

**UNIVERSITY OF KWAZULU-NATAL**

**Assessing managerial competencies of small enterprises in Okhahlamba Local  
Municipality**

**By**

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## DECLARATION

I, **Lindani Rodgers NENE**, declare that

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## ABSTRACT

Small Micro and Medium Enterprises (SMMEs) are amongst the programmes that were unveiled by government just after first democratic elections in 1994. They were identified by a government as the essential tool to address some socio-economic challenges such as poverty eradication, unemployment and SMMEs were also tipped as a vital tool to address the high level of economic inequalities in the society. In the past 25 years government has initiated number of programmes to support SMMEs, however the failure rate of small businesses is very high especial those SMMEs that are based in rural areas. This study intended to assess the managerial competencies amongst the SMMEs that are based in Okhahlamba Local Municipality. The main objective of the study was to assess whether the SMMEs owners-managers do have adequate skills to manage their businesses successfully. The literature looked at all SMMEs support structures, legislations, factors that lead to SMMEs failure and also looked at five managerial competencies in relation to the management of small businesses. The literature revealed that the failure of SMMEs can be attributed to the lack of managerial competencies to its owners-managers. The simple random sampling was used to sample the respondents in this study. A total of 120 questionnaires were distributed to SMMEs owners-managers and total of 116 questionnaires were collected from the respondents. The data was analysed using Statistical Package for Social Science (SPSS), hence the descriptive and inferential statistics were used to analysed the data. The key finding was that SMMEs owners-managers are aware of managerial competencies that they should have, but the majority of them seem to be lacking these managerial competencies. The study revealed that those SMMEs owners-managers with formal qualifications after matric they seem to be doing well in their business as compared to those who do not have formal qualifications. The study recommended that the Okhahlamba Local Municipality and other agencies that are involved in the SMMEs development should pay more attention on assisting these small businesses owners-managers to develop managerial skills. A close mentorship is also recommended particularly those SMMEs that has been operational for less than two years.

**Keywords:** Small, Micro and Medium Enterprises, Managerial Competencies, Management Functions

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## ABBREVIATIONS AND ACROYNOMS

<b>B-BBBE</b>	Broad-Based Black Economic Empowerment
<b>COGTA</b>	Department of Corporative Governance and Traditional Affairs
<b>DARD</b>	Department of Agriculture and Rural Development
<b>DSBD</b>	Department of Small Business Development
<b>DTI</b>	Department of Trade and Industry
<b>EDTEA</b>	Department of Economic Development, Tourism and Environmental Affairs
<b>GDP</b>	Gross Domestic Product
<b>IDC</b>	Industrial Development Corporation
<b>IDP</b>	Integrated Development Plan
<b>ISBDS</b>	Integrated Small Business Development Strategy (ISBDS)
<b>KZN</b>	KwaZulu-Natal
<b>LED</b>	Local Economic Development
<b>LM</b>	Local Municipality
<b>NYDA</b>	National Youth Development Agency
<b>PGSA</b>	Provincial Growth and Development Strategy
<b>RASET</b>	Radical Agrarian Socio-Economic Transformation
<b>SEDA</b>	Small Enterprise Development Agency
<b>SEFA</b>	Small Enterprise Finance Agency
<b>SMME's</b>	Small, Micro and Medium Enterprises
<b>SPSS</b>	Statistical Package for the Social Science
<b>TVET</b>	Technical and Vocation Education and Training
<b>UEDA</b>	UThukela Economic Development Agency

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## CHAPTER ONE

### INTRODUCTION AND OVERVIEW OF THE STUDY

#### 1.1 INTRODUCTION

Small, Medium and Micro Enterprises (SMMEs) have been identified as significant, key factors that contribute to the stimulation of the economy of South Africa. Matsukunyane (2013) states that SMMEs are of crucial significance in that they allow for job creation in rural areas, where the majority of the populations are unemployed. In these areas, local employment opportunities are severely limited. SMMEs are key in changing the economic landscape. Consequently, the majority of SMMEs are based in rural areas. SMMEs contribute to the local economy by providing local employment opportunities, and, in particular, by helping to improve the standard of living for these communities, where many people live in poverty.

