



**Innovation management practices as a factor leading to the failure of small
and medium-sized enterprises in South Africa**

by

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DECLARATION

I, **Mubake Steve Kyalangalilwa**, declare that

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Mubake Steve Kyalangalilwa

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DEDICATION

This research is dedicated to my dear Father, for teaching me the importance of hard work and the value of education. To all my Christ Church Midrand, Christ Church Pietermaritzburg, the Van de Merwe families, I really thank them all for their moral support and for praying with me.

ABSTRACT

The purpose of this study was to investigate the factors that lead small and medium enterprises (SMEs) to failure in South Africa. Even though, small businesses can be major drivers of economic development, job creation, and innovation in South Africa, the level of failure of small businesses is extremely high. Based on this background, the aim of this study was to determine the innovation factors and managerial practices that lead to the failure of small and medium-sized enterprises and how they can be addressed in order to understand the causes of the failure of SMEs and to improve their survival rate in South Africa.

In this study secondary data has been gathered from peer-reviewed and grey literature (such as online sources, and government reports). The data analysis for this research focussed on relevant literature that addresses the impacts of innovation on small businesses and the factors that can cause their failure. The PRISMA method was used in the research as a base for the systematic review of data collected.

The findings revealed that the success and growth of small and medium enterprises in South Africa largely depends on the human capital of their owner/manager. The cause of small business failure has been mainly the lack of knowledge, lack of funding, and general lack of business decision-making skills. In addition, the findings also revealed a lack of financial literacy, underqualified employees or managers, and high competition.

The study recommends that small business owners should ensure that the managers or the employees have the required basic skills and knowledge on how to run and manage the business. Furthermore, with the current development in the technological industry, small business owners must ensure that they keep up with the fast-evolving industries and competition. The contribution of this study is that it provides small business owners and managers with technical recommendations, which if applied, could result in small businesses' success in their respective industries. Lastly, it provides insight into the impact of innovation on small businesses sustainability in developing countries and the causes of the failure of SMEs.

ACRONYMS

GDP:	Gross Domestic Product
GEM:	Global Entrepreneurship Monitor
PRISMA:	Preferred Reporting Items for Systematic Reviews and Meta-Analyses
SEDA:	Small Enterprise Development Agency
SMEs:	Small Medium Enterprises
SMMEs:	Small, Medium and Micro Enterprises
VAT:	Value Added Tax

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CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

Small and medium-sized enterprises (SMEs), often referred to as small businesses, assume a significant position in an economy. SMEs are major drivers of economic development, job creation, and innovation. In South Africa, government sees the importance of this area of business so much that a Ministry of Small Business Development was set up in mid-2014 (Seda, 2016). The small and medium ventures are instrumental in the development of any economy (Singh, et al., 2016). They contribute towards around 35 per cent of the South African GDP and are important for their contribution to the economy, development of new products, technological and innovative evolution, and competitive advantage. Furthermore, they are key drivers of job creation, financial development, and modernisation (Tejumade and Kevin, 2012).

Owing to the rapid development of information technologies, the trades between nations has quickened the process of globalisation. As a result, this has led to a vast growth in the number SMEs where similar goods and services are being produced (Kunday and Senguler, 2015). Enterprises thereby become determined to increase the demand of their products or services in order to gain consideration through differentiation both in local and global markets. Because of their increasingly significant role in worldwide trades, SMEs are being considered key economic drivers and therefore have become a dynamic research interest and area of study. A majority of the insights on the internalisation of SMEs has come about from marketing literature. This research will go a step further by focusing on contributing to the management and organisation literature regarding SMEs (Adeniran and Johnston, 2012).

Another significant role of SMEs is that of creation - the innovation of new ideas and expertise. The nature and scope of operation of small businesses often fall within the ambit of SMEs to originate and evolve new information, and have it tested before it is accepted into or by other diligences or macroeconomies. Through their innovative efforts and central points, business managers are challenged with spotting and grabbing opportunities and transforming them into useful and market driven items (Muriithi, 2017).

Regardless of their level of input, SMEs in South Africa continue to experience a high rate of failure. About 75 per cent of SMEs do not succeed beyond five years of creation (Fatoki, 2018). Atsan (2016, p. 436) states that, "failure is one of the most worrying, complex but significant learning encounters that entrepreneurs will actually have the misfortune to deal with." Along

these lines, business failure is a significant concept to comprehend in business venture, as far as its causes and ramifications. Pretorius (2009) posits that understanding small business's failures presents a tremendous hypothetical challenge that no common definition exists.

This chapter serves as an introductory chapter, offering the general outline of the workings of SMEs, and additionally giving background and context within which, the problem statements identified by this research exist. This chapter also gives a layout of the chapters that will follow.

1.2 BACKGROUND OF THE STUDY

Reviews of small business failures state that to identify the factors prompting the failure of small and medium-sized enterprises, studies in this field have been done. Based on the examination of available literatures, all factors can be put into two groups: internal factors and external factors. Internal factors allude to factors inside SMEs, which have a direct impact on SMEs. External factors allude to factors outside SMEs, and they can affect SMEs (Nikolic, Dharmo, Schulte, Mihajlovic and Kume, 2015).

A portion of the issues originating from these factors incorporate unambiguous management issues, for example, an absence of management training. Other explanations behind business failures include the inability to manage the business's growth and inability to control the financial revenues. As per Anderson (2017), having the necessary abilities for starting a new business venture is vital for improving the probability of starting and running it and that access to appropriate knowledge is vital for the start-up and development of SMEs.

The small business environment, while rapidly evolving, shows a scope of multiple tendencies. Some of the more pronounced tendencies have been the major accentuation on elements of innovation's undertakings and outcomes, and a propensity to give summed up or conventional, as opposed to contextualised, management guidance. In this way, factors encouraging or blocking innovation in small businesses have been identified with external and internal, structure and asset factors, and their possible relationships (Hotho and Champion, 2011).

Some of the examples of external factors affecting small businesses include government procedures, guidelines activities, proportional access to subsidy, weak contract implementation or local labour markets, phases of systems and information systems and their connections, and, to another level, environmental characteristics (Onoja and Izukanne, 2015). Other researchers argue that the industry environment and lifecycle stages also influence innovation and business development opportunities. Internal factors include assets, for example, the executive's

capacity, experts' abilities, time, and internal assets, specifically, knowledge frameworks (Onoja and Izukanne, 2015).

At the micro level, the management of development and training are found to be determining factors. High technology business managers' hesitancy to take part in training and development has ascended to a 'development jam', resulting in a derisory exploitation of innovation and development opportunities (Onoja and Izukanne, 2015).

1.3 PROBLEM STATEMENT

Small businesses in South Africa present a significant number of failures. It is argued that the failure rate is estimated between 70 per cent and 80 per cent (Adeniran and Johnston, 2012; Fatoki, 2018). The capability of SMEs to develop a serious competitive advantage has become a significant worry for managers and researchers. Muriithi (2017) revealed that 75 per cent of SMEs in South Africa do not thrive, thus costing the nation due to these failures and inconsistencies.

Despite the programmes for small businesses that have been set in place by government; whose purpose is to train and assist small business owners and entrepreneurs, the failure rate is still high. Since SMEs operate in an intricate environment, it is seen that an absence of innovation could be among the factors that add to business failure. This research seeks to help small business entrepreneurs and managers in improving their adaptability and application of innovative managerial practices to lessen their failure rate.

From a continental perspective, SMEs working in Africa have shown similar trends. Much like South Africa, they also face numerous challenges that deflect their development and offset their positive role to progress. Additionally, SMEs encounter hindrances that limit their long-term survival (Muriithi, 2017). Researchers have shown that there is a gap between managers' perceptions of, and the actual reality of managerial innovation within a business. In theory, it is not hard to recognize the input or benefits that innovation can have on a small business and the impact on its competitive advantage. However, it is hard to set up a direct link between innovation and performance (Joe, 2001).

Pretorius, (2009); Mudavanlu, et al., (2011) present that past research on SME failure shows that the lack of good managerial skills and expertise is one of the main reasons behind the failure of a business. Studies further highlighted that failure is related to numerous factors such as: liquidation, bankruptcy, emergency crisis, decline in performance, lack of innovation,

breakdown, decision-making, bookkeeping practices, project failure, systems failure, establishment failure, being non-profitable, and more.

Much has been researched and written on the challenges experienced by small businesses globally as well as in South Africa. This research therefore seeks to provide small business's managers and owners with precise data and direction to improve their businesses. Consequently, the question addressed in this study is “ Do innovation management practices as a factor lead to SMEs failure?”

1.4 RESEARCH AIMS AND OBJECTIVES

As iterated above, the aim of this research is to study the challenges experienced by small businesses that ultimately lead to and contribute to their failure. The primary objective will be to determine the innovation practices that lead a small business to failure in the African developing economies and South Africa in particular. The secondary aims of the research are:

- i. to ascertain the general managerial innovation practices of SMEs;
- ii. to identify the impact of a lack of managerial innovation on small businesses' survival; and
- iii. to identify and present potential interventions that could enhance innovative managerial practices.

1.5 RESEARCH QUESTIONS

This section indicates the principal questions that guide this paper:

1. What are the impacts of managerial innovation practices on SMEs?
2. What are the factors in managerial practice that lead SMEs to failure?
3. How could small business managers be more innovative and flexible to adapt to change?

1.6 SIGNIFICANCE OF THE STUDY

This research stands to provide solutions to long standing problematic areas for SMEs and can offer meaningful contributions to help businesses gain sustainability and longevity. As a result of this, business development can happen because of the information, knowledge, and insight acquired through this study. Given the potential projected impact that SMEs can have on economic development locally, regionally, nationally, and globally, this study will be contributing to a body of academic research that is evolving and has not yet been fully understood. The assertion that it has not yet been fully understood is evident by the high failure

frequency of SMEs in South Africa. Additionally, technology continues to evolve, and the effect of the technological component to small businesses cannot be ignored. Therefore, as technology evolves, it follows that the means of running and managing small businesses must also evolve.

Research on SME failure, as raised by Fatoki (2018), focusses on the managerial skills of new small business from the innovative beginning to the development stages. An essential element in the success of SMEs is the ability of its management to continue to address new challenges as the business grows. Start-up businesses need to develop their managerial competences as they grow. The growth of the business presents changing managerial needs and requirements for various administrative capacities.

This research identifies suitable business support interventions that could improve the managerial skills of SME managers and owners. The review will add to the collection of literature on SME development, especially regarding innovation management as one of the supporting components to the success of SMEs. Based on the research findings, suggestions will be given on how to promote SMEs through interventions that improve the managerial abilities of managers and owners.

1.7 JUSTIFICATION OF THE STUDY

Despite the fact that the South African government has made intervention efforts to promote SMEs, not much is known about the outcome of innovation on the managerial abilities of SMEs. A few studies researched the impact of these interventions from various angles (McLaughlin, et al., 2005). Continued research is expected to study the effects of innovation on SMEs. Consequently, this research proposal aims to explore the relationship between innovation and managerial skill in SMEs, i.e., whether innovation significantly affects managerial capabilities of SMEs managers, and to propose satisfactory systems or proposals to upgrade management's skills through different interventions.

The connection between small businesses and macroeconomic development has been studied for quite a long time, as far back as the 1940s. Amankwah-Amoah, et al., (2018) presents that entrepreneurship provides an environment to encourage invention, advancement, and sustainability. For developing countries, one of the fundamental hindrances is centered on associating innovation, adoption, and diffusion into entrepreneurship in order to help foster development. As a means of accomplishing this, several African nations explored different

avenues regarding structural adjustment programmes (SAPs) encouraged by the World Bank (Amankwah-Amoah, et al., 2018).

