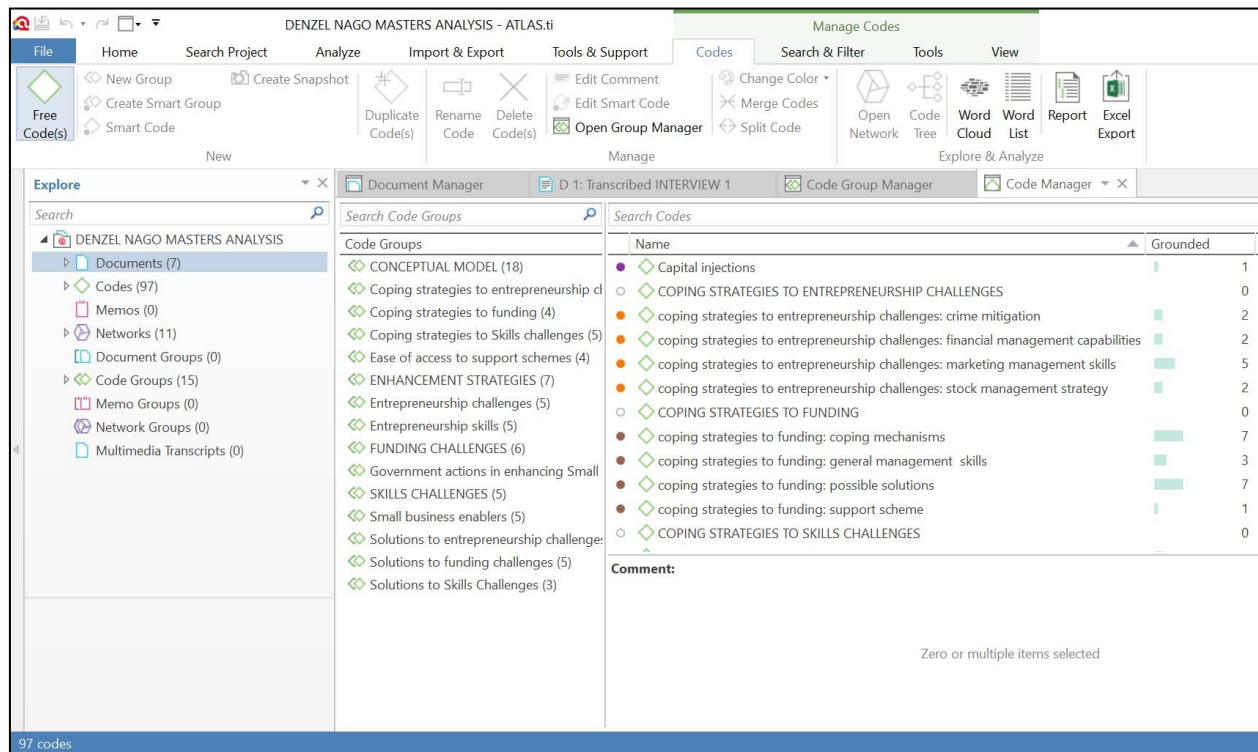


Figure 3.4: ATLAS.ti Code Group Manager Window

Source: ATLAS.ti 8.2.32

With the continuation of the above procedure of constant comparison, the researcher established core codes (see Entrepreneurship Challenges in Figure 3.4 above) based on the information proffered by the respondents (Braun & Clarke, 2006), which is a group that holds all other categories together (for example Entrepreneurship challenges in Figure 3.4). When the core code emerged, the researcher undertook the process of selective coding (Holton, 2007). Selective coding allowed the researcher to compare incoming data to the core codes in a more precise manner than when the categories were first established (Holton, 2007). In this process of selective coding, only variables related to the core codes were considered to generate improved groups.

STEP 4: Building new theory

The final step was to compare the improved groups to concepts in order to establish a new theory. The way in which the various categories are related, is considered under a process of theoretical coding which is facilitated by the writing down of theoretical memos (Friese, 2019) that elaborate on the theoretical codes. The analysis phase ended with the theoretical writing (Age, 2011); thus, all the details of the practical theory were brought together in an overall conceptual description. This was then weaved into the existing literature on the black tax phenomenon.

3.13 Trustworthiness of Qualitative Research

The quality of qualitative research lies in its trustworthiness. It is the extent to which data is believable and reliable. According to Sinkovics, Penz and Ghauri (2008) trustworthiness involves establishing the following;

3.13.1 Credibility

This is the confidence that the results are believable/reasonable, which can be done by crosschecking the interpretations against the raw data collected (Sinkovics *et al.*, 2008) . According to McMillan and Schumacher (2010) credibility is the extent to which the results approximate reality and are judged to be accurate and reasonable. Credibility also deals with how confident the qualitative researcher is in the truth of the study's findings (Korstjens & Moser, 2018). To ensure credibility of the results the interpretations were cross checked against raw data that was collected. To improve the credibility of qualitative thematic analysis, researchers not only need to design data collection strategies that are able to adequately solicit the representations, but also to design transparent processes for coding and drawing conclusions from the raw data (Zhang & Wildemuth, 2009). The researcher hired a research assistant who brought about diverse perceptions of the inquiry towards strengthening the integrity of the findings. The research assistant also assisted in the collection of data and transcription towards paving way for meaningful data analysis.

3.13.2 Transferability

Transferability is the degree to which the research/results can be transferred into other contexts (Airasian & Gay, 2003). Transferability focuses on how a qualitative researcher demonstrates that the findings are applicable to other contexts (Noble & Smith, 2015). Therefore, this means that the findings of this research should be generalised in other studies about skills and financial challenges experienced by small businesses. Shenton (2004), posits that since the findings of a qualitative project are specific to a small number of particular environments and individuals, it is difficult to demonstrate that the findings and conclusions are applicable to other situations and populations. The researcher indicated in the report all the research processes thus from data collection, to the interpretation and conclusion of research findings.

3.13.3 Dependability

Dependability ensures that the research findings are consistent and could be repeated. It is the description of changes that occur during the course of research, and an understanding of how such changes affect the research or the study (Shenton, 2004). According to Airasian and Gay (2003), dependability refers to how carefully the researcher has selected data collection instruments and research sites to suit the research questions and the objectives of the study. The researcher used the same interview guide throughout the research so that uniform valid data can be collected which will result in reliable and dependable results.

3.13.4 Confirmability

Confirmability refers to the degrees of neutrality when the findings are supported by the data. It is also the degree to which others agree or corroborate with the research findings (Anney, 2014). Merriam (2009) defines confirmability as ensuring that the data findings truly represent the views of the respondents, perspectives or meanings rather than the views and understanding of the researcher. Maxwell (2005), explained that, this is the single most important way of ruling out the possibility of misinterpreting the meaning of what participants say and do and the perspective they have on what is going on as well as an important way of identifying your own biases and

misunderstandings of what you observed as a researcher. To ensure confirmability, the researcher examined inquiry processes and output to validate the data and account for all the research decisions and activities, thus how the data was collected, recorded and analysed. The researcher was also aware of his background and constantly reflected on it to eliminate bias during data collection.

3.14 Ethical Considerations

Ethics is defined as the core aspirational notions embedded in the standards of right, good and fair human conduct (Wiid and Diggins 2013). When conducting research, engaging in ethical practices is not a matter of choice; it is a necessity (Wild and Diggins, 2013). This study complied with the ethical requirements as stipulated by the University of Venda Ethics Committee. To adhere to the ethical research stipulations, the following procedures and guidelines were adhered to:

- i. The researcher obtained consent from participants for their voluntary participation in the study. All participants were informed regarding the nature of their involvement in the research before commencement. The researcher explained and clarified to all participants what was expected from them, their rights as research participants, as well as their right to withdraw from participation at any stage of the research. Therefore, consent was asked for from all participants before the beginning of any interview.
- ii. The researcher explained to the participants that the study would be anonymous and voluntary, and that all information obtained will be confidential.
- iii. Only participants who were 20 years old and above participated in this study. No minors participated in the study.
- iv. Right to privacy- the respondent's identities and sentiments were preserved with high confidentiality. To ensure the right to privacy, the participants were prompted never to provide details about their identities and other information that might reveal their identities such as names or addresses.
- v. Dignity – the dignity and character of all participants were upheld; thus, they were not subjected to any embarrassing behaviour.

vi. Honesty – findings of the study were reported honestly, even when results turned out to be unfavourable or different from the researcher’s expectations. In addition, works other than those of the researchers were appropriately cited.

3.15 Conclusion

The methodology chapter provided a clear description of how the data was collected, organized and analysed. The methodology is a very important part of a study as poor research design could lead to inappropriate or invalid findings and conclusions. The population and sampling techniques were described in detail to clearly show the methods used to select the participants from the research population. The data collection process and the instrument used for this study were described in detail. The data analysis process was also described in detail, given that meaningful conclusions and recommendations can be drawn for the benefit of future research as well as for those in both the sample and the research population.