The South African government supports SMMEs at both a national and provincial level. Nationally, the Department of Small Business Development (DSBD) was established to ensure that SMMEs obtain sufficient support and the department is responsible for drafting SMMEs policy. Provincially, the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) is given the mandate to promote, and ensure the sustainability of SMMEs. EDTEA works with the Local Economic Development (LED) Office in each municipality, in KwaZulu-Natal (KZN). Numerous agencies offer support to SMMEs such as the Small Enterprise Development Agency (SEDA); the National Youth Development Agency (NYDA); the Small Enterprise Finance Agency (SEFA); and the Industrial Development Corporation (IDC). Despite the support of governmental departments, and the agencies listed above, evidence suggests that the huge number of SMMEs are failing at an alarming rate.

SMME failure has far reaching consequences - at both national, provincial and local levels. The high failure rate equates to a decrease in job creation, and a slowdown in economic development. Managerial competencies are considered key, and crucial internal factors that contribute to a business' success, or failure. Lekhanya (2015) argues that approximately 80% of South African SMMEs lack managerial competencies and as a result they are unsuccessful. This study will focus on assessing the managerial competencies of SMMEs owners-managers, within the Okhahlamba LM.

## **1.2 STATEMENT OF THE PROBLEM**

Many people, especially in rural areas, start a small business, or enterprise (SMME) in order to improve their lives. Government has set up a number of structures to support entities these businesses. The provincial government, through EDTEA, has introduced Radical Socio-Economic Transformation (RASET) and Operation Vula. These programmes aim to ensure that local SMMEs are participating in, and are able to contribute to the mainstream economy. According to Tembe, Dlamini, Maphumulo and Mntambo (2017) radical economic transformation focuses on incorporating people, who want to participate as entrepreneurs, by ensuring that they are a part of key sectors of the economy. Operation Vula focuses on ensuring that local businesses have an increased market share of the local economy. Through these programs, each government department is compelled to procure goods or services from local small businesses.

It is anticipated that Radical Economic Transformation and Operation Vula will increase employment opportunities, and improve the standard of living, particularly for people that live in townships, and rural areas. The South African government will invest a considerable amount of money and other resources into these programs, in the coming years. SMMEs are the main beneficiaries. However, the failure rate of SMMEs is a major challenge for government. It must be noted that a great deal has been done in addressing the challenges faced by SMMEs, include ensuring that SMMEs are able to access financial, marketing and mentoring programs. However, the failure rate is too high amongst SMMEs which presents a serious threat to the government. These businesses are initially started with an intention to assist government by reducing unemployment and thereby boosting the South African economy. However, the lack of managerial competencies makes it very difficult for a business to survive in a market place. There are concerns raised about the contributions made by SMMEs, in different provinces and regions, within South Africa.

Masuku and Selepe (2017) argue that SMMEs are instrumental to the South African economy, and that SMMEs contribute approximately 52-57% of the GDP of the country. In KZN SMMEs provide for 16% of the GDP of the province. The uThukela District contributes up to 5% of the provincial economy (uThukela Draft District and Growth Development Plan). The Okhahlamba LM contributes 23% to the district economy (Okhahlamba Integrated Development Plan 2017/2018). This shows that SMMEs are playing a major role in the

country's economy. There is a need to ensure that these SMMEs are sustainable as well as a need to assess the capabilities, and competencies, of the owners-managers of these businesses.

### **1.3 BACKGROUND OF THE STUDY**

After decades of social and economic inequality, in South Africa, SMMEs programmes were amongst the first changes introduced by the new South African government, following the first democratic election in 1994. These programmes aimed to remedy the levels of inequality in South Africa and also to create more job opportunities particularly for previous disadvantage group. Cele (2015) argues that SMMEs are currently creating many jobs opportunities in South Africa. It is clear that SMMEs are vital to the South African economy, and it is of great importance that these small businesses are sustainable and are able to further create more employment opportunities, today.