1.8 DISSERTATION STRUCTURE

The structure of the research is tabulated below as follows:

Table 1.1: Table showing structure of dissertation

Chapter	Content	Chapter Summary
Chapter One	Introduction and background to the study	This chapter focusses on the research presented, and is a basis is given to the research topic. The research questions and aim to pursue the assertion of the research problem. It further presents the significance and contributions of the research.
Chapter Two	Role and importance of SMEs in South Africa	This chapter presents the role and importance of small and medium enterprises (SMEs) in the economic performance of South Africa. The aim of this chapter is to provide an overall outline of accessible writing on factors that lead to the failure of SMEs.
Chapter Three	Research Methodology	This chapter introduces the research methodology used for this study and how this method design has guided the data collection, analysis, and development of theory.
Chapter Four	Findings and Discussion	This chapter comprises the discussion of the research findings. The findings are presented in accordance with the research objectives and the literature review.
Chapter Five	Conclusion and Recommendations	This chapter presents the summary of the work covered in this study and provides conclusion and recommendations based on the findings in the study, limitations, and research implications.

1.9 SUMMARY

In this chapter, the research study is introduced, and a background is outlined of small business failures in South Africa. The unfavourable impacts of small business failure on the South African economy and the measures that the South African government has implemented to enhance the business enterprise status quo were briefly described. The problem statement, research questions, and objectives were given, and the importance and contribution of this

study were also presented. The following chapter presents the role and importance of small and medium enterprises (SMEs) in the economic performance of South Africa.

CHAPTER TWO: ROLE AND IMPORTANCE OF SMEs IN SOUTH AFRICA

2.1 INTRODUCTION

Small and medium-sized businesses are often described as the factors that lead to their failure. However, there are other important considerations that undergird the notion of SMEs. In order to gain a better understanding of SMEs, their contributions in the microeconomy, and their place in the macroeconomy, it is important to look beyond the causes for their failure. This chapter seeks to expand on the role and economic importance of SMEs in the the African developing economies and South Africa in particular. It seeks to bridge the knowledge gaps that exist around SMEs, and to draw links between the nature of SMEs, and innovation that significantly affects managerial capabilities of small business owners.

This research acknowledges the potential capacity of SMEs to the South African economy and submits that it would prove inadequate to merely look at the reasons for failure without considering a bigger picture. Such bigger picture would entail looking at the presence of internal and external influences, the ‘why’ and ‘how’ of their inception, and the overall vision of the small businesses. It is in the assessment of these factors, as well as the nature, role, and importance of SMEs that this study is able to provide insight into their operation, and why they are likely to fail.

This chapter covers the following sections: firstly, the significant concepts of this study; secondly, a review of small business environments and its effect on failure; thirdly, a review on innovation management relating to small businesses; and lastly a conceptual overview of small business failure.

2.2 SMES OVERVIEW

2.2.1 Small to Medium Enterprises in South Africa

Studies recognised the SMEs sector as a way to improve economic and employment development in any country. The SME sector is generally viewed as the main impetus in economic development and job creation in developing and developed nations. The significant input that SMEs can make to job creation and income generation is perceived around the word, and specifically in South Africa (Meyer and Meyer, 2017; Justino and Tengeh, 2015).

SMEs have no standard characterisation. SMEs have been perceived by different people and groups, as a venture that is considered as small and medium in one country, is seen differently

in another country (Bouazza, Ardjouman and Abada, 2015). Small to medium enterprises are characterised differently, either according to annual turnover or the size of employees, as noted in the National Small Business Act of 1996, revised by the National Small Business Amendment Act of 2003 of South Africa. The Act describes a SME as:

“... a different and unmistakable entity including co-operative enterprises and non-governmental bodies managed by one proprietor or more, including its branches or auxiliaries if any is principally carried out in any area or subsector of the economy mentioned in the schedule of size principles and can be classified as a SME by fulfilling the criteria stated in the schedule of size norms” (Mafundu and Mafini, 2019, p. 2).

Most business enterprises in South Africa are portrayed as SMEs, providing roughly 40 per cent of the country’s economy, which makes small businesses’ existence critical for the development and success of the nation (Govuzela and Mafini, 2019). SMEs differ from big enterprises and the distinctions are identified by characterising SMEs as receptive, having a fire-fighting attitude, limited assets, casual strategies, and adaptable structures. As a result, SMEs will, in general, have a higher level of failure than that of bigger enterprises (Terziovski, 2010).

SMEs can be characterised as small and medium-sized enterprises of a formal or casual nature. The National Small Business (Act 102 of 1996 as altered in 2003) measures businesses per size and SME grouping is made based on numbers of employee and annual turnover (Meyer and Meyer, 2017). The Table 2.1 summarises the general criteria and classification of SMEs in South Africa, by the Act.

Table 2.1: A summary of the classification of norms

Classification	Full time paid or equivalent employees	Annual Turnover
Medium	50-200	R 5 million to R 64 million
Small	1-49	R 3 million to R 32 million
Very Small	1-10	R 200 000 to 500 000
Micro	1-5	R 150 000

Source: Government Gazette of the Republic of South Africa No.25763 (2003)

Other than the number of workers, there are other key factors that characterise SMEs, and these have to do with the administration and nature of operations. The SMEs might be overseen by

their proprietors who are regularly assisted by relatives. In such manner, the decision-making framework is very open, casual, and subject to the individual drive of at least one of the directors (Ayandibu and Houghton, 2017). Due to this casual approach to business management, many small businesses end up not engaging the necessary formalities or training to ensure that the business has the right tools for success.

Table 2.2: South Africa's sector classification for micro, very small, small, and medium enterprises

Sector	Classification	Full time paid employees or equivalent	Annual Turnover R Millions
Agriculture	Medium	100	5.00
	Small	50	3.00
	Very Small	10	0.50
	Micro	5	0.20
Construction	Medium	200	51.00
	Small	50	13.00
	Very Small	20	5.10
	Micro	5	0.20
Manufacturing	Medium	200	51.00
	Small	50	13.00
	Very Small	20	5.20
	Micro	5	0.20
Mining and Quarrying	Medium	39.00	23.00
	Small	10.00	6.00
	Very Small	4.00	2.00
	Micro	0.20	0.10
Finance and Business Services	Medium	200	26
	Small	50	13.00
	Very Small	20	3.00
	Micro	5	0.20
Transport, Storage, and Communications	Medium	200	26.00
	Small	50	13.00
	Very Small	20	3.00

	Micro	5	0.20
Catering, Accommodation, and other trade	Medium	200	13.00
	Small	50	6.00
	Very Small	20	5.10
	Micro	5	0.20
Wholesale Trade, Commercial Agents, and Allied Services	Medium	200	64.00
	Small	50	32.00
	Very Small	20	6.00
	Micro	5	0.20
Electricity, Gas, and water	Medium	200	51.00
	Small	50	13.00
	Very Small	20	5.10
	Micro	5	0.20
Retail, Motor Trade and Repair Services	Medium	200	39.00
	Small	50	19.00
	Very Small	20	4.00
	Micro	5	0.20
Community, Social, and Personal Services	Medium	200	13.00
	Small	50	6.00
	Very Small	20	1.00
	Micro	5	0.20

Source: Schedule 1 of the National Small Business Act of 1996, as revised by the National Small Business Act, as amended in 2003 and 2004

2.2.2 Innovation

Ehrenberger, Koudelková and Strielkowski (2015) define innovation as, “a cycle that starts with an invention, continues with the improvement of the creation, and results in the presentation of new item, progression or service to the commercial market.” A criticism of this definition is that it portrays innovation on a largely technological view and can be limiting when looking at SMEs. However, a more suitable and all-encompassing definition is provided by Pozo, Akabane and Tachizava (2019), “innovation is the creation of a brand-new item or development of an existing one, or the presentation of another technique for creation.” Examples of this include innovation in the process, another supplier of raw materials or semi-manufactured products, and another type of industrial organisation”.

Distanont and Khongmalai (2018) state that innovation is perceived to assume a critical role in creation of value and ensuring competitive advantage. The notion of innovation addresses the need of renewal in any business; except if it changes what the business presents to the world and the manner by which it produces and delivers those products or items, the business risks its growth and survival Baregheh, Rowley and Sambrook (2009). For Boubakary, Moskolai, Njang (2020) managerial innovation is the creation of unique skills for the organisation. It is the capacity to create managerial innovation that relies upon the performance of organisations. Nonetheless, it ought to be noted that analysis of the literature on innovation uncovers that managerial innovation has a few acknowledgments that are utilised conversely. For Boubakary, et al. (2020), managerial innovation is different from organisational innovation in the impacts on the social arrangement of an organisation, particularly the connections between people who network with each other to achieve a task or accomplish a particular goal.

It is imperative to differentiate between innovation and invention. While invention can be seen as the creation of an idea about an item or process, innovation is to take this new idea into practice. In light of the various prerequisites in creating new ideas and developing them, a delay happens between innovation and invention. Various sorts of information, skills, and assets are required to transform an invention into an innovation (Dereli, 2015).

The primary research question seeks to establish whether innovation significantly affects managerial capabilities of small business owners. This justifies the above discussion on innovation and how it is differentiated from invention, as it is a critical component in determining whether there is an existing relationship. In other words, it is important to define innovation, as innovation forms a significant part of the research question.

Management practices are changes made by directors or business executives in what they do as a feature of their work inside the organisation, including the presentation of new principles and related systems. Managerial innovation covers a wide scope of objects that can be gathered into two conventional classes: developments to do with the business and design, and developments to do with administrative strategies and cycles. This can likewise result in relegating work to somebody (i.e., the assignment) and accomplishing work. Boubakary et al. (2020) defines that management practices to what everyday administrators accomplish, such as defining goals and related procedures, arranging tasks and capacities, skills improvement, and fulfilment of various partner requirements.

As previously stated, innovation is the key to success, however, in order to be more effective, it must be applicable beyond the product or service offered by the business – it must extend to the daily management practices of the business. Managerial innovation therefore becomes a connective link that can be defined as the appropriation of strategies for the organisation, management, and operations that are new for the business and that plan to improve business's performance Favoreu, Maurel, Carassus and Marin (2018). Through managerial innovation, proprietors may be required to reconceptualise innovation from a concept that applies solely on the product or service, to a concept that applies in the daily management practices of the business.

Favoreu, et al., (2018) argues that culture is quite possibly the most widely recognised impediment to the implementation of innovation. Ironically, the nature of SMEs is to have adaptable innovation cultures, which are commonly portrayed with moderately low resistance for change, low risk repugnance, and resilience on uncertainty. This means that the resistance to change is not an in-built function of SMEs but of human nature - the people that manage them. Therefore, if current models of management practices remain unchallenged and continue to lean into present culture without incorporating managerial innovation as a tool, it may be that SMEs continue to perform dismally, and/or fail.

2.3 SME FAILURE

In South Africa, the extent of SME failure within the period of five years fluctuates in the range of 50 per cent and 95 per cent, and about 75 per cent of new SMEs do not become established businesses, which is one of the most elevated in the world (Fatoki, 2018). In South Africa, the chance of a new SMEs surviving past 42 months is more uncertain than in some other Global Entrepreneurship Monitor (GEM) examined countries. The issues and challenges that SMEs are faced with are multi-layered and wide-ranging and some of the elements that suppress SMEs' development include deficient business support services, quality or default of business premises or infrastructure, inadequate institutional financial (economic) distribution structures to help and improve SMEs, as well as intensive legal and administrative conditions (Nkwinika and Munzhedzi, 2016).

The discussion on SME failure is critical to this research because it forms the other element which the study seeks to investigate, and therefore forms part of the primary research question. This study seeks to establish whether a relational link can be made between innovation and the managerial capabilities of small businesses. Chapter One highlighted that limited managerial

capabilities of small businesses are a major contributor to their failure, therefore this section is important as it offers up literature on SME failure, and consequently explores the rigidity of the managerial capacities of SMEs.

Moos and Sambo (2018) alongside (Lekhanya, 2015) express that government needs more systems set up to help small businesses and educate entrepreneurs on how to efficiently run and maintain a business sustainably. This is further supported by Moos and Sambo (2018), they state that the absence of business's support networks by new entrepreneurs is one reason failure levels are high in South Africa. These authors recognised business mentors and business incubators as a portion of a business support system that could assist businesspeople with setting up and ensuring fruitful and maintainable businesses. Therefore, the goals of this study are to provide entrepreneurs and small business managers with relevant data on small business success and failure in order for them to better manage their business.