CHAPTER 4: DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter presents the results of the data analysis. As described in Chapter 1, the aim of this study was to investigate the causes of funding and skills challenges among small businesses and identifying actionable strategies thereof towards enhancing the operation of these small businesses in Limpopo Province, South Africa. Data was collected from a sample of 6 entrepreneurs in Lephalale, Thohoyandou and Tzaneen. As outlined in Chapter 1 this research sought to answer three research questions which are:

RQ1: What are the funding challenges experienced when running small businesses in Limpopo province, South Africa?

RQ2: What are the skills challenges experienced when running small businesses in Limpopo province, South Africa?

RQ3: How can the development of small businesses across the South African business environment be enhanced?

This chapter presents the results from the data analysis phase of the research. In this study, the collected qualitative data were analysed using the Archive of Technology, Life world and Language for text interpretation (ATLAS.ti) version 8.4. The methods of data analysis mostly involved examining, labelling and organising interview transcriptions into themes. This process was executed in iterative cycles of comparing incoming data from respondents with secondary data from literature review.

4.2 Demographic profiles of the respondents

Table 4.1: Demographic profiles of respondents

| Respondent | Age (years) | Race | Gender | Qualifications | Marital Status | Entrepreneurship type | Location | Type of Business |
|---------------------|--------------------|-------------|---------------|-----------------------|-----------------------|------------------------------|-----------------|-------------------------|
| Respondent 1 | 30 | African | Male | Postgraduate Degree | Married | Youth entrepreneur | Thohoyandou | Small supermarket |
| Respondent 2 | 35 | African | Male | Matric | Married | Youth entrepreneur | Thohoyandou | Restaurant |
| Respondent 3 | 37 | African | Male | Postgraduate Degree | Separated | Adult entrepreneur | Lephalale | Retailer |
| Respondent 4 | 30 | African | Female | Bachelor's degree | Single | Youth entrepreneur | Lephalale | General dealer |
| Respondent 5 | 38 | African | Male | Diploma | Married | Adult entrepreneur | Tzaneen | Events Hosting |
| Respondent 6 | 28 | African | Female | Matric | Married | Youth entrepreneur | Tzaneen | Confectionary |

4.3 Results

This section of the chapter shows the results that were derived from the analysis of data. The theme and subthemes originating from data analysis are established and discussed in this section. Table 4.2 shows the themes and the sub-themes that emanated from data analysis.

Table 4.2: Themes and sub-themes emanating from data analysis

| | |
|--|--|
| <p><i>Theme 1: Funding Challenges</i></p> | <ul style="list-style-type: none"> •Economic down turns •Gender based disadvantages •Lack of government support •Funding accessibility difficulties |
| <p><i>Theme 2: Skills Challenges</i></p> | <ul style="list-style-type: none"> •Lack of book-keeping know-how •Lack of technical skills •Lack of business management skills •Lack of government support •Lack of training |
| <p><i>Theme 3: Small business development enhancement strategies</i></p> | <ul style="list-style-type: none"> •Capital injections •Training support •Pricing interventions •Workshops •Trade credit •Tax waivers •Lower interest rates |

4.3.1 Funding challenges

To understand the funding challenges experienced when running small businesses in Limpopo province, South Africa, the respondents were asked to explain the challenges they were experiencing as it was important towards comprehensively meeting the objectives of this study.

During data analysis 12 codes emerged and after the constant comparison, 4 key codes emerged as shown in Figure 4.1 and these are economic down turns, gender-based disadvantages, lack of government support and funding accessibility difficulties. Each of these sub-themes is discussed below.

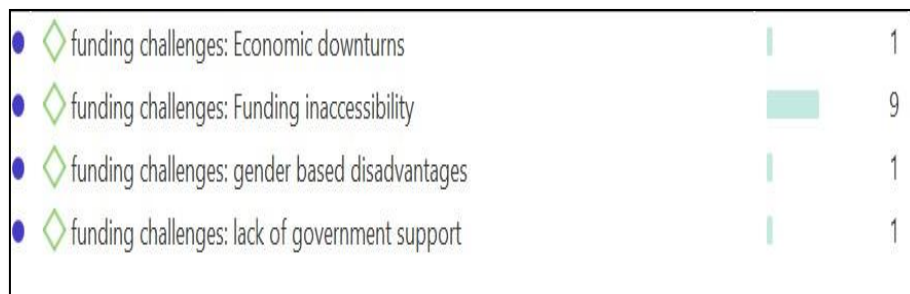


Figure 4.1: Funding challenges codes emerging from data analysis

Source: Funding challenges codes using ATLAS ti.

4.3.1.1 Funding inaccessibility

The results of this study showed that funding accessibility difficulties are being experienced by the owners of small business in the Limpopo Province in South Africa. Respondent 1, 2, 3 and 6 shared the sentiments indicated in the following excerpts.

“It is very difficult to acquire funding.” (Respondent 1).

“Yes, it is definitely difficult to acquire funding that is why we have a lot of failed ideas that fail to take off the ground, and some that fail to sustain themselves when they are operating.” (Respondent 2).

“Yes, for me it is difficult but I don’t know for South Africans. A South African citizen who has the skill and is member of a union which maybe provides funds for small scale businesses which am not sure of.” (Respondent 3).

“Yes, it’s very difficult to acquire funding because of the economic situation obviously.” (Respondent 6).

As evidenced from the above excerpts, the respondents reiterated that acquisition and accessibility of funding is ultimately difficult thus from funding organisation both private and public entities. The respondents further suggested that the difficulty in acquisition of funds results in the failure of many lucrative ideas and business sustenance. Other respondents also indicated that they cannot access funding as they are not natives but rather foreign entrepreneurs and funding accessibility is not within their privileges. As a result, this study found that the difficulty in accessing funding is a challenge that small businesses are facing and is detrimental to the sustainability of small businesses.

Osoimehin *et al.*, (2012) espoused that lack of short, medium- and long-term capital, inadequate access to financial resources and credit facilities affect the growth of micro and small-scale enterprises. On another interesting note, Oppong, Owiredu and Churchill (2014) posited that inadequate sources and supply of funds has been a major setback to the realization of many brilliant business ideas and outward expansion of existing business.

The findings of this study concur with the findings of Oppong, Owiredu & Churchill (2014) and Osoimehin *et al.*, (2012) as the respondents proffered that inadequate access to funding is detrimental to their business operations.

4.3.1.2 Lack of government support

The results from the study showed that lack of government support is another funding challenge that small businesses are experiencing. Respondents 3, 4 and 6 views concerning lack of government support are indicated in the following extracts.

“On my side I wouldn’t say I have seen any government support because I haven’t received any support.” (Respondent 3).

“Yes, it is difficult, but it depends on your connection who you know. Your people can have the money to sponsor you, your friends can have the money to sponsor you. In other countries the government gives them money, so am not a citizen of SA so I don’t know.

Like China the government gives them money.” (Respondent 4).

“This is where the challenge lies. Also, lack of skills, lack of training, lack of government support.” (Respondent 6).

The respondents in this study indicated that the lack of government support is detrimental to the sustainability of their business operations. The respondents indicated that they have not yet received support from the government. It is also imperative to note that the respondents indicated that the access of funding/government support is dependent on the networks and influences that the entrepreneurs have. The government initiatives are included among the external funding sources for small business however, the respondents argued that they are not being accessible which is detrimental to their operations. Lack of networks in the government structures was evidenced as another factor that result in inaccessibility of government support as accessibility is based on the philosophy of whom you know in the government. This implies that lack of networks entails government support inaccessibility. The findings of this study corroborate with Saxena (2012) that external funding is a challenge to small business. Saxena (2012) argued that lack of access to external financing is considered a major challenge to the growth of small businesses, and it has accounted for high rates of failure among small businesses.

4.3.1.3 Gender based disadvantages

With regards to gender-based disadvantages Respondent 5’s views are indicated in the following excerpt.

“And I would say if you are men nowadays its more difficult because we have this whole women empowerment pandemic, and it’s slightly easier for women to get funding, although it’s difficult but it’s slightly easier for women to get funding. Like now, we have that Women’s Development Bank that supports women, so someone can get a loan for a small business idea with hopes it will expand.” (Respondent 5).

The respondents indicated with the continued women empowerment, it is now more difficult for men to access funding. As a result, this is detrimental to accessibility of funding among male small business owners. This implies that though women empowerment initiatives are beneficial towards emancipating women, they may act as barriers to funding accessibility among men entrepreneurs.

Karasi, Shambare & Nkondo (2017) posited that financial barriers constitute one of the most important obstacles women face when attempting to set up and develop a business particularly in rural areas in South Africa. Chinomona & Muzariri (2015) acknowledged that business-related challenges that women entrepreneurs face include aspects such as lack of finance, lack of collateral for acquiring funds, lack of funding from outside sources including from the state, access to policy makers, inability to network, and lack of access to markets. The findings of this study contradict with the findings of the latter scholars as the respondents proffered that the women empowerment initiatives act as barriers towards men accessing funding.

4.3.1.4 Economic downturns

Concerning economic downturns, the sentiments of Respondent 5's sentiments are shown in the following extract.

“Yes, it’s very difficult to acquire funding because of the economic situation obviously.”
(Respondent 5).