Although there are numerous government programmes to support and develop South African SMMEs, Ngcobo and Sukdeo (2015) argue that, in fact, 57 %-80% of SMMEs fail to reach the point whereby they can significantly contribute to eradicating unemployment, and poverty, in the country. According to Muyengwa, Makhuba, Battle and Mbohwa 55 % of small business fail within the first 5 years, while 81% fail within 10 years. From the government side, there is a great expectation that these SMMEs should be sustainable - and be able to provide more employment opportunities, but upon examining the facts, the majority of SMMEs fail rapidly.

Although there are a number of factors attributed to SMMEs failure, a deficiency in managerial competencies amongst the small businesses owners-managers of small business has been identified as the most significant setback in the development of SMME's. Opio, as cited in Tarwirei (2015), suggests that the higher unsuccessful rates of small businesses in the country constitutes a major concern for the government. Regardless of the many programs that are meant to support SMMEs, it appears that owners-managers of SMMEs are lack managerial competencies. Unnikrishnan (2010:30) defines managerial competencies as the capacity that exists in a person that leads to behavior that meets, or exceeds, the demands of the current job.

Given the failure rates of SMMEs, there is a need to conduct a study that will assess the managerial competencies of the SMME's owners-managers that within Okhahlamba LM. The study aims to show whether the owners-managers of small businesses that geographical located

in Okhahlamba LM do have necessary skills to manage their businesses, and the study also seeks to provide recommendations as to what can be done for owners-managers, who might lack the required competencies.

#### **1.4. RESEARCH QUESTIONS**

The study will try to respond to the following vital questions:

- What is the relationship between the communication competency and the teamwork competency of SMMEs owners?
- What is the relationship between communication competency and global awareness of SMMEs owners?
- To what extent is the relationship between planning and administration, and strategic action of the SMMEs owners?
- What is the relationship between global awareness and teamwork competency of the SMMEs owners?
- To what extent is the relationship between planning, administration and communication competency in the SMME sector?

#### **1.5 RESEARCH OBJECTIVES**

The objectives of the study are:

- To establish the relationship between the communication competency and the teamwork competency of SMME owners.
- To examine the relationship between the communication competency, and global awareness of SMME owners;
- To ascertain the influence of planning and administration on the strategic action of the SMME owners;
- To evaluate the relationship between global awareness and teamwork competency of the SMMEs owners; and
- To examine the relationship between planning, administration and communication competency.

## **1.6 HYPOTHESES**

Nadal (2015) argue that in many cases there is noticeable relationship that normal exists between communication competency and teamwork competency. There is a major correlation between communication competency and global awareness of SMME owners. Nadal (2015) further argue that there is also a substantial association between planning, administration and strategic action of the SMME owners. A significant relationship exists between global awareness and the teamwork competency of the SMMEs owners. There is a significant relationship between the planning and administration, and communication competency.

## **1.7 LITERATURE REVIEW**

Managerial competency is one of the most important aspects of any business. For a business to be prosperous, it requires its owner-manager to certain skills, knowledge, and expertise to run a business successfully. According to Laguna, Weichetek and Talik (2012) managerial competencies are the most critical aspects in any business. Managerial competencies are made up of an individual's personal characteristics, behaviours and other values that are significant to a managerial role. This section will focus on discussing managerial competencies, in the SMME context.

### **1.7.1 Definition of Managerial competencies**

Many researchers have defined managerial competencies in a number of ways. Ongusula (2017) describes managerial competencies as the intellectual resources posed by owner-manager in assuming the task in an organization. On the other hand, Velie and Manxhari (2017) define managerial competencies as a set of knowledge, skills and behaviour that can contribute to the personal effectiveness of the manager. These definitions emphasize the fact that managers, in general, need to have the necessary knowledge and expertise that will make them able to do daily job more effectively. It is a skill set needed to achieve the short and long term goals of the business. Rahman, Abdulah, Adham and Mat (2014) identified six managerial competencies that managers of SMMEs should have: communication competency, teamwork competency, planning and administration competency, global awareness competency, self-awareness and personal development competency and strategic action.