2.4 FACTORS INFLUENCING THE FAILURE OF SMES

Compared to their counterparts in other parts of the world, and more specifically in developing nations, SMEs in Africa face certain challenges with regard to their marketing strategies. In addition, in sub-Saharan Africa, where the energy sector is inconsistent, research shows that African SMEs face operational and infrastructural challenges because of the absence of access, or the discontinuous access, to power, combined with the high energy costs (Shankar, 2020).

In addition to the inadequate infrastructure and deficiency of capital and data, African SMEs are confronted with negligible help from their governments. Moreover, an inadequately evolved business environment, complex entry guidelines, and corruption are external factors that impact and affect the development or failure of SMEs (Murithi, 2017). Another example by a study presented by the World Bank in 2017, revealed that sub-Saharan African economies are confronted with complications because of high taxes and corruption and has one of the most un-accommodating business environments compared to SMEs in different nations (Shankar, 2020).

Additionally, different researchers have identified a number of barriers to SME development. These barriers, which are summarised in Table 2.3, constitute some of the explanations why many SMEs fail in South Africa. While government training programmes would serve the SME industry to some degree, those same programmes would not be able to sufficiently address these failure-influences themselves. Therefore, government garnering for solutions, must make considerations of how to combat not only the internal, but also the external influences, in order

to provide more meaningful assistance to SMEs. The information in Table 2.3 is tabulated to show some of these external factors that influence SME failures.

Table 2.3: Barriers to SME development in South Africa

Lack of managerial skills	Kambwale, Chisoro and Korodia (2015) Lawrence (2015).
Lack of access to new technologies	Thomas (2014).
Lack of business skills	Ntshona (2012), Skae (2017).
Lack of entrepreneurial skills	Phelan and Sharpley (2012).
Lack of access to funding	Mazanai and Fatoki (2012) Finmark Trust (2015) Fatoki (2014), Rector, Fatoki and Oni (2016), Quartey, Turkson, Abor and Iddrisu (2017).
Lack of land, space, and basic infrastructure	Cant (2017), Nkwinika and Munzhedzii (2016), Mcgaffin, Napier and Karuri-Sebina (2015)
Poor financial management	Jindrichovska (2013)
Lack of proper business training in management	Seeletse (2012), Cant (2017), Ramukumba (2014)
Management and leadership mistakes	Kalane (2015)
The high rate of illiteracy	Chiloane-Tsoka (2013)
Unfavourable regulatory environment	Ladzani, Nieuwenhuizen and Nhlapo (2011), Agwa-Ejon and Mbohwa (2015)
Failure to use or lack of access to business support systems	Van Aardt, Hewitt, Bendeman, Bezuidenhout, Janse Van Rensburg, Naidoo, Van Der bank and Visser (2011)

Source: Moos and Sambo, (2018).

2.5 CONCEPTUAL FRAMEWORK

The rationale of this research is premised on SMEs and the factors that contribute to their failure. Hence this research is assessing the reviewed literature and identifying all the factors that negatively affect small businesses. In assessing more specifically the reasons of failure, the factors of ‘innovation’ and ‘managerial capabilities’ were compared to determine whether there was a significant relationship between them and if that contributed to SME failure. Literature has shown the significant role that innovation plays not only as a concept in its own right, but also within the daily managerial activities of businesses. The openness to transformation is key to business’s sustainability and is heavily undergirded by innovation – more particularly in a managerial and technological respect.

Figure 2.1 illustrates how the concepts and influencing factors are connected. The external factors (the business environment factors) include competition, globalisation, crime and corruption, and lack of innovative practices. The internal factors address entrepreneur characteristics, managerial competency and skills, financial distress and access to finance, and firm technological capacities. This model was utilised to pictorially portray the role of each of them.

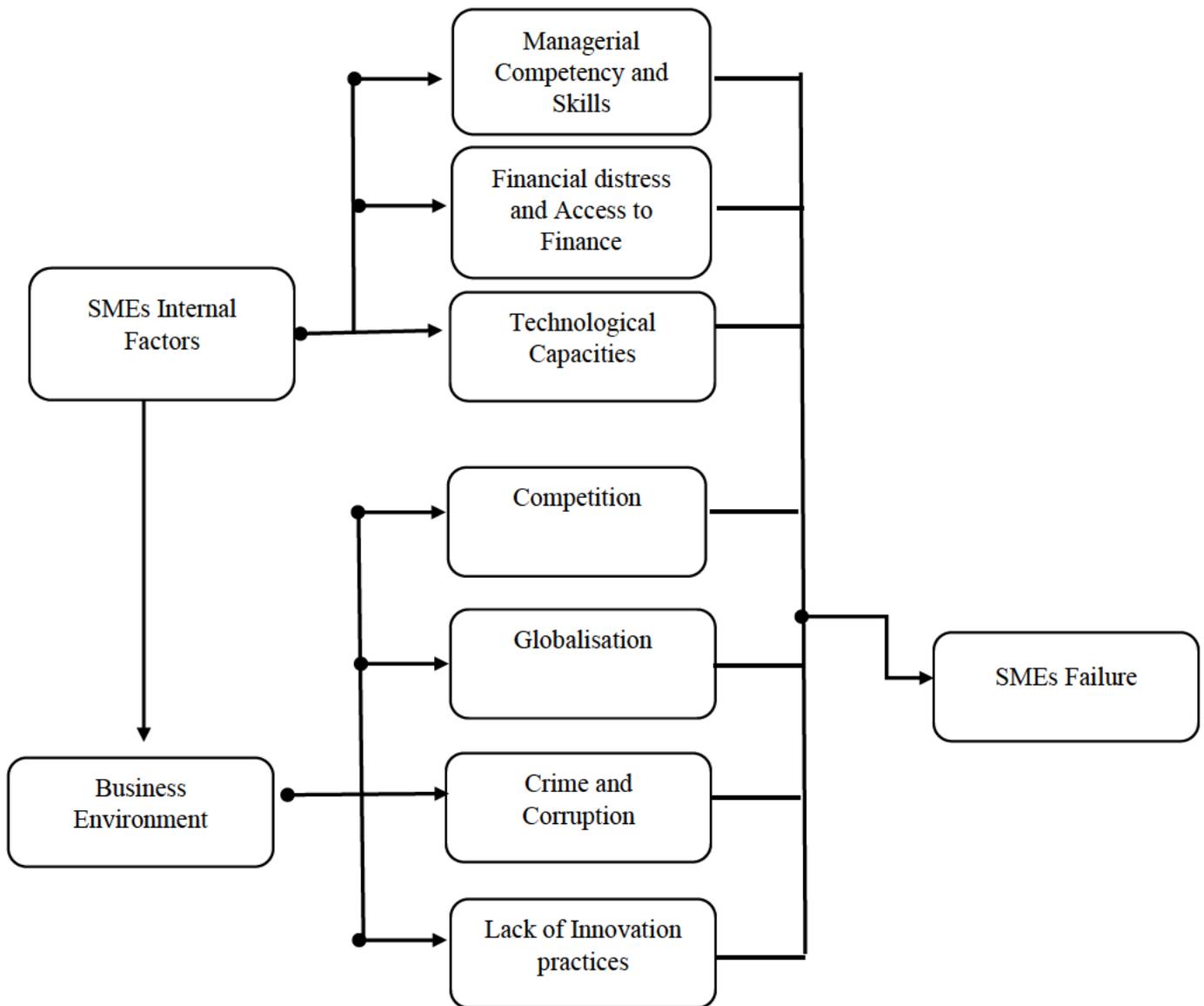


Figure 2.1: Conceptual framework

Source: Researcher's own compilation

The conceptual framework was derived from the major factors that were found in the literature study (Table 3.1) of the chosen articles that are used in the research for examination. In the framework of this research the contribution of these various factors will be discussed.

2.6 A DISCUSSION OF THE CONTRIBUTIONS OF VARIOUS FACTORS

2.6.1 SMEs Internal Factors

The financial growth of any country relies upon three sectors: manufacturing, service, and agriculture, and every area consists of businesses of various sizes and worth, contributing towards the general GDP growth; among those are SMEs. Their contributions have a crucial part in the economic power of any nation, and they assume a critical role in employment

creation, advancing innovation, competitiveness, and economic advancement (Govuzela and Mafini 2019; Khan, et al., 2019).

The business industry is characterised by internal and external factors that impact and affect the development or existence of a business. The business environment is considered to have a critical role in the growth of SMEs (Sitharam and Hoque, 2016). According to Beck and Demirguc-Kunt (2006), the development of both the internal and external environment is significant for SME's development. The development of SMEs will be negatively or positively affected by changes in the business environment (Sitharam and Hoque, 2016).

2.6.1.1 Managerial Competency and Skills

Managers of SMEs assume an imperative part in business development. The management factors include meeting client needs, providing better value at affordable rate, time management, assignment of duties, improvement of staff and laborers' skills, results-orientation, financial administration, marketing, inventory management, and item development. Meyer and Meyer (2017) found that the absence of conventional management skills and knowledge are recorded as significant reasons why SMEs fail to survive and develop. A few studies have concluded that the managerial capacity of managers is the key element for small business development. As indicated by Bouazza, et al., (2015) the manager's capacity are sets of information, skills, and competencies that can make the small business more effective (Sitharam and Hoque, 2016).

Managerial competencies affect the performance of SMEs. Managerial experience, level of education, information, and start-up experience are utilised to measure managerial competencies. In Sitharam and Hoque's (2016) study, the significance of the managerial competencies in SMEs achievement was conducted, the absence of administrative competency was discovered to be the principal reason behind the SME's failure. The authors uncovered those entrepreneurs who did not have basic bookkeeping or financial literacy, have major issues with financial planning knowledge.

Similar subjects have shown that small businesses owners do not have enough knowledge to manage finances, and few have a basic understanding or knowledge of financial management. The requirement for undertaking training is important for entrepreneurs for their development. Training and development are a significant factor in the development and financial growth of any business (Kalane, 2015).

Another aspect that points to a lack of financial literacy is the spending habits of new business owners. When a business begins to be productive, many business owners reward themselves by purchasing large vehicles and adopting a costly lifestyle, as opposed to reinvesting the benefits once again into the business for expansion. They additionally do not think about the working expenses, tax implications, or the liabilities of the business (Kalane, 2015). This is appearing to be common practice among young entrepreneurs and business owners in their starting phases. Hence, business owners and entrepreneurs should be encouraged not to use the business revenue for their personal gain and invest the money back into the business for its growth. Employees ought to likewise be urged not to misuse the assets of the business. Mayr, et al. (2021) argue that experience is created through observing, examining, and making business decisions for quite a while, and it oversees and directs employees as per the corporate strategy. Control measures ought to be implemented to keep employees from abusing the assets of the business (Kalane, 2015). The question whether a lack of education can affect how a small business performs is totally dependent on who is managing the business. Hence this study is establishing factors that lead poor management and underqualified staff of small business to its failure.

2.6.1.2 Financial Distress and Access to Finance

Another reason why SMEs do not grow and develop is the lack of funding and access to capital investment. Sitharam and Hoque (2016) indicate that credit dispensation has become more challenging, and the financial institutions have become more careful with financial calamities, making it hard for entrepreneurs and small business owners to understand the techniques and decisions on loan processing. In developed and developing nations, small businesses have less access to funding, which drives small businesses to be more limited in their activities and development compared to large businesses.