The respondents in this study proffered that the economic situation of South Africa is also making it difficult for funds to be available towards meeting each small business owner’s financial needs. The findings in this study showed that economic downturns are another factor that is resulting in funding challenges among small businesses. This implies that the economic downturn directly affects the affluence and operation of small businesses. Mikioni (2019) interpreted that economic variations are amongst challenges that are directly affecting the affluence of entrepreneurs’ initiatives. The findings of this study concur with Mikioni (2019) findings as economic downturns were noted to be a challenge affecting financial accessibility among small businesses.

Figure 4.2 summarizes the funding challenges that are faced by small businesses.

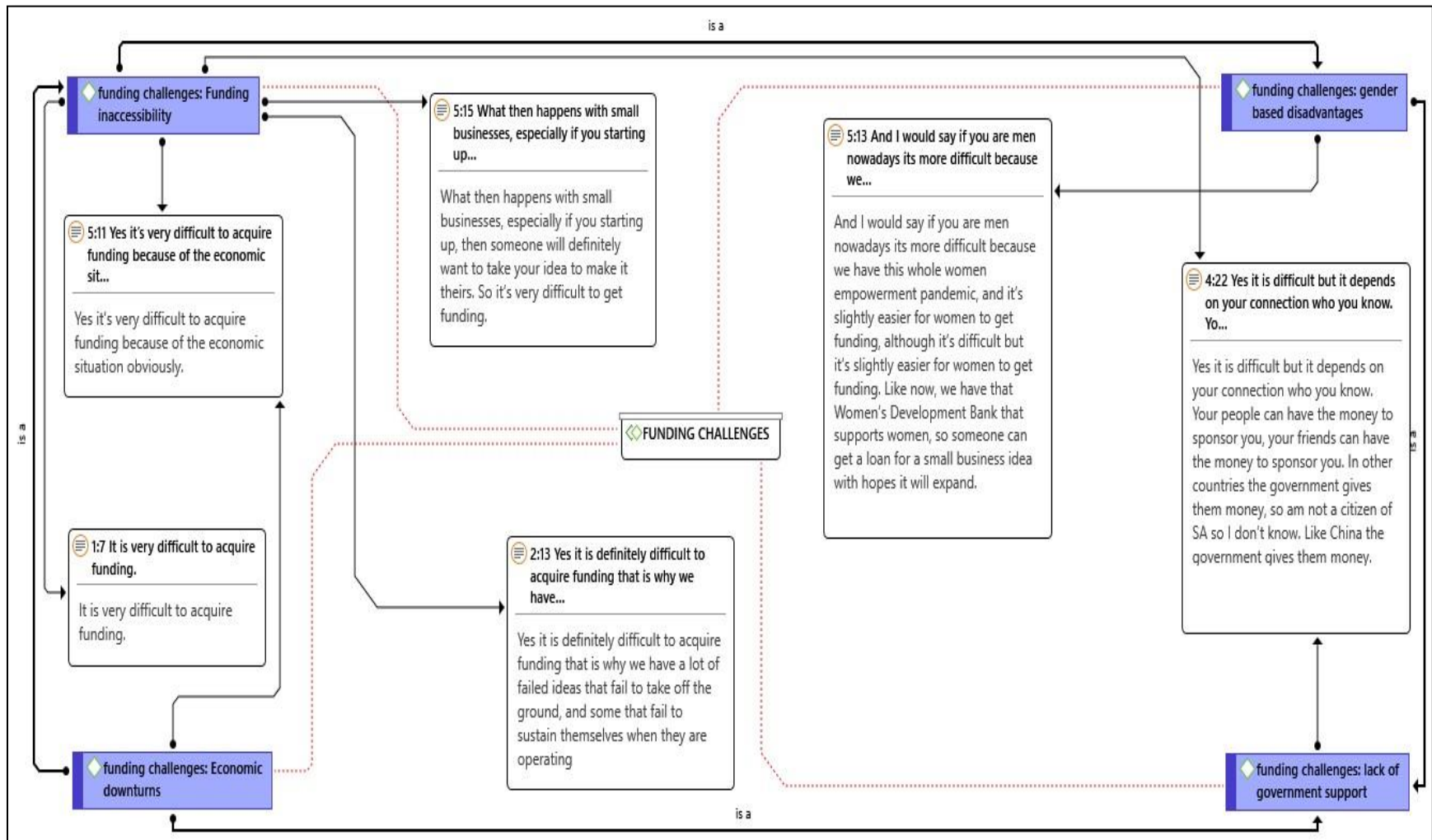


Figure 4.2: Funding challenges network

Source: Funding challenges using ATLAS.ti

4.3.2 Skills challenges

This section comprises skills challenges faced by small businesses, using the previously set propositions in Chapter 2 and the ones emanating from data analysis. The study established the skills challenges that small business owners face. Twelve codes emerged during data analysis and after the constant comparison, five key codes emerged thus; lack of book-keeping know-how, lack of technical skills, lack of business management skills, lack of government support and lack of training.

| | | |
|---|---|---|
| ◇ skills challenge:Lack of book-keeping know-how | ■ | 2 |
| ◇ skills challenges: Lack of business management skills | ■ | 2 |
| ◇ skills challenges: Lack of government support | ■ | 4 |
| ◇ skills challenges:Lack of technical skills | ■ | 1 |
| ◇ skills challenges:Lack of training | ■ | 3 |

Figure 4.3: Skills challenges codes

Source: Skills challenges codes using ATLAS ti

4.3.2.1 Lack of book-keeping know-how

This study found that the lack of book-keeping know-how was a skills challenge that the small business owners are facing when operating their businesses. The sentiments shared by respondents 2 and 3 are shown in the following extracts.

“If I remember when I started trading, fortunately am a very fast learner and I am good at teaching at myself. So, I remember on the first day especially with this current business am running. On the first day I had a lot of customers and I just had a plain book I would write that I sold this for how much, and then if something runs out I had to go add more stock, ingredients in this case, I remember at the end of the day I had no money at all I couldn’t see the profit, which one was the expense?” (Respondent 2).

“You will find that a lot of people don’t know how to run a business they don’t even check what they are earning and what they are expenses are.” (Respondent 3).

The respondents proffered that lack of book-keeping expertise is detrimental to the operation of the businesses as it will be difficult to track the profits or the losses of the businesses. This inability to understand how to record and track the sales and profits/losses of the business has been noted as a challenge among small businesses.

Osoimehin *et al.*, (2012) acknowledged that record keeping is particularly important to the integrity of the business. In addition Ishak, Omar and Ahmad (2012) espoused that research has confirmed that financial management is one of the biggest problems confronting small businesses. Adisa *et al.*, (2014) are of the view that poor record-keeping and lack of information management are very pronounced within small businesses. The results of this study agree with the findings of these authors as it was found that lack of book-keeping skills or know-how is detrimental to the small business operations.

4.3.2.2 Lack of business management skills

The findings of this study indicated that lack of business management skills is another skill challenge impeding small businesses. The views shared by Respondent 3 are indicated in the following extract.

“You will find that a lot of people don’t know how to run a business they don’t even check what they are earning and what they are expenses are. Some of them don’t even have the general skill to run a business, you find that most employees don’t have the basic skills of being a salesperson.” (Respondent 3).

The respondents indicated that the lack of business operation know-how, book-keeping and general business operating skills is detrimental to the affluence of small business operations. Ates, Garengo, Cocca and Bititci (2013) illustrated that management skills are a crucial factor for the growth of small businesses and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure. Bouazza, Ardjouman and Abada (2015) pointed that the lack of managerial know-how places significant constraints on small business development.

This study concurs with the findings of these authors, i.e. lack of business management skills is a significant factor that is affecting the affluence of small businesses.

4.3.2.3 Lack of technical skills

The study found that lack of technical skills is another skills challenge that the small businesses are facing. The respondents proffered that some of their employees lack these skills and this may be due to the continuous advancement or changes in the information technology initiatives. The respondents further indicated that the lack of the information technology know-how especially among the employees results in the loss of significant amount of money which in turn negatively affects the profitability of the business. Respondent 2's views are shown in following extract.

“We also face the challenge on lack of knowledge on how to use Information Technology. I have a till point that I have in my restaurant but I realised that my employees make a lot of mistakes with it and you find that money may be short most of the time.” (Respondent 2).

The findings of this study concur with the suppositions by Aja-Okorie and Adali (2013) who interpreted that information technology is very common among small business owners, but usually they lack skills to take advantage of such technological advancements. Yusuf (2003) pointed out that low technological capabilities hinder and discourage small businesses from fully reaching their potential. On another note Laudon and Laudon (2015) posited that small businesses find it difficult to keep up with the latest information technology trends as they require large sums of investment. Corroborating with the findings of Yusuf (2003), this study found that the lack of technical skills hinders the continued sustainability of small business. However, this study contradicts with Laudon and Laudon (2015) as the inadequate technical skills were noted to be an issue as opposed to be financial barrier supposition by the authors.