### **1.7.2.1 Communication Competency**

For a business to be successful the owner-managers need to communicate well with both internal and external people - communication must be clear and precise. Butler and Taxas (2015) define communication competency as the ability of a manager to meritoriously transmit and exchange knowledge and information that leads to the understanding amongst yourself and others people. Communication in general normal contains three most critical aspects, namely: formal communication, informal communication and negotiation skills. Sanda, Sackey and Falthoron (2011) argue that managers of SMMEs must able to communicate clearly with their staff - by listening to their ideas and concerns - as well as communicating with external people (Facebook, twitter, Instagram, and skype). However some SMME managers are still reluctant to use this type of communication. Social media platforms can also be used to advertise business.

### **1.7.2.2 Planning and Administration Competency**

This managerial competency is one of the most significant functions in an organization. Tawarie (2015) states that planning includes: deciding the work that need to be done, allocating the necessary funds and assets those tasks that need to be carried out, and further, monitoring the progress. According to Chen (2010), administration refers to the ability of a manager to: arrange, organize and execute activities. The main reason why SMMEs are failing is that owners are failing to do any basic planning, and administration, work. Tawarie (2015) argues that one specific motive behind the failure of small businesses is that its owners-managers are not engaging in basic planning - such as allocating resources, doing revenue projections, basic record keeping and other activities, such as managing the resources of the business.

### **1.7.2.3 Teamwork Competency**

Nadal, Manas, Bernado and Mora (2015) define teamwork competency as the necessary skills, knowledge and attitudes required to work, with other people, in achieving a common goal. The definition emphasizes that teamwork competency embraces working together with others to achieve common goal. In most cases SMMEs work in isolation. This means they do not collaborate with other SMMEs where necessary. In other instances, SMME owners-managers do not consult their subordinates when they are making decisions. Many researchers suggest that teamwork is necessary, and when correctly implemented, that a business is likely to benefit from it.

#### **1.7.2.4 Global Awareness Competency**

The nature of business operations have changed in recent years. Owners-managers of SMMEs need to start considering global trends and how it affects their businesses. Rahman, Abdulah, Adham and Mat (2014) define global competency as the capacity of the manager to recognize, appreciate, value and answer to global politics, culture and the economies of the globe. Owners-managers of a business need to develop an ability to read, interpret and analyse how global trends affect their business. Sitharam (2014) argues that small businesses in South Africa can no longer confine themselves to strictly domestic business. There are a lot of business opportunities that come with globalization.

#### **1.7.2.6 Strategic Action competency**

According to Vijay and Ajay (2011) strategic competency includes strategic intelligence which allows a manager to develop the future vision of the organization and take the necessary strategic direction/actions to achieve set targets. It is an area where most SMME owners-managers are deficient. Some owners-managers of small businesses do not have a vision and mission statement for their business.

### **1.8.3 CONCLUSION**

In conclusion, managerial competencies are the combination of all necessary skills, knowledge, experience and attitudes required to perform duties more meritoriously. If owners-managers of small business lack the necessary knowledge, and skills, their businesses are likely to fail. Managerial competencies are key to the survival, and sustainability of small business.

The literature above indicates that, in general, there is an existing gap in the management of SMMEs and that there is a lack of managerial competencies amongst the owners-managers. It appears that various owners-managers lack communication competency and are not able to communicate effectively with internal and external people. Some owner-managers do not embrace the use of new technology as a potential platform to market their business. The issue of proper planning and administration is still a challenge to many small businesses. The literature reveals that the majority of SMME owners-managers tend to work in isolation as opposed to working as a team. Finally, literature indicates that majority of SMME owners are not taking any initiatives to develop themselves

This study intends to measure the Managerial Competencies of the SMME owner-managers in Okhahlamba LM. This study is likely to contribute to the further understanding of SMME outcomes, and will reveal the reason behind the lack of managerial competencies amongst the SMME managers in the Okhahlamba LM. The study outcome, or final theses, will be shared with all relevant stakeholders. These parties include the provincial government, District Municipality, Local Municipality and other stakeholders. This study will also provide recommendations as to what needs to be done to improve the managerial competencies of small business. This is the very first study that will assess, and provide a broader understanding of managerial competencies of SMMEs, at both a district and local level.