A key burden for SMEs is the lack of investment support for the venture. The absence of funding for SMEs is not only a South African problem but is experienced in many other countries in the world (Bouazza, et al., 2015). Many SMEs depend on internal finances, like contributions from owners, friends, and family members, which are often not sufficient for the SME to survive and develop. Hence, access to outside funding is important to decrease cash flow challenges for SMEs. As indicated by Moos and Sambo (2018), banks in South Africa are reserved to providing credit to young entrepreneurs. They further clarify that banks have rigorous lending criterion. For example, banks have requirements that debtors should meet, and

frequently young entrepreneurs are incapable to meet these requirements (Nkwinka and Munzhedzi, 2016). With this study, managers should be able to understand and identify what challenges are faced by small businesses with regards to loan or funding access.

2.6.1.3 Technological Capacities

The primary causes why SMEs are still facing challenges in developing nations, regardless of significant help and resources allocated by their governments and various institutions, is their lack of innovativeness and deficiency in technological capacities. Small businesses are not competitive and productive due to a lack of innovation, regardless of remarkable technological improvements worldwide. Without innovation, SMEs find it harder to either develop or compete (Sitharam and Hoque, 2016).

The necessities of SMEs in digital transformation can differ. It is needed to privatise the contents through size of the business, area, and SME. Electronic activity is a process taking on other business processes, like finance, bookkeeping, marketing, human resources marketing, to onto a digital platform (Ulas, 2019). The development and growth of small businesses are constrained by the absence of technological innovation. In the modern technological era, technology is constantly evolving and developing. The impact of technology on the running of small businesses, whether for marketing, advertising, or internal systems, cannot be ignored. Technology has come to play an important aspect on the day-to-day living in the 21st century. Therefore, where a business lacks the technological know-how to sustain itself or to grow, it is inevitable that the relevance of that business will diminish. A key component of staying power for SMEs is innovation, more so, technological innovation due to its ability to extend reach to places and potential clientele that would otherwise not be accessible to the businesses (Sitharam and Hoque, 2016).

Moos and Sambo (2018) argue that SMEs have inadequate access to technology enhancement because they do not have the appropriate information and keep on clutching on poor and outdated technology. This further extends any knowledge and advancement gaps for proprietors because outdated information, or even technology, can be disadvantageous, and can contribute significantly to the failure of the business. Industrial support establishments are powerless and fail to focus on the real needs of the SME sector, if they do not attend to the desperate technological needs of businesses. Bouazza, et al. (2015) present those new technologies improve proficiency, empower more prominent creation, and are a source of growth for SMEs. Innovative abilities advantage SMEs in many ways: they improve SME

productivity, lessen costs, and increase the market share, both locally and around the world. The authors note that a private venture that embraces more sophisticated technology can be relied upon to develop more quickly than a business that does not.

2.6.2 Business environment

2.6.2.1 Competition

Competitive principles change constantly because of customers' changing expectations and needs, technological changes, and globalisation of business areas. Consistently, competition among SMEs has radically increased (Sitharam and Hoque, 2016). Competition and sustainability for SMEs include changing business sector models, changing technology, and new administration and organisational strategies. SME existence is dynamically dependent on different components including flexibility of SMEs to pull together a portion of their methodologies and technologies. According to Prasanna, et al. (2019), the competitive challenges faced by modern businesses in the current globalised economy are characterised into three categories, i.e., the manageability challenge, the worldwide challenge, and the innovation challenge. In South Africa, competitiveness among SMEs is worsened by the scrounging for limited resources and limited business support. This often leads to business rivalry because businesses have to fight for the limited resources.

2.6.2.2 Globalisation

Economic globalisation is perceived as a chance for both developed and developing nations to upgrade their economic prosperity through working on their interest in the worldwide trade. Globalisation cannot be refuted, and neither can it be avoided. In this sense, SMEs need strategies to make their businesses competitive at a global level (Prasanna, et al., 2019). This is problematic in the South African context because, to begin with, the main vehicle for globalisation is technological innovation and advancement – and this is an issue which South African businesses are struggling to gain full access to. Globalisation also requires that the products and services of local SMEs be of a global standard and be offered at a competitive price (Sitharam and Hoque, 2016).

Many SMEs are not equipped to manage or envision their local context for a global level. Many factors could be involved, for example, absence of statistical surveying for merchandise that can be marketed globally, poor quality of product, extreme competition, absence of a marketing

plan, lack of information on globalisation among business owners, inadequate deals volume and capital, and lack of product differentiation. There are often knowledge, information, and technological gaps that prevent SMEs from reaching its full global potential (Alyafie and Al-Mubarak, 2016). The fast-encroaching globalisation further emphasises the multi-faceted approach which government must take in their extending assistance and support SMEs locally. The globalisation of SMEs can cement their longevity because globalisation is ongoing and will be for the foreseeable future.

2.6.2.3 Crime and Corruption

Corruption can be defined as the abuse of public office resources for private benefits. Similarly, the World Bank Group (2019) defines corruption as an incitement to show favour and, "the depravity of obliteration of decency in the execution of public duties by settlements of favour." This infers that corruption includes any effort by an individual to utilise delegated powers and resources for the advancement of an individual or for greedy, self-gain (Nyarku and Oduro, 2017). Compared to other developed nations, the level of corruption is high in South Africa. Krsteski (2017) presents that most corrupt activities take the form of bribery, nepotism, and abuse of public funds. Unfortunately, as corruption is becoming more common, it is affecting the SMEs capacity to access public funds and operate in a corruption free area in South Africa, while the undeniable degrees of crime are influencing all business (Sitharam and Hoque, 2016).

2.6.2.4 Lack of Innovative Practices

Innovation is a significant key for the development of the economy and can be a wellspring of competitive advantages for the business. The principal objective of innovation is to create new opportunities or to exploit existing ones. Innovation, or its lack thereof, has been discussed in greater detail in the sections above, and it has been highlighted how a lack of innovative practices, whether in the managerial context or the technological context, contributes significantly to a business's failure of SMEs. Without exact information for innovative advancement, SMEs will struggle to put together operational, strategic, and strategic decisions (Ponelis, 2015). Innovation is a primary factor that underpins small businesses. When they are not able to innovate, either technologically or managerially, they work against the very grain of their existence. SMEs are said to be able to test out new technologies or methods faster than bigger corporations or companies. If the flow of innovation is not present, there is a high likelihood that the business sector is being affected, as its growth will likely become skewed (Monther, et al., 2019).

2.6.3 SMEs Failure

Failure is normal in many new business ventures, particularly given the current global economic environment. Throughout fostering a business, the entrepreneur is likely going to confront challenges, maybe on account of different factors (Frota Vasconcellos Dias & Dai Pra Martens, 2019). Pointing out these factors can provide entrepreneurs with critical information for improving their businesses by reducing the risk of failure and increase chances of success.

2.7 SUMMARY

This chapter presented the differences between innovation and invention and highlighted the importance of managerial innovation in business sustainability. Thereafter, the managerial capabilities of SMEs were dealt with, particularly by drawing from the different internal and external factors that contributed to SME failure. The chapter presented reasons as to why businesses fail and explained some of the considerations that need to be made to find out about the nature of SMEs. With innovation management practices being central to this research, the study showed that the flexibility of a business to adapt to new changes and to implement new managerial methods are keys to success.

Even though the best managerial practices can guarantee the growth and development of a business, failure is a factor that is often associated with growth and innovation. In other words, failure can make up one of the growing pains of businesses. The major factors that impact businesses are found in the external environment of the business. With the external environment rapidly changing, businesses must adapt to new technologies and managerial practices in order to ensure that the business remains competitive and innovative. The next chapter will present the research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research methodology used for this research study and how the research design guided the collection of data, development, and analysis of theories. First, the chapter presents the justifications for the research as research motivation. Secondly, the chapter details the research design and adoption; thereafter, the research design and method, finally, the chapter deals with data collection methods.

3.2 RESEARCH MOTIVATION

The proposed research seeks to explore the causes of failure of SMEs in South Africa, despite government putting in place different interventions to promote them. There is still very limited knowledge about the effect of innovation on managerial abilities in SMEs. Given the major role that SMEs play, and the way in which they can contribute to the economy, their nature, role, and importance ought to be studied in order to gain relevant insight on how they can contribute in a meaningful way. This research aims to primarily find out if innovation significantly affects managerial capabilities of SMEs managers. In the previous chapter, it was found that innovation plays a critical role, and is a factor underpinning SME success or failure. Literature also revealed that South African SMEs have limited access to innovation, whether managerially or technologically. This means that the probability for SME failure is greater.

Where the probability for SME failure is high, their ability to contribute meaningfully to the economy is also hindered. Therefore, this justifies this research and makes the study even more significant.

3.3 RESEARCH METHODOLOGY

The methodology adopted for this research is a qualitative, desktop-based research. Many studies have been conducted on the factors that affect SME failure, therefore it was not entirely necessary to conduct a quantitative study on that area. Additionally, knowledge and research exist on the concept of innovative managerial practices. However, there is lack of research in the body of knowledge that demonstrates the relationship between SME failure and innovative managerial practices, as there is not much academic information available on the subject. This is the crux of this research – to establish what relationship, if any, exists between the two factors. Empirical data was not required, as both factors have been studied extensively. Therefore, the study of how one relates to the other, could be sufficiently drawn from the

existing literature without requiring quantitative research to be conducted. Additionally, this research was done during the COVID-19 pandemic, and field data collection was not permitted under the lockdown restrictions.

3.4 RESEARCH DESIGN

The systematic review method is a method that requires the researcher to collect data that meets the pre-determined qualification criteria to answer to the raised research question. It uses described, procedural methods that are used to limit bias (Snyder, 2019).

This study used the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) to collect and analyse the available data for this study. The PRISMA method has key qualities which are a clearly prescribed number of objectives that have a method that is clear and replicable (Johnston, 2014).

- a) A systematic search technique that identifies all papers or studies that meet the qualification criteria.
- b) An evaluation or screening of authenticity of the results in the studies that were found.
- c) And the synthesis and systematic introduction (inclusion) of retained data in the conducted review.

The PRISMA method expresses that a systematic review will illustrate all data sources, (for example, databases) in the study (Page, et al., 2020). Systematic reviews require a thorough quest for wide-ranging published and unpublished studies to limit inclination; hence, for most review subjects, it is important to look through different databases to guarantee that the entirety of the pertinent literature is recovered (Toews, 2017).

3.5 DATA COLLECTION

In doing research, the area of study and research questions will determine the technique or method that the researcher will follow. The research method comprises of how the data is gathered, analysed, and interpreted in the study (Johnston, 2014).

In this study, secondary data has been gathered from peer-reviewed literature and grey literature (such as online sources, and government reports). The data analysis for this research focusses on relevant literature that address the following:

- the impacts of innovation on small business;
- the factors that influence the failure of small businesses in South Africa; and

- how small business managers could be more innovative and flexible to adapt to change in order to make suggestions to entrepreneurs, government institutions, policy makers, and small business managers to learn the proper technique to improve the SME sustainability.

A systematic review was conducted through data collected from Google Scholar, ScienceDirect, and EBSCOHost utilising the PRISMA parameter. A constant comparison analysis was used in this research. It consisted of systematically reducing sources to code inductively, then developing themes from the code. These themes became headings and subheadings in the literature review section.

3.6 THE PRISMA GUIDELINE

PRISMA relies on information from a base arrangement of things to be accounted for in a meta-analyses and systematic review. The PRISMA structure was used in the research as a base for systematic surveys (Prisma, 2019). This structure centers around helping authors to ensure that the exact research is being considered with decency and unambiguousness (Liberati, et al., 2009).

In this study, a systematic review for publication was used using three databases: Google Scholar, ScienceDirect, and EBSCOHost utilising the PRISMA parameter. The purpose behind picking these three databases was because of the free accessibility of the articles and information that helped with guiding this study. The materials, articles, and information found in these three databases are accredited and contain valuable information. This way, it is accepted that data gathered from these databases are of importance in this research. Nevertheless, different databases could have been used, however, some presented accessibility limitations, which did not allow the researcher to access more databases.