4.3.2.4 Lack of training

Lack of training was found to be another skills challenge that the small businesses are experiencing. The respondents argued that due to the lack of training support from the government, they are facing challenges towards equipping their employees with the necessary skills required for the success of the business. This implies that there is reciprocity between

availability of training support and skills availability. This entails that the lack of training support results in lack of the necessary skills and vice versa. Lack of training was noted to be factor resulting in skills challenge. This is evidenced by the views of Respondent 2, 3 and 6 shown in the following excerpts.

“In terms of training they are not doing anything.” (Respondent 2).

“No, they are not doing anything. They should have a program that will educate staff, a symposium something like that to say no before somebody can become a salesperson or a businessman you must learn certain skills to make you knowledgeable about what business is all about.” (Respondent 3).

“This is where the challenge lies. Also, lack of skills, lack of training, lack of government support.” (Respondent 6).

Herrington, Kew and Kew (2010) supported that an inadequately trained workforce is a major business barrier for small businesses. Carson and Gilmore (2000) also argued that essential factors to the growth and success of small business are an educated and skilled labour force. Porter and Kramer (2019) are of the view that education and training play a crucial role in enabling small enterprises to cross the threshold to mature businesses. Concurring with the findings of (Porter & Kramer, 2019; Herrington, Kew & Kew, 2010; Carson & Gilmore, 2000) this study found that lack of adequate training among small businesses is another issue that is affecting the businesses.

4.3.2.5 Lack of government support

Lack of government support was noted to be another factor that is resulting in skills challenges. The respondents explained that the failure of government to offer support towards their entities is disadvantageous to their businesses. The respondents indicated that they have not received any support from the government towards enhancing their skills. It is imperative to note lack of training sources result in lack of the required skills among small businesses. The lack of government support was noted to be a critical factor that is resulting in skills acquisition challenges among small businesses thus among the entrepreneurs and the employees. Respondent 1, 2, 3 and 6 shared the sentiments shown in the following quotations.

“In terms of training, the government is not doing anything as for now.” (Respondent 1).

“So, I think our government is not doing enough it should support small businesses in that way we might have one small business owner having three employees so meaning that if this business does not do well, they are going to be four unemployed people.” (Respondent 2).

“On my side I wouldn’t say I have seen any government support because I haven’t received any support.” (Respondent 3).

“This is where the challenge lies. Also, lack of skills, lack of training, lack of government support.” (Respondent 6).

Figure 4.4 summarises the skills challenges that are faced by small businesses.

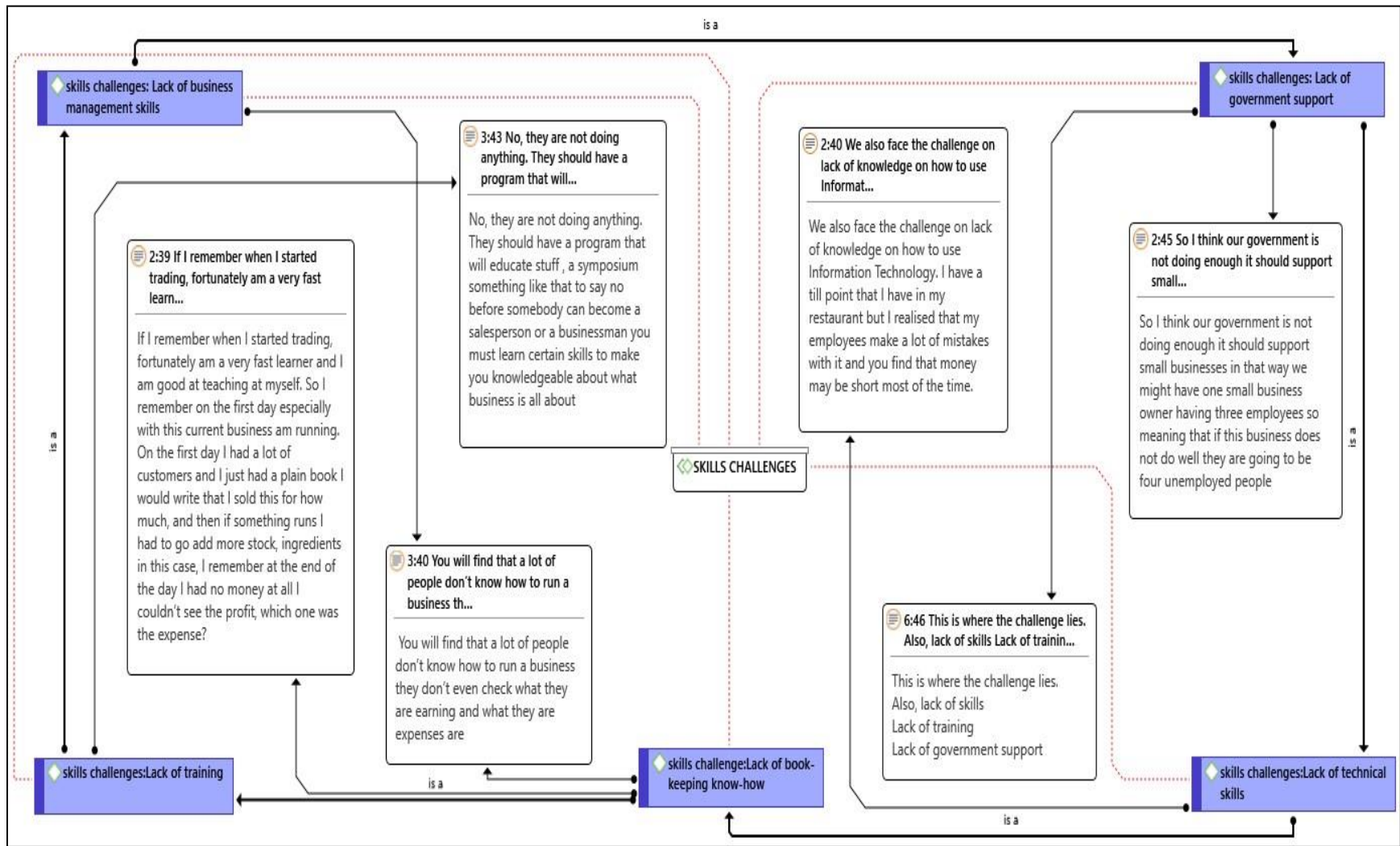


Figure 4.4: Skills challenges network
Source: Skills challenges using ATLAS.ti

4.3.3 Small business development enhancement strategies

This section comprises the actionable strategies that the government and non-governmental organisations can adopt towards enhancing small business development. After discussions with respondents, constant comparison allowed the study to conduct an in-depth exploration of respondents' information. During analysis of data 28 codes emerged. After constant comparison, seven key elements were common in the actionable strategies that can be adopted. These were capital injections, training support, pricing interventions, workshops, trade credit, tax waivers and lower interest rates as shown in Figure 4.5 below.

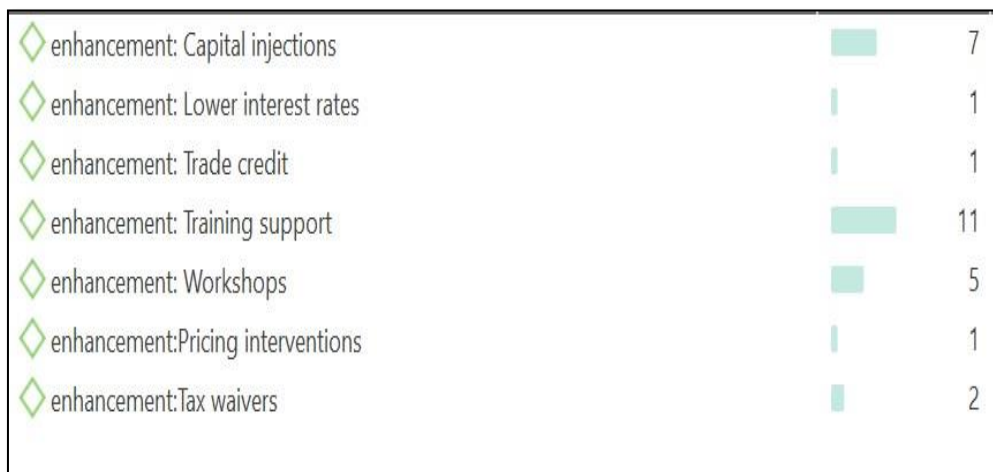


Figure 4.5: Enhancement strategies codes

Source: Enhancement strategies codes using ATLAS ti

4.3.3.1 Capital injections

Capital injections was found to be an actionable strategy that was advocated for by the respondents towards small business development enhancement. The respondents elucidated that the government has been providing funding especially to youths towards business developments. In addition, the respondents also expressed the concern towards the need for enhanced government support in form on provision of funding and capital injections. This was noted to be a strategy that will ensure an enhanced or smooth operation of the business. This will help enhance the liquidity position of their business hence, making it easy to operate their

business smoothly. This is evidenced by the expressions by Respondent 1, 3, 5 and 6 that are shown in the following quotations.

“I think NGO’s can help and maybe even organisations like SEDA to help us with money and teaching us skills like how to run and maintain our businesses.” (Respondent 1).

“Government should be able to come to come into place and provide funding.” (Respondent 3).