## **1.9 THEORETICAL FRAMEWORK**

Grand (2014:10) defines a theoretical framework as a pool of interrelated concepts that can be used to direct research - with the purpose of forecasting, and explaining, the outcome of the research. The study will use five theoretical frameworks, namely: communication competency, teamwork competency, planning and administration competency, global awareness competency, and strategic action. These theories were specifically chosen to give the researcher a relevant operating framework in assessing managerial competencies amongst the owners-managers of SMMEs, in Okhahlamba.

## **1.10 RESEARCH METHODOLOGY**

### **1.10.1 Research Design**

The Case Study research design was adopted. Kumar (2011) argue that the case study is based on the notion that a case, which is being examined, is distinctive of a certain type. A case study gives in-depth information on the particular case. This research design allows a researcher an opportunity to do an insight enquiry on the current managerial competencies of the owners-managers, of small business, that are based within the Okhahlamba LM. The case study will allow the researcher to focus on one specific location rather than using data from different places or locations. Thomas (2011) further supports the case study research design, noting however that it is chosen without an intention to generalise the findings.

The case study is more applicable to this study, as it will allow the research to focus on one specific location - the Okhahlamba LM. This research design method will permit the researcher

to narrow down, and zoom into, one specific place. This type of research design will assist the researcher to get a complete picture of the issues at hand in this specific region.

### **1.10.2 Research Approach**

There are two main types of research methodology: qualitative and quantitative methodology. Williman (2011) argues that qualitative methodologies cannot be precisely measured, counted and are normally in words rather than actual numbers. On the other hand, Pavan and Karani (2014) state that quantitative research methods are more concerned with statistics and numbers, and also anything that can be measured. This study will use quantitative research approach. Zainal (2007) points out that case study permits data collection using either research method. Since this study will be focusing in Okhahlamba LM, and this municipality is located in a very rural area, quantitative research methods is more suited research approach for this study and it will permit the researcher to finish the study within a reasonable time period. Questionnaires will be distributed to SMME owners-managers. This means that data can be collected in a timeous manner, rather than conducting in-depth interviews or using focus groups which are both time consuming. The issue of a limited budget, and time constraints, were also taken into account when choosing this particular research method, to conduct this study.

### **1.10.3 Study Site**

Simons (2009) argues that the study site refers to the actual location, or place, where the study will be conducted. The Okhahlamba LM (Bergville) is chosen as the area of focus whereby this study will be done. Okhahlamba LM is amongst three local municipalities of uThukela District. The uThukela District is one of 11 District Municipalities in KwaZulu-Natal, South Africa.

### **1.10.4 Target Population**

Fricker (2013) states that the target population refers to a group of people, or elements, which the researcher wants to study. The target population of this study will be primarily the owners-managers of small business that are located in Okhahlamba LM. However, the study will also be extended to stakeholders such as the officials from the Okhahlamba LM (LED) and EDTEA. These stakeholders will be included in the study because they are at the forefront of the development of SMMEs.

### **1.10.5 Sampling Strategies**

There are two types of sampling methods generally used by different researchers; these are non-probability sampling and probability sampling. William (2011) point out that Non-random sampling, is based on the fact that the selection is by non-random means, and other the other hand in the probability sampling people, or units, in a given population have an equivalent opportunity of being chosen to contribute or participate in the study.

This study will use probability sampling. There are a number of sampling methods that fall under probability sampling, namely, simple random sample, systematic sample, stratified sample and cluster sampling. However, this study will use simple random sampling. According to Fricker (2013) simple random-sampling occurs is a state whereby everyone in a given population has a same opportunities of being selected. Since there are large number of SMMEs within the Okhahlamba LM, the simple random sample will be more applicable and generate accurate results.