3.7 DATA ANALYSIS

Secondary data analysis is an analysis of evidence that was compiled by another researcher for a primary study purpose. The use of this available data provides a feasible option for researchers who may not amply time and resources to conduct a primary study. Secondary research is an experimental exercise that applies similar fundamental research standards as research that uses primary data and has steps to be followed similarly, as does any research method (Johnston, 2014). Marina, et al., (2019) found that academic writers have different definitions of systematic reviews. The PRISMA was designed to assist the systematic reviewers to plainly report what other authors did and what they discovered. In this study, the researcher

will present, in Figure 3.1, the reviewed articles check list and the structure and process that were used in identifying and selecting the articles for review.

3.8 PRISMA FLOWCHART

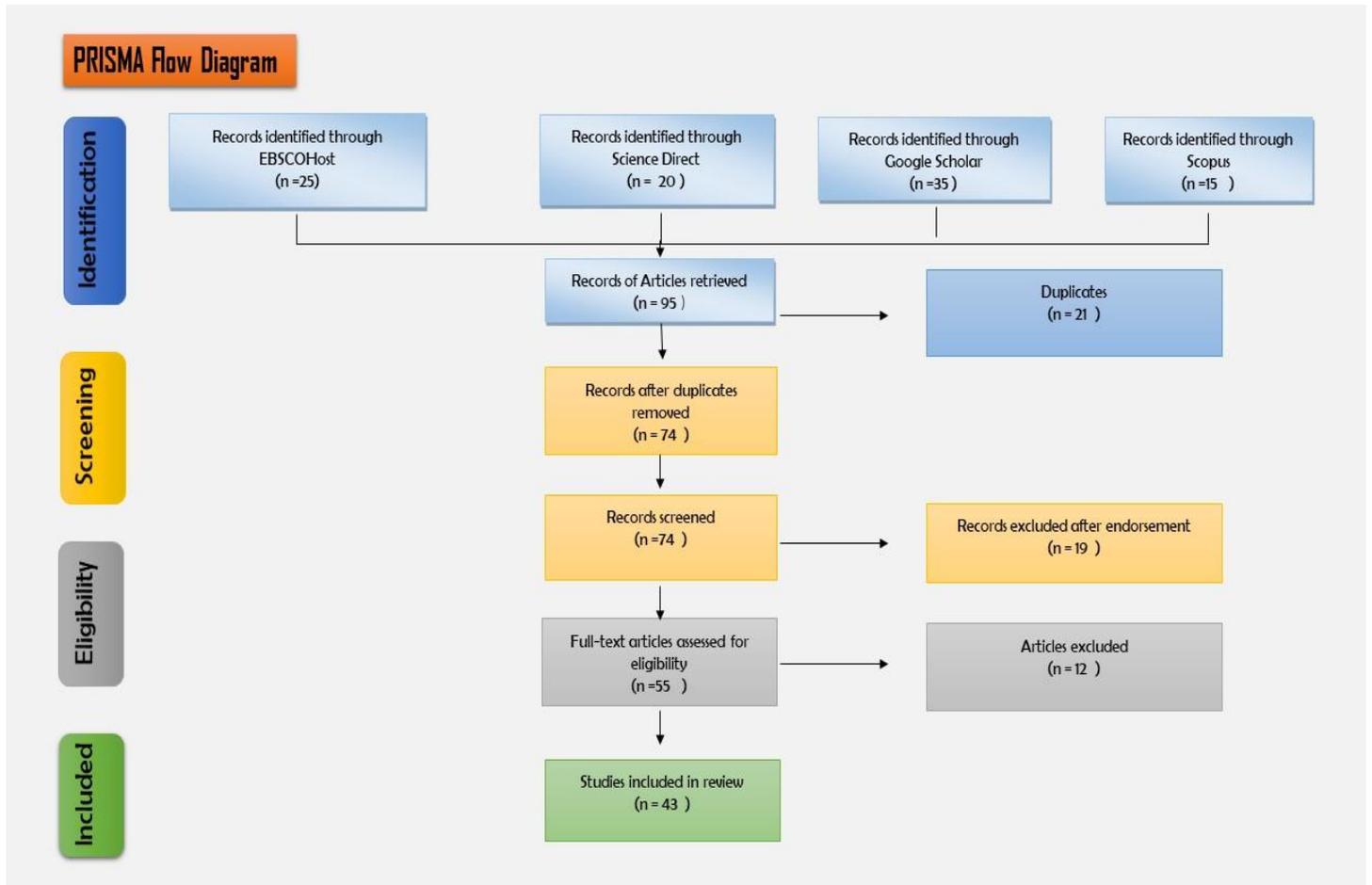


Figure 3.1 PRISMA Flowchart

Source: Researcher’s own compilation

3.9 STEP-BY-STEP: PRISMA FLOWCHART (FIGURE 3.1)

Step 1: Data search/ Identification

For each database chosen, all search terms, including key words, topics, and subject headings were presented. All search terms were combined and used in different databases. All limits were applied, such as ‘years of search’, ‘small and medium enterprises’, ‘English language only’. This process provided a number of articles collected from different database searches. The researcher identified 25 articles through EBSCOHost, 20 articles through Science Direct, 35 articles through Google Scholar, and 15 articles through Scopus.

Step 2: Screening Articles

Once all search terms and all relevant limits applied, the researcher had identified 95 articles responding to the general inclusion criteria including key words, topics, subject headings, limitations, type of business, and sector. The next step was to do a screening of those 95 articles in order to find those which were eligible for the study.

Excluded articles

The researcher had to screen the titles and abstracts for articles which were appropriate to the research question. From the 95 identified articles, 21 articles seemed to present the same data, hence they were considered as duplicates and were excluded. The remaining 74 articles appeared to assist with responding to the research questions.

Remove all duplicates

After screening the 74 articles based on the research questions, the researcher excluded 19 articles that duplicated.

Step 3: Eligibility

Full-text articles assessed for eligibility, 55 were found by subtracting the 19 records excluded after endorsement from the screened 74 articles. Articles excluded for eligibility had presented wrong setting, wrong location, or did not answer to the research question.

Step 4: Included

After assessing the 55 articles for eligibility, 12 articles presented similarities and were excluded to avoid repetition. For the final step, the researcher obtained the 43 articles which were included in the study. The researcher had then completed the PRISMA flow diagram, which has been included in the results section.

3.10 LIST OF ARTICLES AND PUBLICATIONS INCLUDED IN THE REVIEW

Table 3.1 presents a list of the articles that were included in this systematic literature review.

Table 3.1: List of articles and publications accessed

N	Title	Authors and Year
1	A Relationship of Project Management Process Factors with SMEs Performance.	Alshehhi1, Kasim (2020)

2	Does Knowledge Management Expedite SMEs Performance through Organisational Innovation? An Emperical Evidence from Small and Medium-sized entreprises (SMEs).	Albassami, Hameed, Naveed and Moshfegyan (2019).
3	Exploring the extent to which SMEs can realise better organisational perfomance when various project management practices are linked together	Fashina, Abdilahi and Fakunle (2020)
4	Innovation Management: A Systematic Literature Analysis of the Innovation Management Evolution.	Lopes, Kissimoto, Salerno, Monteiro de Carvalho and Laurindo (2016)
5	Accounting Skill as a Perfromance Factor for Small Businesses in Nigeria	Akande and Olusola (2011)
6	Challenges Faced By Small, Medium And Micro Enterprises In The Nkonkobe Municipality.	Chimucheka and Mandipaka (2015)
7	The Evaluation and Application of the TRIZ Method for Increasing Eco-Innovative Levels in SMEs.	Feniser, Burz, Mocan, Ivascu, Gherhes, Otel (2017)
8	Individual, Organisational and Institutional Determinants of Formal and Informal Inter-Frim Cooperation in SMEs.	Martin, Romero and Wegner (2019)
9	Technology Acquisition and SMEs Performance, the Role of Innovation, Export and the Perception of Owner-Managers.	Mallinguh, Wasike, Zoltan (2020)
10	Factors influencing the success and failure of small and medium-sized enterprises in Tembisa Twonship, South Africa.	Edoun, Mbohwa, Bhila (2019)
11	The technological, organisational and environmental framework of IS innovation adaption in small and medium entreprises. Evidence from research over the last 10 years.	Hoti (2015)
12	How SMEs Engage in open Innovation: a Survey.	Santoro, Ferraris, Giacosa, Giovando (2018)

13	Obstacles to the growth of new SMEs in South Africa : A principal component analysis approach.	Olawale and Garwe (2010)
14	Knowledge Management as an important tool in Organisational Management : A Review of Literature	Omotayo (2015)
15	Entrepreneurship and small business sustainability.	Ligthelm (2010)
16	Knowledge Management Practices and Innovation Outcomes: The Moderating Role of Risk-Taking and Proactiveness.	Gracia-Piqueres, Serrano-Bedia, Perez-Perez (2019)
17	How do innovation culture, marketing innovation and product innovation affect the market performance of small and medium-sized enterprises (SMEs)?	Hasan Aksoy (2017)
18	Financial Management Practices in Successful Small and Medium Enterprises (SMEs).	Wolmarans, Meintjes (2015)
19	Strategic Knowledge management: theory, practice and future challenges	Ferreira, Mueller, Papa 2020.
20	Technological Competition, Innovation Motive and Corporate Social Responsibility: Evidence from Top Managers of European SMEs	Graanfland and Noorderhaven (2019)
21	Defining knowledge management: Toward an applied compendium	Girard and Girard (2015)
22	Marketing Resources and Firm Performance Among SMEs	Spillan and Parnell (2006)
23	Investigation into the cause of small and medium enterprise failure in Windhoek, Namibia.	Kambwale, Chisoro, Karodia (2015)
24	A study of innovative product marketing strategies for technological SMEs	Cheng and Liu 2017.
25	Exploring Suitable Technology for Small and Medium-Sized Enterprises (SMEs) Based on Hidden Markov Model Using Patent Information and Value Chain Analysis.	Lee, Deaun Go, Park, Yoon 2017.
26	An Approach for R&D Partner Selection in Alliances between Large Companies, and Small	Lee, Park, Yoon (2016)

	and Medium Enterprises (SMEs): Application of Bayesian Network and Patent Analysis	
27	Factors affecting South African Small and Medium Enterprises risk identification and management.	Kruger, Dickason, Meyer (2020)
28	Competitor orientation in successful SMEs; an exploration of the impact of innovation.	O'Dwyer, Gilmore (2019)
29	The Interplay of Leadership Styles, Innovative Work Behavior, Organisational Culture, and Organisational Citizenship Behaviour.	Khan, Ismail, Hussain, Alghazali (2020)
30	A Systematic Review of the Literature on Open Innovation in SMEs.	Usman, Roijackers, Vanhavrbeke, Frattini (2018)
31	Achieving optimal business performance through business practices: evidence from SMEs in selected areas in South Africa.	Neneh, Van Zyl (2012)
32	A proposed integrated model for business innovative leadership to attain sustainable growth of small and medium manufacturing enterprises in KwaZulu-Natal.	Ngibe, Lekhanya (2020)
33	Sustainability of SMEs in the Competition: A Systemic Review on Technological Challenges and SME Performance.	Prasanna, Jayasundara, Gamage, Ekanayake, Rajapakshe, Abeyrathne (2019)
34	Technological innovation and operational effectiveness: their role in achieving performance improvements.	Santa, Hyland, Ferrer (2014)
35	The Spread of Knowledge Management in SMEs: A Scenario in Evolution.	Cerchione, Esposito, Spadaro (2015)
36	Project Management in Small to Medium-Sized Enterprises: Fitting the Practices to the Needs of the Firm to Deliver Benefit.	Turner, Ledwith (2018)
37	Mediating Role of Trust on the Effects of Knowledge Management Capabilities on Organisational Performance	Alaarj, Abidin-Mohamed, Bustamam (2016)

38	Relationship between Knowledge Management and Organisational Performance: A Test on SMEs in Malaysia.	Shiaw-Tong, May-Chiun, Wang (2016)
39	Business model innovation in SMEs: The role of boundaries in the digital era.	Garzella, Fiorentino, Caputo, Lardo (2021)
40	Exploring the Impact of Knowledge Sharing on the Innovative Work Behavior of Employees : A Study in China	Akram,Lei ,Haider, Hussain (2018)
41	Open Innovation: Analysis of business spin-offs on the High tech Campus Eindhoven	Timmermans (2014)
42	The Approach of Managers Regarding Innovative Work Behaviour.	Rahmah, Marta, Athoillah, Farid (2020)
43	The Impact of Managerial and Adaptive Capabilities to Stimulate Organisational Innovation in SMEs: A Complementary PLS-SEM Approach.	Zulfiqar Ali, Hongyi Sun, Murad Ali (2017)

3.11 RELIABILITY AND TRUTHFULNESS

Assessing the quality of research is fundamental in case results or findings are to be used and consolidated into administration delivery. Notions like reliability, validity, and generalisability, usually associated with quantitative research and other terminology, will be weighed in connection with their application to qualitative research (Noble and Smith , 2015). For the purpose of the reliability and validity of the data only data collected on Google Scholar, ScienceDirect, EBSCOHost, and Scopus utilising the PRISMA parameter were used in this study.