“Even just like giving out funding to the to the youths, there is a point in time where the youths of a certain age, if they had a business proposal and it was reasonable and viable and showed the cash flow and the return of a certain percentage, then one would be given money. So definitely the government is very supportive in that regard.” (Respondent 5).

“Or they should be given starting capital without too much hassle and asked to pay in instalments once profits start to show.” (Respondent 6).

Mrwebi and Evbuomwan (2015) the government provides funding support that is aimed at increasing the competitiveness and sustainability of small businesses. Concurring with the findings of Mrwebi and Evbuomwan (2015), this study found that capital injections or provision of funding is an actionable strategy that the government and non-governmental organisations can adopt towards small business sustainability.

4.3.3.2 Training support

This study also found that training support is critical towards the enhancement of small business development. The respondents explained that there is need for the government and nongovernmental organisations to provide training support which will equip them on the skills to run and maintain businesses.

This is evidenced by the views of Respondent 1, 2, 3, 4 and 6 that are shown in the following extracts.

“I think NGO’s can help and maybe even organisations like SEDA to help us with money and teaching us skills like how to run and maintain our businesses.” (Respondent 1).

“I think if our government can assist in terms of skills development like for example after, isn’t you know a lot of us black people we want to pursue different carriers after matric, isn’t it? So those who want to pursue business after matric should be given a chance to receive training in business as some may not have money to acquire these skills from colleges, universities and the like as they may not have funds. So those who want to pursue should be given the necessary training so that those they have the basic fundamental skills of running a business.” (Respondent 2).

“But first and fore most the government should educate people who are interested in business, because not everybody is interested in running a business before they set up a body to fund because if there is any way they want to give funding out without training it’s going to be waste if they don’t equip these people with the knowledge and skill to use the funding availed to them.” (Respondent 3).

“I believe we can make use of NGO efforts to teach community members certain skills. In this regard, I believe we can I believe training centers and workshops can be held in order to teach people various skills they need in the corporate environment.” (Respondent 4).

“I know that the government has institutional bodies like NYDA, SEDA, SEFA and so many more. These institution targets small businesses or rising entrepreneurs with vision to bring their ideas to life. Again, they target the youth as leaders of tomorrow and encourage them to build or bring forth new ideas. Further, they have decided to introduce entrepreneurship at the very early stages of education and at schools so that all learners will develop the entrepreneurial mindset early. Also, competitions and talent show to encourage creativity and innovation.” (Respondent 6).

This implies that when the government provides the training support, the entrepreneurs and the workers will be acquainted with the relevant skills that are required for effective business operations. This may also provide the premise for the small business owners and the workforce to better understand the business environment. As a result, training support was found to be an actionable strategy that can be adopted towards enhancing small business development. Concurring with the findings of this study, Selznick (2011) illustrated that training has the distinct role in the achievement of an organizational goal by incorporating the interests of the small business and the workforce.

4.3.3.3 Workshops

Workshops were found to be another actionable strategy that the government and private organisations can use to enhance small businesses. This is evidenced by the expressions of Respondent 2, 3, 4 and 5 indicated in the following expressions.

“I believe the government can host workshops or conferences and teach small business owners how to manage the financial side of their business.” (Respondent 2).

“Government can set up workshops or skills centers that interested individuals go to in order to learn different business skills. This helps the individuals to have the necessary skills when they want to open their businesses. Also, it will help them to make their small businesses sustainable.” (Respondent 3).

“Small businesses need some form of training and workshops to assist us. The government can do these in community halls or somewhere where we can all access the service.” (Respondent 4).

“I really think there is need for a lot more workshops than they are currently for events. It’s been good that there are a lot of workshops, but there need to be a lot more workshops so that people can be build and learn from some of the best in the industry. For example, VIP Hosting’s is one of the best and people can then learn from that. And if you take a look at VIP Hosting’s also does like regional workshops and international workshops. So, I think there ought to be a lot more workshops and training and just generally even have some deal with satisfying customers sort of things, I think that will help a lot.” (Respondent 5).

As evidenced by the above expressions, the respondents proffered that there is need for hosting workshops and conference that are funded by the government or private organisations towards equipping the small business owners on effective business management. The respondents further expressed that there is need to establish workshops or skills development centers (skills hubs) where individuals will access and obtain training towards understanding the plethora business operating skills. The respondents also proffered that VIP Hosting are platforms and initiatives the entrepreneurs are being offered towards acquiring relevant business skills and networking. This implies that workshops are indicated to be an effective platform towards small business

development enhancement. Fadhilah and Praja (2019) argued that workshops are a platform that establishes business exposure and also exposes employees and entrepreneurs to be equipped with diverse skills. These suppositions by Fadhilah and Praja (2019) concur with the findings of this study as workshops were found to be an actionable strategy that enhances skills.

4.3.3.4 Trade credit

This study found that trade credit is another actionable strategy that is being used and can continue to be adopted towards enhancing the operations of small businesses. The views of Respondent 3 concerning trade credit are indicated in the following extract.

“No not really. The only support scheme I make use of is when a company grant me credit for the stock, I would have bought from them. They supply me goods on credit based on trust. But apart from that I don’t get anything from government. The company gives you credit, so I see it as support, they give you goods you sell and make profit and they give you 30 days to pay so I see it as help.” (Respondent 3).

The results indicated that small businesses are being supplied goods on credit by entities and in turn make payments within a negotiated time frame up to one month. Trade credit is an initiative that has been a cornerstone of the business world for centuries, and it is still an effective tool towards business development. As reiterated by the respondents the trade credit facility and trust go hand in hand. This entails that trust is the foundation of trade credit accessibility. As a result, trade credit is being used as a strategy by private organisations to enhance the operations of small businesses. Concurring with this study Okpala, Osanebi and Irinyemi (2019) found that trade credit is a facility that enables businesses to continue trading hence a flexible source of funding.

4.3.3.5 Tax waivers

Tax waivers were expressed as another actionable strategy that the government can adopt towards enhancing small businesses. This is evidenced by the expressions of Respondent 3 and 6 shown in the following extracts.

“The only way I can say government is doing ok is maybe the duties and the tax it’s not that much. Because the tax for small businesses is not that much, because I think you don’t pay tax if your business earns less than R25000.” (Respondent 3).

“I think small businesses should be helped by the government. There must be some exemptions for small businesses. I don’t remember the country, but I think in that country, small businesses go up to 5 years without paying tax to help them get on their feet.” (Respondent 6).

As indicated by the respondents there is need for tax exemptions for small businesses. This is a strategy that will be detrimental to the government revenue, but the small business owners are advocating that there is need for tax waivers or exemptions. Some respondents also proffered that there is a tax payment datum line that is established by the government which automatically exempts them from paying the tax. However, for those who are above this datum line, they are expressing that there is need for the government to waive their taxes as this may ultimately enhance their operations. Concurring with this study Tahir and Inuwa (2019) tax waivers are imperative towards improving the operations of businesses in terms of growth and profitability.

4.3.3.6 Lower interest rates

The respondents in this study extended that lower interest rates are another strategy that is imperative towards enhancing small business. This was expressed by Respondent 5 as indicated in the following extract.

“I think there should be like lower interest rates for SME’s. Am if there are like softer regulations in terms of getting the loan, but it’s always also difficult to acquire the funding. So, I think there needs to be something that is definitely separate, like much lower interests rates. Something that’s more attractive to SME’s means because annually or monthly the profits aren’t as large as those of big organisations. Or especially if it’s like a sole-trader business, they need to have something more favourable in terms of banks because I think the only thing that’s more favourable for sole-traders would be micro financiers. Those are your micro-hubs etc.” (Respondent 5).

The results indicated that lower interest rates for small businesses and there should be relaxed regulations in terms of funding acquisition. This implies that there is need for the government to intervene towards creation of a conducive environment for small businesses to borrow by ensuring that there are relatively lower or reasonable interest rates that allows for small business growth. Martinez-Ferrero, Suarez-Fernandez and Garcia-Sanchez (2019) pointed out that lower interest rates yield positive results towards improving firms' liquidity and profitability standpoint. The findings of this study concur with Martinez-Ferrero, Suarez-Fernandez and Garcia-Sanchez (2019) lower interest were noted to be improving business growth which is an ultimate result of improved profitability and liquidity.

4.3.3.7 Pricing interventions

Pricing interventions was submitted by the respondents as an actionable strategy required from the government towards improving the profitability of small businesses. Respondent 1 views are indicated in the following quotation.

"I think maybe it's like government supporting small businesses, according to what I know. Maybe the government can reduce prices of things so that we can hoard them at a cheaper price so that we make reasonable profits. So, that we can make profits like R2 per unit its better than making a profit of R0.50." (Respondent 1).

The results showed that there is need for the government to direct efforts towards influencing pricing reductions in the supply chain and this may ultimately result in improved profits. Improved profits entail improved liquidity position and growth prospects. As a result, pricing interventions were noted to be another strategy that the government can adopt towards enhancing small businesses. This study's findings support the arguments of Raza and Govindaluri (2019) that positive pricing interventions ultimately yields improved profitability and affluence of small business operations.