### **1.10.6 Sampling and Sampling Size**

Phasisombath (2009) states that sampling includes the selection of a number of study units, from a given population. Tawarie (2015) defines a sample size as the total number of elements or population units that are drawn from a target population. The study will sample as follows:

- 120 SMMEs owners-managers;
- 01 EDTEA SMMEs-District Manager;
- 01 Okhahlamba LM-Local Economic Development Manager;

120 SMME owners-managers will be selected using simple random sampling. Additional stakeholders will be given questionnaires to complete.

### **1.10.7 Data Collection**

According to Osang, Uibimuk, Etta, Ushie and Offiong (2013) data collection is a procedure of gathering data or information using various methods, including questionnaires, interviews and documents. Questionnaires will be used to gather data for this study.

Pandey and Pandey (2015) describe questionnaires as a systematic gathering of questions that are given to a sample population from which the data is obtained. They are two types of

questionnaires, namely using open-ended or closed-ended questions. Open-ended questions encourage participants to elaborate in answering questions, and give more details. Closed ended questionnaires limit participants in that they can only choose answers from the given options. Stakeholders and SMME owners-managers will be given closed questionnaires to fill in. Questionnaires are best method of collecting data for this study, since the study will be conducted in rural areas where there are large distances between businesses. Using questionnaires is the most feasible way to collect data for this study. The relevant parties meet every month at the Local Municipal offices, therefore the researcher will meet them there.

#### **1.10.8 Data Quality Control**

Data quality control ensures that the data collected is of quality and will only be used for the benefit of the study. Data quality control in quantitative research includes two important terms; reliability and validity. Blumberg, as cited in Mahajam (2014), defines reliability as the measurement that supplies consistent results with and equal values. Kimberlin and Winterstein (2008) define validity as the extent to which an instrument measures what it purports to measure. The researcher will ensure that the data is reliable by ensuring there is consistency, in measuring the questionnaires, and that the data is valid, and used for the purposes of the study.

#### **1.11 DATA ANALYSIS**

Malindizwe (2012) describes data analysis as the process whereby the researcher is making an in-depth assessment, and through the analysis of data that was collected, will try to understand it. Since this study will be using quantitative research, the data will be analysed using both descriptive and inferential statistics.

#### **1.12. SIGNIFICANCE OF THE STUDY**

There are so many of studies that have been conducted in relation to SMMEs. The majority of these studies focus on funding, sustainability and challenges facing SMMEs in South Africa. Evidence suggests that there are very few studies that have been done in the particular area of SMME managerial competencies. This study will focus on managerial competencies amongst the owners-managers of SMMEs. The study will give an indication as to whether the SMME owners-managers, specifically in the Okhahlamba LM, have the necessary knowledge, skills and expertise to manage their businesses. This study will contribute to the body of knowledge

in this area. The findings, and recommendations will be shared with all relevant authorities and stakeholders.

### **1.13 JUSTIFICATION OF THE STUDY**

This study will be the very first study that will give a broader understanding of managerial competencies amongst the owners-managers of small businesses at a district, and local level. Given the high failure rates of SMMEs in KZN, there is a need to assess whether the owners-managers of SMMEs at Okhahlamba have the necessary managerial competencies. If this study is not conducted, the provincial government - together with district and local municipality - will continue to give financial support to SMMEs while the evidence suggests that these businesses are failing. The government, and SMMEs, will not know why these businesses are failing or which areas of competence they need to improve to make them more successful.

### **1.14 ETHICAL CONSIDERATIONS**

Akaranga and Makua (2016) state that researchers are mostly highly trained people. Therefore researchers need to adhere to correct procedures of conducting research. The issue of confidentiality, and protection of human dignity, is very critical when conducting the research. Ethical clearance to do this study will be obtained from the University of KwaZulu-Natal (UKZN) Ethics Committee. Furthermore, owners-managers of SMMEs will sign a consent form and the researcher will get a gate-keepers letter from all additional stakeholders that will participate in the study. This will be done to ensure that individual rights are respected, and protected, when the study is being conducting.