3.12 METHODOLOGICAL LIMITATIONS

The main limitation of this study is that since it is a systematic literature view, it relies on secondary information and hence, no primary data was collected. If there is none, then the specific questions on the new study might not be adequately answered.

3.13 SUMMARY

In this chapter the research highlighted the use of systematic reviews within the qualitative research model. Justifications for this approach were provided. The chapter also offered a motivational component highlighting the importance of the research, the research

methodology, and research design. In selecting the data collection method, the PRISMA guideline was used to give the parameters for the research, and also indicate the analysis strategies used. The following chapter will present the results and the analysis process cycle.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

The previous chapter provided the methodology of the study and further presented the justification of the research design structure and the PRISMA instrument used for the data collection of the study. This chapter presents and discusses the results and findings that demonstrate the extent of relationship between innovation management practices and SME failure, namely, to what degree SME failure is caused by the lack of innovative management practices in South Africa.

The uniqueness and justification of this study is that it does not end at assessing SMEs by their failure, but goes further by selecting certain factors, discussing the relationship between them and how that relationship subsequently affects small business's sustainability. The two factors that's relationships are compared are (i) innovation; and (ii) managerial capacities of small businesses. The discussion in this chapter is developed on these research objectives:

- i. To identify the impact of a lack of managerial innovation on small businesses' survival.
- ii. To identify and present potential interventions that could enhance innovative managerial practices.

4.2 PRESENTATION OF RESULTS

To establish these objectives, the researcher used the PRISMA technique to collect articles to review from various databases, as explained in the previous chapter. The data presented by the researcher was collected from reviewed articles to answer the research problems, and also to provide solutions to the research problem. The results in Table 4.1 present the critical innovation management practices amongst SMEs.

Table 4.1: Innovative management issues practices in SMEs

<i>Issue</i>	<i>Code 1</i>	<i>Code 2</i>	<i>Source</i>	<i>Frequency</i>	<i>Freq %</i>
SMEs are not adapting to change	Open innovation	OI	13	825	30.2
Not competitive	Innovation Culture	IC	22	175	51.1
SMEs are not equipped for web-based competition	Technological innovation	TI	13	109	30.2

SMEs staff are not qualified enough	Knowledge management	KM	20	749	46.5
SMEs managers are not developing the product	Product management	PM	2	7	4.6
Stakeholders are not satisfied	Organisational strategy	OS	3	10	6.9
SMEs do not achieve their goals or objectives	Project management	PRM	8	268	18.6
Managers are not good at selling	Marketing skills	MS	3	5	6.9
Business owners do not have technical skills	Entrepreneurial Skills	ES	5	40	11.6
Lack of financial literacy	Financial Management Skills	FMS	3	34	6.9

Table 4.1 presents the issues that were recurring amongst the articles reviewed for the study. For each issue presented, the formula used to find the recurring frequency percentage from the 43 articles reviewed was as follows: $\text{Freq \%} = \text{Source} \div \text{N 43 articles} \times 100$.

4.3 PRESENTATION OF FINDINGS

4.3.1 The impacts of Innovation Management Practices in SMEs

The management style has been presented as a promoter of organisational change, since it assists with accomplishing the organisation's mission, values, and vision. The management style is tied in with fortifying and influencing workers to achieve business goals, and similarly, adorning their individual growth in a way that carries positive energy to their expert perspectives and inspires inspiration and innovativeness (Ali, et al., 2017). It was seen that scholars and business managers, with interest in innovation management, are directly influenced by practices from innovation management practices, as shown in Table 4.1. To facilitate the comprehension about the various models that influence innovation management practice, it set up a codification, as indicated by the main objective and the research objectives (Lopes, et al., 2016).

In the current situation of economic crisis, globalisation, expanding rivalry, and ascents of the advancement of new innovations and technologies, firms are increasingly more compelled to reformulate their strategies. Similarly, within innovation management, they have to open up

their limits and depend more on the external source of information. In a such system, because of the high innovation increase costs and the shortening of the item lifecycle (particularly in high-tech businesses), innovation with a closed model no longer ensures beneficial results and makes the innovation development more costly and less secure. Consequently, businesses firms attempt to enhance the business risks across various sources and simultaneously decrease R&D costs. This is in accordance with the paradigm of open innovation, as per which, organisations should take benefits both from internal and external sources and exploit both for advertisement (Santoro, et al., 2018).

The innovative management issues practices in SMEs as presented in Table 4.1, Code 1, are elaborated as follows:

a) The Open Innovation

SMEs are vital stimuli of both developed and developing economies, representing more than 99 per cent of all organisations and over 60 per cent of all jobs created, just as significant source of development and innovation (Muhammad, et al., 2018). As such, governments are looking for approaches to expand the efficiency of SMEs. A few researchers have acknowledged open innovation advancements as a significant system to overcome common SME weaknesses like assets (time, finances, etc), skill gaps, and constraints.

Open innovation is, "the utilisation of goal-directed inflows and outflows of information to speed up internal innovation and extend the business sectors for external use of innovation, respectively." Open innovation is a general view that expects that organisations can, and should, utilise external ideas just as much as internal ideas, as well as internal and external ways for marketing, if they hope to propel their innovation. Open innovation implies that activities can be dispatched from either internal or external technological sources, and new technology can go into the cycle at different stages (Timmermans, 2014).

b) Innovation Culture

Innovation is a critical antecedent to competition and creates abundance in the business environment. However, it is not necessary to place innovation in the context of a culture in order to understand it. Innovation happens when firms propel their workers to reveal their skills to the rest of the firm. As such, qualities, convictions, and practices are shared by firms' members in a way that forms an innovative culture (Hasan, 2017).

c) Technological Innovation

The administration of information technology (IT) is one of the areas suggested to SMEs to face competitive difficulties. IT produces various advantages to the business's development. As mentioned by Prasanna, et al., (2019), the usage of web-based technologies reduces operational expenses, develop service to clients, speed up the response between the producer and client, improve market insight, and enhance the relationship between trading partners. Digital technologies have fundamentally changed the nature and building process of new items and services. New design value creation and value adoption pathways have been made, empowered innovation cooperatives that include dynamic sets of actors with diverse objectives and capacities have been implemented, and IT delivers another type of innovation processes. Technological innovation management alludes to the processes, practices, and principles that underlie the persuasive organisation of advanced innovation (Garzella, et al., 2021).

Keeping up with, or improving, the level of execution, has been perceived as one of the basic issues that firms are battling with (Graafland and Noorderhaven, 2019). Thus, they utilise innovations that are supposedly better to achieve this objective. It has been perceived that those technological innovations are valuable in the improvement of execution of a business faction and that interests in new innovation will expand a company's proficiency and adequacy (Santa, et al., 2014).

d) Knowledge Management

Knowledge management practice is a vital component in encouraging innovation. This is on the grounds that innovation comprises of the successful exploitation of new thoughts and is normally viewed as an immediate result of knowledge management capabilities. Hence, managers meaning to accomplish competitive advantages, depend on firms' inventive results to build up the best relevant conditions to advance and encourage the firm's use of knowledge management practices (Gracia-Piqueres, et al., 2019). Different perspectives on knowledge are presented in a different scientific area, like the management, methodology, organisation hypothesis writing, and reasoning. Various perceptions on knowledge lead to different conceptualisations of (critical) knowledge management (Ferreira, et al., 2020).

Girard and Girard (2015) present knowledge management as the creation and ensuing management of an environment which urges knowledge to be shared, learnt, improved, coordinated, and used, in order to help the business and its clients. This definition consents that knowledge can't be managed in the conventional sense, however that an organisation can

enhance the worth of its information through a suitable mix of values, cultures, leadership, processes, technology, and abilities, to support knowledge access and use.

Managers assume an important part in moulding the future of the organisation, on the grounds that the choices, actions, and inactions made by managers, can result in the fruitful execution of activities for the organisation. The main action that a manager undertakes consistently in many organisations is decision making. Also, the viability and proficiency of managers' choices and decision making, eventually lead to the success or failure of the business (Olubunmi, 2015).

Based on the input made by Cerchione, et al., (2015) in their study, the following eleven challenges were cited as obstructions to the application of KM practices: business culture, financial challenges, collaboration with existing processes, absence of shared language, absence of trust in benefits, absence of managerial support, absence of staff capacities, absence of time and assets, protection of important information, implicit and non-formalised knowledge, and innovative boundaries. Knowledge management has various conceivable abatement in business opportunities. It has the positive contribution of improving business's financial standing. In addition, knowledge management has a key role in company's innovation actions. All things considered, appropriate knowledge management assists with settling different organisational issues and expands the organisational learning capacities, which works with organisational innovation. Therefore, knowledge management is key role to improve SMEs performance (Albassami, et al., 2019).

e) Product Management

Conventional SMEs are presently confronted with a profoundly competitive market, and they need to get items redesigned constantly. Item functions are increasingly intricate and the demand for customised items are enormously increased (Cheng and Liu, 2017). During the earlier stages of item introduction to promotion and advertising, the item life cycle has been evidently abbreviated because of the fierce competition (O'Dwyer and Gilmore, 2019). Technical changes bring new cycles, items, markets, and firm organisations designs. SMEs need to develop with new technical opportunities. Regardless of whether the new technology is not quite the same as their previous knowledge, potential businesspeople can enter the new market before different competitors, after finding new opportunities (Cheng and Liu, 2017).

f) Organisational Strategy

Organisational performance mirrors the capacity of a business to satisfy its stakeholders' needs and survive the competition in the market. It is also the result of the activities or exercises completed by the individuals from the organisation to gauge how well an organisation has achieved its targets (Tong Ha, et al., 2016). Organisational performance measurement is a basic build. A broad expectation has been paid by various studies to explore the infusing factors towards organisational performance. That is the reason an undeniable degree of variety exists in performance indicators (Albassami, et al., 2019).