Figure 4.6 summarises the actionable strategies that can be adopted by the government and nongovernmental organisations towards enhancing small business development.

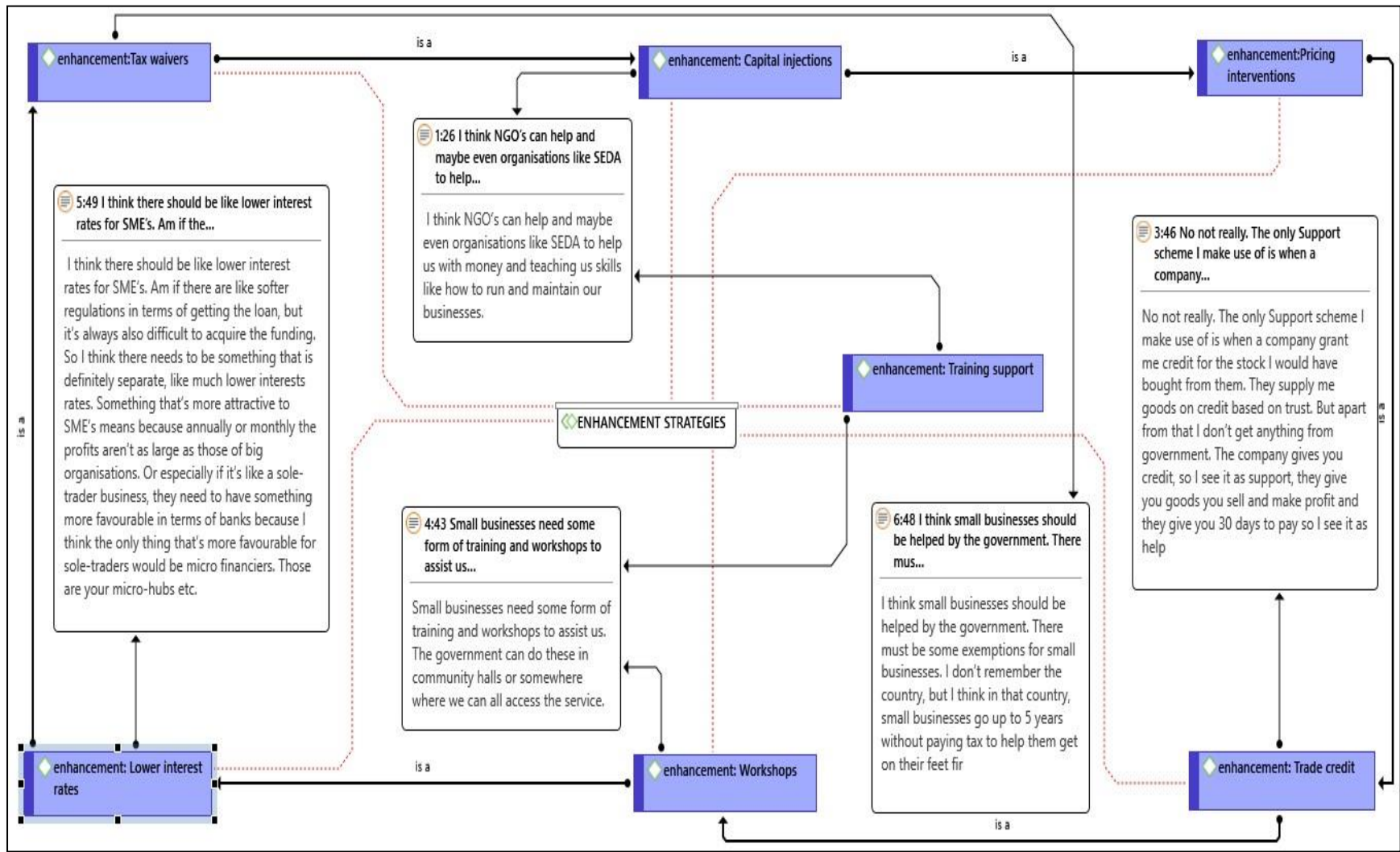


Figure 4.6: Small business development enhancement strategies network Source:

Small business development enhancement strategies using ATLAS.ti.

4.4 Conclusion

This chapter presented the findings of this study. The qualitative data from the respondents' answers to the questions in the questionnaire were analysed using ATLAS.ti. Chapter five presents summary and discussion of, and conclusions from, the findings, together with recommendations for further research.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Previous chapters presented the rationale for, and background of, the study, the literature review, methodology, data analysis, results for the study and discussion of findings. This chapter concludes the research with a discussion of the main findings. It includes some concluding remarks on the relevance and importance of the study, together with its limitations of scope, and suggestions for future research. Data analysis was presented in Chapter 4 together with the discussion of findings and major themes that emerged from data analysis in relation to the research questions. This chapter will now critically establish an understanding of the subject at hand in accordance with the aims and objectives of the study, as well as the research questions of the study.

5.2 Summary of Results

This study found that small businesses experience numerous challenges. Of these, the more frequent ones were economic downturn, gender-based disadvantages, lack of government support and funding accessibility difficulties. These results corroborate findings from previous studies that have also shown the existence of the challenges that this study established among entrepreneurial ventures (Saxena, 2012; Osotimehin *et al.*, 2012; Oppong, Owiredu & Churchill, 2014; Mikioni, 2019).

Additionally, this research also found that the various skills challenges that small businesses face are; lack of book-keeping know-how, lack of technical skills, lack of business management skills, lack of government support and lack of training. These results substantiate findings from previous scholars who have investigated skills challenges by small businesses (Yusuf, 2003; Osotimehin *et al.*, 2012; Ishak, Omar & Ahmad, 2012; Ates, Garengo, Cocca and Bititci, 2013; Adisa *et al.*, 2014; Bouazza, Ardjouman & Abada, 2015).

Furthermore, this study also found several actionable strategies that can be adopted towards enhancing the development of small businesses. Of the established actionable strategies, the common that were proffered by the participants were capital injections, training support, pricing interventions, workshops, trade credit tax waivers and lower interest rates.

5.3 Conclusion on research questions and objectives

This section presents findings from the analysis and aligns them with the research questions and objectives towards comprehensively answering the objectives of the study. As highlighted in Chapter 1, a review of literature revealed the following research gap:

Although a lot is written about SMMEs challenges and possible solutions to such challenges in current literature a gap still exists (Hyder & Lussier, 2016; Mnisi & Rankhumise, 2015; Rahman et al., 2016). More importantly, interventions such as effective management and technical assistance through counselling, has been found to be helpful for SMMEs, particularly when implementing key managerial functions (Agbim, 2013). Entrepreneurial assistance could further assist the small businesses to better manage other resources such as human resources and finance, as well as to learn ways of securing funding. This study, therefore, will consider the existence of funding and skills challenge to small businesses and try to understand the operating of such entities. For instance, the unexplained situations of having more support schemes coupled with high failure rate of small businesses in the South African business environment. Such then shows evidence of a gap between finance and skills challenge when running small businesses.

More worrying is the fact that within South Africa, there is limited localised research to understand the experiences by small businesses which might lead to failure at infancy stages. Hence, such a lack means that the South African government always contemplates if the causes of small business failure can be pinned to entrepreneurs or the government itself. Indeed, failure of the economic boom in South Africa may be pinned to other general problems such as lack of entrepreneurial skills, lack of entrepreneurial intentions, problems in entrepreneurial education systems among others. However, the gap between finance and skills challenge when operating small businesses, is evidence of a much deeper underlying problem, as this study will argue. As such, this study will attempt to provide a thorough exploratory research design on the entrepreneurial landscape from a South

African perspective. More specifically, the study will relook the contemporary problems of small businesses in South Africa with a view to understand the funding and skills challenge when running small businesses, in such a manner as to:

- 1) Understand the funding challenge and skills challenges to increase the body of knowledge*
- 2) Provide government and NGOs with a basis for formulating appropriate development policies which enhance small businesses.*

The study argues that small businesses in South are experiencing a plethora of funding and skills challenges in their operations in South Africa. Additionally, this study establishes the actionable strategies that can be adopted by the government and non-governmental organisations towards improving the development of small businesses in South Africa. As such, this study will attempt to provide a thorough elaboration of funding challenges, skills challenges and actionable strategies from a South African perspective.

Subsequently the above listed gaps in the literature led to the formulation of the following problem statement:

Despite the crucial role played by small businesses globally, it is notable that they ordinarily face a series of challenges. Current literature identified some of the challenges that small businesses normally face, among others cumbersome legal and regulatory constraints, lack of access to external financing, low human resources capabilities, lack of managerial skills and training and low technological capabilities. All these factors need to be managed properly if small businesses are to prosper. This study, therefore, will consider the existence of funding and skills challenges to small businesses and try to enhance the running of small businesses. For instance, the unexplained situations of having more support schemes coupled with high failure rate of small businesses in the South African business environment.

Thereafter, the following three research questions were formulated to address the identified gaps and research problem:

RQ1: What are the funding challenges experienced when running small businesses in Limpopo province, South Africa?

RQ2: What are the skills challenges experienced when running small businesses in Limpopo province, South Africa?