Organisational performance is the reliant variable for a few areas of management and is characterised as a bunch of financial and non-financial indicators, which offer data on the level of accomplishment of targets and results. It is hard to quantify performance without including the external relationship and theoretical values like knowledge, abilities, and partnerships. Furthermore, there is solid constraint for utilising financial performance as marker for the organisational performance (Alaarj, et al., 2016).

g) Project Management

Turner and Ledwith (2018) investigated how the fit between competitive strategy and organisational structure of a SME impacts performance. Their work recommends that project-based firms need to embrace project management practices and organisation structures that fit the idea of the undertakings they do. Project management practices address an ideal strategy that is presently acknowledged by the project management industry to accomplish a clear objective or goal. It is likewise seen as an idea that asserts that there is no process, strategy, or procedure that is more useful in conveying a specific result, while carrying out a project (Fashina, et al., 2020). Time issues bring about the development of adversarial relationships, prosecution, arbitration, income issues, and an overall sensation of unease between project members. The time management in small businesses' projects, has turned to be one of the challenging factors which can have negative impacts on the project. Small businesses' projects frequently go through project delays, cost overruns, and non-conformance to quality, leading to poor performance and disappointed stakeholders. However, by dealing with these challenges more successfully, these unwanted impacts can be limited (Alshehhi and Kasim, 2020).

h) Financial Management Skills

Bedi (2009) presents that the financial management abilities are one of the vital abilities needed for any business to work and function successfully. The entrepreneur is required to have a basic

understanding of financial management so that the business does not overspend, fail to break-even, fail to pay workers, or liquidate. The finance branch in all organisations, large or small, is the foundation of the organisation, hence it is essential to have financial skills, among others. Wolmarans and Meintjes (2015) found that most SME managers and owners do not have the basic the financial management skills needed to guarantee the survival and development of their ventures. Wolmarans and Meintjes (2015) argue that the SME sector in KwaZulu-Natal does not have the bookkeeping and financial management capacities expected in order to work ideally and arrive at their maximum capacity for their benefit, development, and manageability. Ligthelm (2010) argues that financial management skills and entrepreneurial acumen can be considered as the most critical elements of a small business's survival. Ligthelm (2010) conducted a study to find out the most appropriate business and the management skills needed for the management of small enterprises in Soweto. The findings revealed that most SME managers and owners need management and business skills and that SME managers regularly appear to be driven by financial benefits.

Financial management and accounting skills are significant for business managers, and entrepreneurs are encouraged to develop these capacities. Financial skills are a portion of the top abilities that business managers report as fundamental for success in business. Financial management is quite possibly the main managerial skill for a SME because it influences each part of the business. Financial management implicates minimising the expenses, increasing benefits, and planning and controlling the financial resources of the firm (Olusola, 2011).

SMEs cannot be effective without adequate subsidies and sufficient management capacities. Nevertheless, the subsidies given can frequently be connected to the degree of the financial management capacities of a SME (Olusola, 2011). Olawale and Garwe (2010) recommend that new SMEs ought to have the capacity to draw up business plans, have key and functional plans, and conjecture incomes to secure debt. These are activities which are part of advanced financial management skills. Without these key points, credit providers are reluctant to give loans to SMEs.

i) Marketing Management Skills

Marketing is defined as the method of teaching and showing purchasers why they should purchase an item from one supplier and not from the supplier's competitor (Gibbs, 2016). As indicated by Bedi (2009), marketing is more than selling an item to the targeted markets. Small and medium-sized enterprises struggle compared to large companies, with regard to advertising

and distribution, because the expenses to promote and distribute successfully are high and small businesses cannot bear that cost.

Marketing is equally considered as a business practice that focusses on the necessity of having a significant appreciation for the client so the seller can compete or outperform the requirements of the market compared to competitors (Brownhilder and Van Zyl, 2012). Ghouri, et al., (2011) argue that it is very important for each business to conduct various marketing practices. Executing a good marketing strategy adds greatness to a business's activities and reinforces the competitiveness and shares of the business in the industry.

j) Entrepreneurial Skills

Entrepreneurs are individuals who perceive opportunities and start firms to pursue those opportunities. As established by Edoun, et al. (2019), entrepreneurial skills are a blend of both imaginative and creative abilities and are key in day-to-day activities and management of the business. Entrepreneurs are pioneers and ought to have capacities that can motivate their workers while simultaneously dealing with the business and the creation and selling of their merchandise and services. Kambwale, et al. (2015) state that numerous professionals and researchers agree that the main reason for small business failure is a lack of good managerial skills. Regardless of whether or not the causes are finance-based, marketing-based, competition, or stock-based they can be avoided if good management is implemented. In spite of the fact that it has become hard to clarify what establishes poor management, it is important for entrepreneurs or managers to acquire basic managerial skills and undergo training to acquire more skills and knowledge. In order to succeed, managers need to have sufficient skills in the area of organising, planning, managing, and controlling the business resources.

Managerial skills include the ability to conduct a few tasks or duties, and these abilities can be procured through learning and experience and are utilised by managers to empower them to keep up with productivity in the manner workers complete their tasks (Sutevski, 2015). There are various kinds of abilities required by SME managers and entrepreneurs, which are:

- Technical skills: Sutevski (2015) notes that specialised expertise is a procedure of doing a job or the capacity to utilise the specialised knowledge on a particular discipline in a specific specialisation.

- **Human or Interpersonal Skills:** Sutevski (2015) established that this is an expertise that empowers workers to become pioneers, persuades workers to do their jobs, and is used to utilise human potential in the business.
- **Conceptual Skills:** Kambwale, et al. (2015) argue that this expertise empowers managers to coordinate and deal with the entirety of the business's interests and actions with the capacity or knowledge of managers to conquer problems through strong analysis.

The failure of entrepreneurs to create original plans to improve and support business undertakings, represents a danger to the sustainability of South African manufacturing SMEs, especially since these firms are profoundly respected and trusted to bring stability to the country's economy (Chimucheka and Mandipaka, 2015). The government cannot be expected to give and cater for the educational, and trainings needs of these firms; nonetheless, business managers and entrepreneurs ought to put resources into human resources through important training and development in order to help innovativeness and managerial capabilities (Ngibe and Lekhanya, 2020). The absence of priorities is frequently a burden for an entrepreneur in a SME as there are consistent variations in needs, given that some needs require consideration and other matters necessitate amendments. Frequently, openings introduce themselves and it is hard to say 'no' to a short-term opening that will divert SMEs from their long-run objectives. SMEs ought to be sure about their long-term targets and the opportunities that will work with them accomplishing these goals.

4.4 DISCUSSION OF FINDINGS

4.4.1 The Nature of the Relationship Between Innovation and Managerial Capacities of Small Businesses

It was shown from the literature review chapter that it was found that there is a relationship between innovation, or the lack thereof, and managerial capacities of small businesses. However, in order to establish the extent of this relationship, it is important to discuss, and perhaps draw a distinction between, the internal and external challenges that SMEs encounter, and determine these as the backdrop against which SMEs function on a day-to-day level.

a) Defining the existing backdrop of SMEs

This section presents the existence of other components that affect the functions of SMEs on a daily basis, and these components have been referred to as the backdrop. This backdrop is made

up of internal and external factors, whose aggregate impact on small businesses is discussed below.

b) External backdrop

The external (business environment) factors have been identified in previous chapters as including government procedures, business support, competition, globalisation, crime and corruption, and lack of innovative practices. These factors are characteristic of existing in a greater system, and often small businesses do not have a say in controlling this tier or realm of business systems (Moos and Sambo, 2018; Nkwinika and Munzhedzi, 2016). Small businesses generally do not have the capacity to challenge these systems, or to rise above them, hence the response of SMEs is often compliance, regardless of whether those set conditions are advantageous or disadvantageous to them.

For example, some businesses may participate in corruption as a means of remaining competitive within the market and also as a way of ensuring business growth, expansion, and accessibility to other business opportunities (Nyarku and Oduro, 2017). Conversely, businesses that would opt out of corrupt practices may never see other business prospects, thereby leading to their eventual failure. This operation in itself eliminates the small business which do not have the means, or the will, to participate. This stands to drastically impact the SMEs functioning and determines whether they will succeed or not (Sitharam and Hoque, 2016). The businesses which participate become compliant to malpractices, and those that do not become complacent and demoralised. This affects the way in which these businesses, and even their managers show up, present themselves, and perform their jobs.

A similar thing can be said about business support. When business support offered to SMEs is generic and does not suit the nature or the need of the business, it could have a detrimental effect on the business and contribute to its failure. The research has identified that in order for businesses to thrive, there is a great need for technological innovation and input, more especially in the current globalisation era (Sitharam and Hoque, 2016; Moos and Sambo, 2018). Small businesses can no longer afford to operate with only a local market in mind; but the expansion from local to regional or global, requires the hand of technology. Where technological innovations are in place, it allows businesses to remain competitive and operate more efficiently, the reverse is also true.

The literature in Chapter Two has shown how the current external environment has contributed negatively to the growth of SMEs in South Africa and has left many businesses backed against

the wall with limited options for continuity (Ponelis, 2015). Therefore, the impact of the external environment must not be understated or overlooked when considering the factors of SME failure. This external backdrop for SMEs in South Africa is currently not conducive for SMEs to reach a level of sustainability; and regarding innovation management practices, external environment negatively affects how managers and business owners run and manage their businesses, and consequentially impedes on the flow and use of innovation within SMEs (Meyer and Meyer, 2017).

c) Internal backdrop

The internal factors that were identified that contribute to SME failure include entrepreneurial characteristics, managerial competency and skills, financial distress and access to finance, and a firm's technological capacities. It is important to note that the internal factors are highly influenced by human input. This emphasises the importance of human capital within a business. The impact of the people who are in those managerial, and/or administrative roles, in small businesses, must not be undermined. The extent of how much a SME will enjoy the use of technological innovations in their managerial practices, is often reliant on the manager and the staff, and whether they see the importance of technology for their growth or not.

Since SMEs need people to succeed, it is essential that people are well trained and kept abreast with the technological innovations that are made available to them, whether they are involved in a managerial capacity or in the day-to-day running and administration of the business (Sitharam and Hoque, 2016). The study also uncovered how innovative practices must not only be limited to the products and services, or systems of the business, but that the managers must be opened to changing, and consistently improving, their management style in order to effectively run their businesses. These are known as innovation management practices. Managerial innovation can be seen as the tool that bridges the internal innovation gap that businesses experience.

A majority of the struggles of the internal environment have to do with a lack of training, business savvy knowledge, insight, and funding (Moos and Sambo, 2018 ; Sitharam and Hoque, 2016). However, these internal business challenges are also a result of external factors, such as availability of funding, training support, business incubation, mentorship etc. Managerial innovation is also impacted by these limitations. Therefore, businesses fail to live up to their potential, and a chance at sustainability because the internal backdrop is also limited. This can be frustrating for small businesses.

The internal and external backdrops, within which SMEs operate, are currently limiting and make it challenging for them to become sustainable businesses. Therefore, it is not surprising that engagement by SMEs on both fronts is low (Moos and Sambo, 2018). The relationship between the two is intertwined, and if business sustainability is to be reached, innovation cannot be separated from management capacities or management practices. Innovation should feed into the management practices of SMEs, but it currently does not do so effectively (Boubakary, et al., 2020). Many small businesses have limited information, knowledge, or access to the right technology to empower them into longevity. This causes SMEs to suffer greatly.

In general, humans tend to be resistant to a change in culture. This means that managers, even in the work environment, most probably resist a shift in work culture or management style. The research revealed that it is the nature of SMEs to be quickly adaptable and to shift their culture as a way of retaining their innovation (Moos and Sambo, 2018; Nyarku and Oduro, 2017). Therefore, there appears to be a clash in cultures i.e., that of SMEs and that of the work environment. It is the role and duty of managers to make every attempt to catch up to the fast paced, ever-changing environment of SMEs.

4.4.2 Innovation Management Practices and SME Failure – The Extent of Contribution

Drawing from the literature review and the findings, innovation management practices are an internal factor of SMEs, however, that factor is also influenced by external measures which lie outside of the SMEs' control. Therefore, in drawing out this contribution, it is essential to recall that innovation management practices do not occur in a vacuum.

a) Innovation Practices and SME Performance

Innovation has turned into a necessity for all contemporary businesses that need to get by in a world defined by rivalry, technological development, and recurring crises. From a SME point of view, innovation usually brings up new items or processes that address client's needs more seriously and beneficially than existing ones (O'Regan and Ghobadian, 2006; Zahra, 2015).

The motivation of innovation practices in businesses is seeing further developed performance. Consequently, innovation should be perceived as a mean to induce changes, modifications, and upgrades in the business's practices that are planned to acquire an improvement in execution (Curristine, et al., 2007). There is various academic literature that supports the critical positive relationship between innovation and SME's performance. Zulu-Chisanga, et al. (2016) noted

that the endeavors applied to develop various innovations is the essential justification for the improvement in SMEs' financial indicators. Other studies demonstrated the positive connection between innovation ability and SMEs' performance (O'Cass and Sok, 2013; Mao and Zhang, 2018). Moreover, the authors expressed that SMEs' performance is an aftereffect of the viable execution of innovation. However, Lin and Chen (2007) contended that the effect of managers' innovative practices in SME, is better than technological innovation.

b) Innovation Practices and SME Survival

A business can endure on the off chance that it can adjust to the conditions and surrounding environment compared to large enterprises. SMEs have a more limited life expectancy, are more productive, and more severely impacted by external environmental elements. Innovation is necessary for the growth and development of any business (Ortiz-Villajos and Sotoca, 2013). As indicated by the authors, innovation is the main variable behind the survival and development of businesses; it upholds the organisation's extension and development and upgrades the business's future achievements.

Past studies by Schumpeter (1942) uncovered that the business's survival is unequivocally connected to its innovation practices. (Hotho and Champion, 2011; Alba, et al., 2011) have tried to clarify this connection by highlighting a few pertinent concepts to both innovation and business survival. For example, a competitive advantage is a result of a business innovation practice and is a critical pillar of its survival. Chege, et al., (2020) moreover contended that businesses can't grow and continue their activities without being creative or innovative.

4.5 SUMMARY

The lack of innovation management practices in SMEs is high. Through research, it is clear that where innovation is prioritised, SMEs tend to flourish – and where the former is undervalued, the enterprises will tend to lean towards failure. Because SMEs in South Africa have very little mean for determining their external environment, one of the ways in which they can ensure internal innovation is through the implementation of innovation management practices within the workplace. The study has also shown the effect of human will and human capacity in determining the extent of innovative engagement in the business. Where managers and staff personnel are being consistently trained and developed to improve their ways of fulfilling their work-related roles, an ease with which work cultures can shift. The easier work culture can shift, the easier it will be to avoid redundancy and complacency within the business;

thus, allowing room for greater innovative management practices and greater SME growth. This also increases the chances of sustainability of businesses.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In this final chapter, the research addresses the secondary aims that were highlighted in Chapter One of the study, which is identifying and presenting potential interventions that could enhance innovative managerial practices.

5.2 SUMMARY OF MAJORS' FINDINGS

As noted in the first chapter, the aim of this research is to study the challenges experienced by small businesses that ultimately lead to and contribute to their failure. The primary objective was to determine the innovation practices that lead a small business to failure. The secondary aims of the research are depicted below:

5.2.1 Objective 1: To Ascertain the General Managerial Innovation Practices of SMEs

The success and development of SMEs in South Africa, to a great extent, is reliant on its human capital. The issue of 'what attributes and qualities make for an effective manager or entrepreneur' is a matter that has been widely researched over the years. The study on entrepreneurs' competencies is one that has high importance in the global and South African setting. Taking the thought further, Kambwale, et al., (2015) contend those findings to SME's failure to a lack of managerial capacity due to the inadequacy and unbending nature (freezing and inaction because of overpowering external environment disturbance) of the business environment.

Small businesses deal with significant issues with regard to managerial competencies in starting and running a business. For instance, setting-up capital, record-keeping, accounting, marketing, managing the human resources etc., all present their own challenges. Financial management and bookkeeping skills are critical for business managers, and entrepreneurs are urged to improve these skills. Financial skills are a part of the top skills that business managers report as principal for business growth and success. As far as set up capital, starting a business in South Africa is full of challenges, one of them being that financial institutions do not promptly consider these business loans to assist small businesses to start their business. This is because of an absence of trust from the financial institutions.

5.2.2 Objective 2: The Impact of a Lack of Managerial Innovation on Small Businesses' Survival

Small business's failure can be attributed to managerial deficits, poor cash flow management, an absence of experience, the absence of strategic planning, improperly managed growth, poor stock control, lack of innovation, wrong working perspectives, remiss credit granting, lack of capital, and improper geological positioning (Kruger, et al., 2020). Edoun, et al., (2019) argue that the fundamental, yet significant, abilities needed to adequately oversee and manage a small business effectively, incorporate the following: financial management capacities, innovation, marketing skills, and entrepreneurial abilities.

The innovative skills that are needed by business owners fall into three categories, namely, technical, managerial, and personal entrepreneurial skills. The goal of entrepreneurial education ought to be to prepare entrepreneurs and imminent businesspeople with the essential skills needed to confront the difficulties in planning and running a new business venture. This can be accomplished with a well-planned educational programme upheld by different contextual analyses, strategies, projects, and business plans and based on reflection and cooperation in the learning process.

5.2.3 To Identify and Present Potential Interventions that Could Enhance Innovative Managerial Practices

The day-to-day managerial and running of many small businesses in South Africa currently do not reflect a healthy level of innovative input. Many managerial methods are outdated, informal, and do not contribute meaningfully to the growth of the business. This could be cured by investing in the human capital by way of consistent training that is effective and relevant to the different types of SMEs.

While innovation is a key factor, the literature has also revealed that the presence of both internal and external factors play a role in SME failure. Therefore, when considering the nature of SMEs, due regard must be given to the internal and human components of it, as well as the external and systemic components. This will help organisations, associations, and other entities who may seek to offer business support to SMEs, to do so in a more meaningful way. Different businesses need different forms of support; therefore, a blanket approach cannot be used for all SMEs. Knowing and understanding the nature and make-up of specific businesses can help in tailoring the kind of support that it will need to become sustainable.

5.3 RECOMMENDATIONS

In South Africa, where government has identified a lack of educational and business training, the government responded by offering training programmes to assist SMEs in managing their businesses. However, it became apparent, through drawing from the compounded nature of the negative factors contributing to business failure, that government may be required to respond differently in the way they extend their support to SMEs.

A more comprehensive approach for government to offer SMEs support, may include making technological advancements and innovations, whether managerial or technological, available to SMEs, as it is proven crucial to their success. This would bridge the current divide that exists. Seeing that the nature of the factors is multi-faceted, it should also follow that the nature of business support should be multi-faceted if South African SMEs are to implement real and meaningful change and gain business sustainability.

Taking into consideration the issues observed in the study and in view of the conclusions drawn, this section will make a few recommendations on how some of the challenges mentioned above can be tended to.

From the findings it can be deduced that the high failure rate of SMEs could be reduced in SA by implementing the following recommendations:

(i) The Issue of Managerial Capacity of SMEs

Entrepreneurs and managers are advised to acquire basic skills or education, as this will be a plus to their effectiveness in all sectors. Skills include knowledge, attitude, mentality, conduct character, assessment, values, and proficiency. Furthermore, problem solving, and critical thinking skills enable managers to be capable of rational thinking for risk management; identifying issues; item promotion; staff assessment and evaluation; duty delegation; and planning, just as goal projection are also suggested.

(ii) Financial Management

Managers need to observe how much cash they have in order to control expenditures and keep record of this. It is the act of keeping record of their investments (cash) which would assist them with securing bank loans. Banks need proof that an individual can maintain a business duly. Similarly, good record-keeping is a good business practice because the records will help small businesses monitor how their business is progressing and subsequently act as a guide to managing the accounts. However, with no records most small businesses are not in a situation to know whether they are making a profit or loss.

(iii) Information Dissemination

SMEs are one of the significant projections utilised by government as an exit from poverty and unemployment. The South African government may attempt, through financial and non-financial institutions, to present information seminars and host campaigns that help small businesses. In addition, government could introduce business support and mentorship initiatives. These initiatives would take small businesses through the life cycle of starting a business, and what it takes to survive and thrive within the South African economy. Government could also partner with the private sector to provide start up packages that offer small businesses 'technologically innovative packages' that would allow businesses to become competitive from an early stage, and also to make their internal systems function more efficiently.

(iv) Equipped and Persuaded Management

The success of business depends generally on the nature of the management personnel. The SMEs manager ought to have a strong and solid business foundation, as well as leadership skills, a style for administration, and must be well networked and organised in the community. The management ought to be given quantifiable and measurable goals against which execution can be checked and motivations must be presented to managers to encourage exceptional performance. Business owners should select, and appropriately remunerate, the managers capable for accomplishing the mission of the business.

5.4 THE LIMITATIONS OF THE STUDY

This research focusses only on the small and medium sectors of the SMEs. The main limitation of this study was that since it is a systematic literature view, it relies on secondary information and hence no primary data was collected.

5.5 CONTRIBUTION OF THE RESEARCH AND AREAS OF FUTURE RESEARCH

The research presents some of the challenges faced by SMEs managers and entrepreneurs. Based on the research findings, suggestions are given on the most proficient method to promote SMEs through interventions that improve the managerial abilities of SMEs' managers and entrepreneurs.

This research presents usable data, originating from previous experiences of small businesses that went through a steady decay process. Literature on SMEs tend to focus on developed countries. Research on SMEs in emerging countries is fewer. Thus, this study will help future

research investigating into the business practices and challenges faced by SMEs in South Africa by conducting primary data collection. Additionally, future research could investigate the managerial challenges post-COVID-19 among SMEs, since this study was conducted during the COVID-19 pandemic.

5.6 SUMMARY

The methodology adopted for this research was a qualitative, desktop-based research. Many studies have been conducted on the factors that affect SMEs failure, therefore, it was not entirely necessary to conduct a quantitative study on that area. The results of this research revealed a few challenges that are common among SMEs that lead them to failure or poor performance.

As the research has shown, SMEs in South Africa have a major role to play in contributing to the economy. Although this is not yet fully actualised, it remains in the best interest, of a variety of sectors, to play their part in ensuring the success of small businesses. The fact that SMEs are failing and closing down without reaching their full potential, means that there are still several gaps which need to be attended to within the small businesses sector. External factors affect SMEs the greatest, as SMEs have the least amount of control over the impact of said factors. However, where internal factors are concerned, SMEs do have a significant role to play in ensuring that their management is able and equipped to manage the business.

Based on the main findings, the challenges small businesses face in the growth process can be summarised as lack of managerial commitment to innovation and lack of knowledge on marketing to keep a competitive edge. In addition, given the multi-dimensional nature of the factors that influence SME failure, it would be unfair and unreasonable to place all of the responsibility of assisting small businesses, upon the government. The study noted that in order for there to be a consistent paradigm shift in the way that SME are operating, even when it concerns the internal management practices within their own control, there would need to be a merging of efforts from government, the private sector companies, financial sector, as well as others, in order for businesses, and also the economy, to enjoy the fruits of business sustainability and longevity.

To ensure that SME's issues are attended to and resolve gradually, recommendations were drawn based on the research findings. Among the main recommendations from this research, entrepreneurs and managers are advised to acquire basic skills and government is advised to introduce business support and mentorship initiatives. Additionally, managers need to observe

their expenditures and keep good record of this. It is the act of having good records that can guarantee them securing bank loans.

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Appendix

A. Ethical Clearance Letter



Mr Mubake Steve Kyalangaliwa (215076540)
School Of Man Info Tech &Gov
Pietermaritzburg

Dear Mr Mubake Steve Kyalangaliwa,

Original application number: 00010907

Project title: Innovation management practices in South Africa: Factors leading to the failure of small and medium-sized enterprises.

Amended title: Innovation management practices as a factor leading to the failure of small and medium-sized enterprises in South Africa

Exemption from Ethics Review

In response to your **amendment** application received on 17 February 2022, your school has indicated that the amendment has been granted **EXEMPTION FROM ETHICS REVIEW**.

Any alteration/s to the exempted research protocol, e.g., Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through an amendment/modification prior to its implementation. The original exemption number must be cited.

For any changes that could result in potential risk, an ethics application including the proposed amendments must be submitted to the relevant UKZN Research Ethics Committee. The original exemption number must be cited.

In case you have further queries, please quote the above reference number.

PLEASE NOTE:

Research data should be securely stored in the discipline/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours sincerely,



Dr Vangeli Wiseman Gamede
Academic Leader Research
School Of Man Info Tech &Gov

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