RQ3: How can the development of small businesses across the South African business environment be enhanced?

The research questions paved way to the formulation of the following aims and objectives:

- 1) To determine the causes of the funding challenges when running small businesses in Limpopo province, South Africa.
- 2) To determine the causes of the skills challenges when running small businesses in Limpopo province, South Africa.
- 3) Identify actionable strategies that the government and NGO's can use to enhance small businesses.

5.3.1 Conclusion on research question 1

In line with Research question 1: What are the funding challenges experienced when running small businesses in Limpopo province, South Africa? It was noted that the funding challenges that small business owners face are diverse. It was found that small businesses face four funding challenges i.e. economic downturn, gender-based disadvantages, lack of government support and funding accessibility difficulties. Regarding funding accessibility difficulties, this study found that difficulty in acquisition of funds results in the failure of many lucrative ideas and business sustenance. This implies that the difficulty that the small businesses face is detrimental to their operations and growth prospects.

Lack of government support was another funding challenge that small businesses are experiencing which has accounted for high rates of failure among small businesses. Another interesting funding challenge that was established in this study was gender-based disadvantages. Most studies have focused on the funding disadvantages among women entrepreneurs, but this study has established that gender disadvantages are also experienced by male counterparts. This implies that although women empowerment initiatives are beneficial towards emancipating women, they may act as barriers to funding accessibility among men entrepreneurs. This is because most of the efforts are now channelled towards women entrepreneurship funding as an empowerment strategy but in turn act as a barrier to male entrepreneurship and funding accessibility.

In addition, this study found that economic downturn was another factor that is influencing the accessibility of funding negatively. The findings showed that the continued economic variations or fluctuations are making it difficult for funds to be available towards meeting each small business owner's financial needs. This results in inadequate funds available for small business support. This implies that this dissertation has established the funding challenges that the small businesses are experiencing that are detrimental to the affluence of these entities.

5.3.2 Conclusion on research question 2

Research question 2: *What are the skills challenges experienced when running small businesses in Limpopo province, South Africa?* This research question focused on the skills challenges affecting small businesses. To answer this research question, this study research found that small businesses face a plethora of skills challenges that are detrimental to the operations' sustainability. Lack of book-keeping know-how was noted to be a skills challenge that the small businesses are experiencing. The findings showed that the inability to understand how to record and track sales and profits/losses of the business has been noted as a challenge among small businesses. This lack of recording skills is detrimental to the profitability and liquidity of the small business operations.

Lack of technical skills is another skills challenge that was identified in this study. With the continued changes in the technological arena, this study found that lack of the information technology knowledge especially among the employees results in the loss of significant amount of money which in turn negatively affects the profitability of small businesses. Lack of business management skills is among the skills challenges that were found among small businesses in Limpopo province. This study concludes that lack of managerial know-how places significant constraints on small business development.

In addition, lack of government support was found to be another factor resulting in skills challenges among small businesses. The findings showed that there is inadequate government support for small businesses towards improving their skills base. The findings indicated that the lack of

government support was noted to be a critical factor that is resulting in skills acquisition challenges among small businesses both the entrepreneurs and the employees. Another skills challenge that was noted in this research is lack of training. The findings showed that due to the lack of training support from the government, small business owners are facing challenges towards equipping themselves and their employees with the necessary skills required for the success of the business which is ultimately detrimental to the affluence of the operations.

5.3.3 Conclusion on research question 3

Concerning research question 3: *How can the development of small businesses across the South African business environment be enhanced?* This dissertation investigated the actionable strategies that can be adopted towards enhancing small business development. In response to this research question the findings showed that there are several actionable strategies that can be adopted towards enhancing small businesses. These actionable strategies include capital injections. This research found that capital injections is a strategy that can be adopted by both the government and non-governmental organisations. Capital injections enables the increased competitiveness and sustainability of small businesses.

Training support is another actionable strategy that can be adopted towards improving the development of small businesses in Limpopo, South Africa. Training has the distinct role in the achievement of an organizational goal by incorporating the interests of the small business and the workforce. This study found that there is need for the government and non-government organisations to provide training support which will equip small business owners and their employees on the skills to run and maintain businesses. When the government provides training support, entrepreneurs and the workers will access a platform where they can be acquainted with the relevant skills that are required for effective business operations.

The study revealed that workshops are another actionable strategy that can be used towards advancing and enhancing small businesses. Workshops and conferences that are funded by the government or private organisations towards educating small business owners on effective business management will pave way towards operating businesses in an efficient, effective and sustainable manner. This research found that trade credit is another actionable strategy that

enhances small businesses. Trade credit offered in the supply chain to small businesses offers a platform for accessing inventories with no interest being charged and payments made at the agreed period. Such a strategy establishes a platform for boosting the operations through easing the cash flow of small businesses and ultimately enhancing their growth and development.

Tax waivers or exemptions was another strategy that this study discovered towards enhancing the development of the small businesses. The findings showed that tax waivers or exemptions may form the basis for improved revenue among businesses thereby, boosting the liquidity position of the businesses. Another strategy that was found in this study is providing lower interest rates. The findings indicated that there is need for the government to intervene towards creating a conducive environment for small businesses to borrow by ensuring that there are relatively lower or reasonable interest rates that allows for small business growth. Pricing interventions was noted to be another actionable strategy that can enhance small business development. The study found that that there is need for the government to direct efforts towards influencing pricing reductions which provides a premise for improved profits.

5.4 Revised conceptual model

In order to resolve the research problem and questions, the conceptual framework in Chapter 1 was proposed. However, after engaging the participants, stimulating findings were established with regards to funding challenges, skills challenges and business enablers. The findings resulted in the reconceptualization of the initial model. This study concludes that there are funding and skills challenges that are detrimental to the operations of small businesses. The study also suggests actionable strategies to enhance the operations of the small businesses. A conceptual model specifying the effect of funding and skills challenges based on this study provides useful knowledge in this field of entrepreneurship in enhancing small businesses. The remodelled conceptual framework is shown in Figure 5.1 as follows.

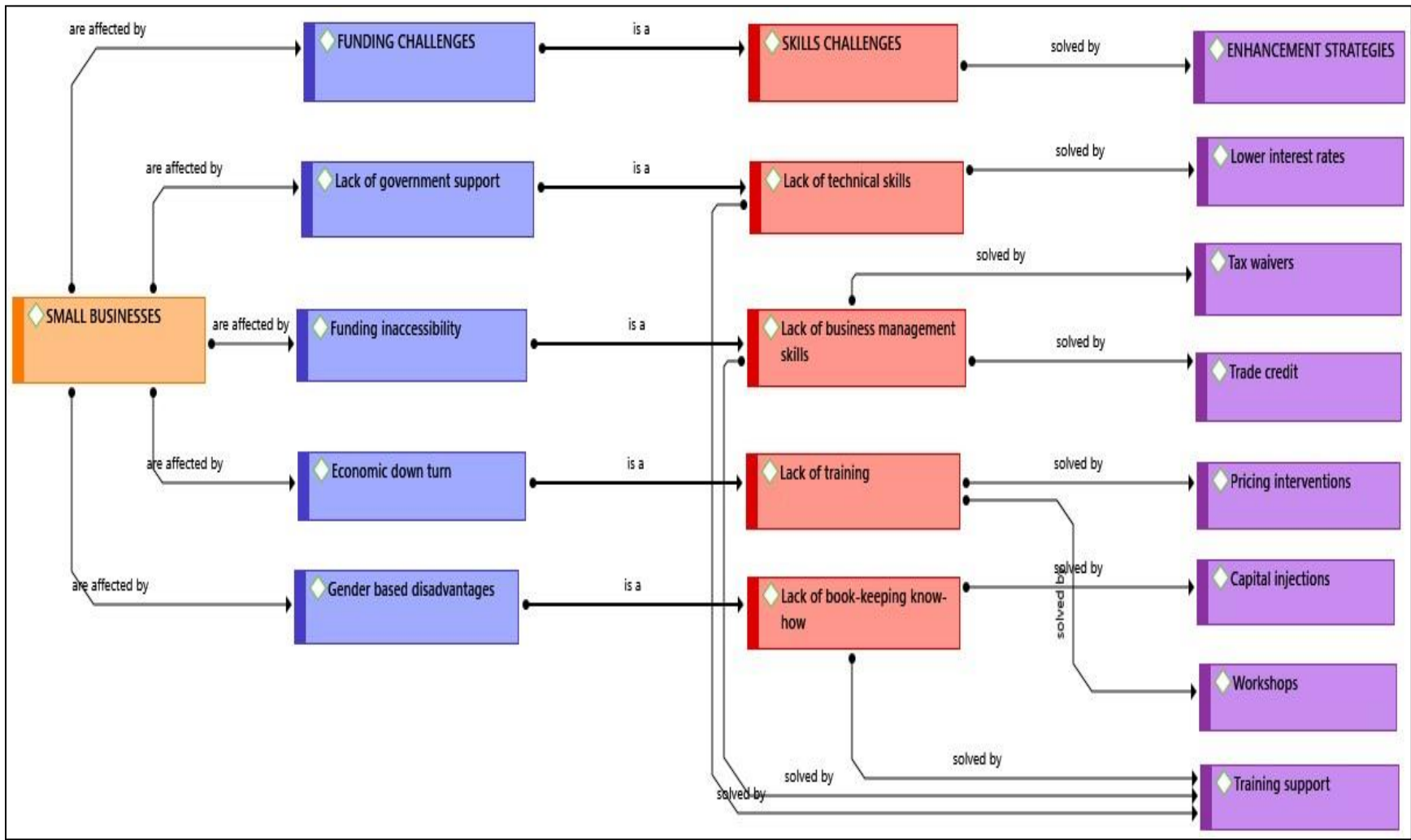


Figure 5.1: Revised conceptual model

Source: Revised conceptual model using ATLAS.ti

5.5 Conclusions on the research problem and contribution to the body of knowledge in the area of research

The research problem investigated in this study was:

Despite the crucial role played by small businesses globally, it is notable that they ordinarily face a series of challenges. Current literature identified some of the challenges that small businesses normally face, among others cumbersome legal and regulatory constraints, lack of access to external financing, low human resources capabilities, lack of managerial skills and training and low technological capabilities. All these factors need to be managed properly if small businesses are to prosper. This study, therefore, will consider the existence of funding and skills challenges to small businesses and try to enhance the running of small businesses. For instance, the unexplained situations of having more support schemes coupled with high failure rate of small businesses in the South African business environment.

The study established that small businesses are facing a plethora of challenges in the context of funding and skills. The funding challenges that the study found were gender-based disadvantages, lack of government support, funding accessibility difficulties and economic downturn. This study found that these funding challenges are detrimental to the operations of the small businesses in Limpopo Province. The skills challenges that are faced by the small businesses were also revealed and these are lack of book-keeping know-how, lack of technical skills, lack of business management skills, lack of government support and lack of training. These skills challenges were noted that they are detrimental to the operations and affluence of the small businesses.

The small business owners suggested several strategies that the government and nongovernmental organisations can adopt and implement towards small business development enhancement. The submitted actionable strategies were capital injections, training support, pricing interventions, workshops, trade credit tax waivers and lower interest rates. It is imperative to note that although small businesses are facing challenges these actionable strategies pave a way for corrective measures to be put in place towards the development of small businesses.

5.5.1 Contributions of the study to the body of knowledge in the area of research

1. The study was motivated by the knowledge gap found in the literature on the need to understand the funding challenge and skills challenges faced by small business as well as the need to provide government and NGOs with a basis for formulating appropriate development policies which enhance small businesses. The study identified the range of specific challenges being faced by small businesses in Limpopo province, and possibly many of the provinces in South Africa.
2. The challenges faced by small businesses in terms of funding and skills as well as the actionable strategies towards corrective action has the potential to pave way for future inquiry that could enrich entrepreneurship discourses for business development associations, government departments and non-governmental organisations.

5.6 Implications for Theory

The main theoretical contribution of this study is that of revealing the skills and funding challenges faced by small businesses and the actionable corrective strategies thereof. The researcher would argue that he managed to determine that small businesses in Limpopo Province are not a homogeneous cohort in their operations. Thus, four funding challenges were established which are gender-based disadvantages, lack of government support, funding accessibility difficulties and economic downturn. The skills challenges that were found were lack of book-keeping knowhow, lack of technical skills, lack of business management skills, lack of government support and lack of training. As has been espoused, these challenges are detrimental to the operations and development of small businesses.

The study has also shown that there are also actionable strategies that can be adopted towards dealing with the challenges that the small businesses are facing. These actionable strategies are: capital injections, training support, pricing interventions, workshops, trade credit tax waivers and lower interest rates.

5.7 Implications for practice and recommendations for policymakers

It would also be useful to for future study to be carried out by government or policy makers regarding the nature and extent of the challenges that small businesses are facing, bearing in mind their massive contribution to the economic growth of South Africa. It is hoped that this study would be of value to policymakers when they are designing and implementing policies to consider with regards to the sustainability of small businesses as the current study has established the actionable strategies that can be considered. Thus, a recommendation would be that policy makers should implement the necessary policies for enterprises taking into consideration that enterprises are not a homogenous cohort. Government should develop forums and workshops for better communication of knowledge with regards to the funding available and the assistance they can offer to small businesses.

5.8 Limitations of the study

The scope of the study was restricted to Limpopo Province, and therefore, findings might not be generalizable to other areas in South Africa or the rest of Africa and other developing countries/emerging economies. Nevertheless, some generic conclusions might be derived from the study, albeit with extreme caution.

5.9 Directions for future research

The research findings have the potential to be of value to other researchers in understanding the small businesses challenges and actionable strategies thereof. The possibility exists of conducting a replicate study within other provinces of South Africa. This could help to assess the similarities and differences in challenges faced by small businesses in different provinces. It is also hoped that the similar study could be replicated using a different methodology thus a quantitative to cover a larger sample.

5.10 Conclusion

This chapter presented conclusions and recommendations based on both the literature review and the findings from this study. The research problem was resolved and the contribution of the study was indicated. The analysis of the data presented several interesting findings and can be considered to have raised several important questions. Based on these questions, further areas of research were identified.

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APPENDIX 1: INTERVIEW GUIDE



University of Venda

INTERVIEW GUIDE

For

The Dissertation:

ENHANCING THE RUNNING OF SMALL BUSINESSES IN SOUTH AFRICA, THE CASE OF LIMPOPO PROVINCE.

DEGREE: Master of Commerce

COMPILED BY: Denzel Thando Nago

Student Number: 11625688

Dear Participant,

My name is Denzel Thando Nago, I am a student pursuing my Masters in Business Management at the University of Venda. In order to complete my dissertation, I am inviting you to participate in a research titled: **“ENHANCING THE RUNNING OF SMALL BUSINESSES IN SOUTH AFRICA, THE CASE OF LIMPOPO PROVINCE.”**

The research questions formulated for the study are:

RQ1: What causes the funding challenges when running small businesses in Limpopo province, South Africa?

RQ2: What causes the skills challenges when running small businesses in Limpopo province, South Africa?

RQ3: How can the development of small businesses across the South African business environment be enhanced?

Be assured that all the information gathered from you will remain confidential.

Thank you for taking your time to participate in this research,

Yours sincerely,

Denzel Thando Nago

Email: dtnago@gmail.com

Cell phone number: [+27 83 741 4952](tel:+27837414952)

Please note the questions provided below serve as a guideline, questions might be rephrased or changed during the interview process to solicit more information and to probe. The questions are aligned to the above research questions and also divided into areas of inquiry to assist the researcher in answering the questions.

SECTION A: CHALLENGES FACED BY SMALL BUSINESSES.

1. Based on your own experience, what skills are needed to run a small business in Limpopo province, South Africa?
 - How do you deal with the skills challenges?
 - In your opinion what do you think can be done to help small businesses in this regard?

2. Based on your own experience, what is funding when running a small business in Limpopo province, South Africa?
 - What are the funding skills needed to run a small business in Limpopo province, South Africa?
 - Is it difficult to acquire funding?
 - How do you deal with the funding challenges?
 - In your opinion what do you think can be done to help small businesses in this regard?

3. Based on your own experience, what other challenges are faced by small businesses in Limpopo province, South Africa?
 - How do you deal with these other challenges?
 - In your opinion what do you think can be done to help small businesses in this regard?

4. Are there any support schemes you receive or are there any that you are currently making use of?
 - If yes, which ones?
 - Are they easily accessible?
 - Are they useful? If yes how have they improved your business?

SECTION B: GOVERNMENT SUPPORT

1. In your view, what is government support in entrepreneurship development in Limpopo province, South Africa?
 - In your view, how is the government enhancing entrepreneurship development in Limpopo province, South Africa?
2. In your view, do entrepreneurs need government support?
3. In your view, is the government doing enough in terms of improving entrepreneurs as a whole from ;
 - Training?
 - Ongoing support as you run your enterprises?

APPENDIX 2: ETHICAL CLEARANCE CERTIFICATE

**RESEARCH AND INNOVATION
OFFICE OF THE DIRECTOR**

NAME OF RESEARCHER/INVESTIGATOR:

Mr DT Nago

Student No:

11625688

PROJECT TITLE: Enhancing the running of small business in South Africa, the case of Limpopo Province.

PROJECT NO: SMS/19/BMA/01/1604

SUPERVISORS/ CO-RESEARCHERS/ CO-INVESTIGATORS

| NAME | INSTITUTION & DEPARTMENT | ROLE |
|-----------------|----------------------------|------------------------|
| Prof R Shambare | University of Western Cape | Supervisor |
| Mr S Zindiye | University of Venda | Co - Supervisor |
| Mr DT Nago | University of Venda | Investigator - Student |

ISSUED BY:

UNIVERSITY OF VENDA, RESEARCH ETHICS COMMITTEE

Date Considered: April 2019

Decision by Ethical Clearance Committee Granted

Signature of Chairperson of the Committee:

Name of the Chairperson of the Committee: Senior Prof. G.E. Ekosse



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