### **1.15 STRUCTURE OF THE DISSERTATION**

#### **Chapter One: Overview of the Study**

Chapter gives an introduction, and brief overview of the entire study. This chapter provide the explanation of statement of the problem and the background of the study. It includes the research objectives, research questions, and brief literature review. In addition it incorporates the research methodologies, data analysis, the significance of the study, the justification of the study, and its ethical considerations.

## **Chapter Two: Literature Review**

Chapter two provides detailed information on of literature review. This chapter provides the definition and categories of SMMEs. This chapter outlines the historical development of small businesses and their impact in terms of uplifting the economies in different countries. The chapter also discusses the role of SMMEs support structures and government policies and legislations that govern the SMMEs operation. This chapter also looks at the SMME failure rates and a detailed discussion of SMMEs' managerial competencies in SMMEs. Five managerial competencies will be discussed in relation to SMMEs.

## **Chapter Three: Research Methodology**

Chapter three provides an overview of how this study will be done. The chapter outline the comprehensive research methodology. Chapter three will also discuss the research design chosen for this study. The quantitative research will be discussed in more detailed. The sampling methods and sampling procedures will be discussed in this chapter. The researcher chosen to use simple random sampling method to select the SMME owners-managers that will participate in the study. Data collection procedures, and methods, will also be discussed in this chapter. The questionnaires were selected as the best method to collect data for this study. The data will be analysed using the Statistical Package for Social Science (SPSS).

## **Chapter Four: Data Analysis and Interpretation**

Chapter will discuss the interpretation and presentation of the data collected, using questionnaires. Data will be analysed, and interpreted using SPSS. Descriptive statistics and inferential statistics will be used to analyse the data that was obtained. The data collected will be analysed, and interpreted, in line with the study objectives and questions.

## **Chapter Five: Conclusions and Recommendations**

This chapter will look at the results of the study, and draw a comprehensive conclusion on the relevant findings. This chapter will provide recommendations on addressing Managerial Competencies amongst the SMME's owners-managers in the Okhahlamba LM. The chapter will present proposals to remedy the current status quo on SMMEs' managerial competencies. Finally, the study will suggest future areas of study within the field of SMME's managerial competencies.

## **1.6 CONCLUSION**

Chapter one has discussed the statement of the problem, and provided the background of the study. This chapter outlines the research questions and research objectives of the study. In this chapter a brief literature review was discussed and included a brief discussion on the theoretical framework. Research methodology and data analysis were discussed in this chapter. Lastly, the chapter one has provided sufficient information about the significance and the need of the study. The ethical clearance issue was also discussed in this chapter. The next chapter (chapter two) will discuss the literature review.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Chapter two will pay more attention on discussing the literature review. The following topics will be covered in detail: a definition of SMMEs and categories; the state of small businesses; historical development of small businesses; contribution and significance of small businesses; SMMEs' support structures and governmental policies; SMMEs' failure rate and the significance of SMME managerial competencies

#### **2.2 DEFINITION OF SMMEs AND CATEGORIES**

##### **2.2.1 Definition of SMMEs**

Researchers have defined SMMEs in various ways in different countries, and regions in the world. Definition that are, in some cases, applicable in that particular country or region. Many characteristics are taken into account when defining SMMEs. Researchers use various categories when assessing an SMME. There are different areas of focus when defining an SMME such as: the annual turnover of the business; the number of people that are employed by the business; amount of capital; asset value and balance sheet. According to Matsukunyane (2013), in the United Kingdom, a small business is defined as having a market share controlled and managed by its owners and operates independently. In South Africa, business it's said be small business if they hired people that are less than 200, and that business must be managed by its owners. In addition it must be privately owned and its annual turnover may not exceed 64 million Rand (ZAR).

According to the National Small Business Act No 106 of 2006, SMME means that a business is a separate and distinct unity. This include cooperatives and non-governmental organizations that are managed by one or more people, including its branches and subsidiaries. They operate in any sector or subsector of the economy. Above definition indicates that SMMEs are independent businesses, operated and managed privately by their owners. The definition gives a broader understanding of SMMEs. It includes all businesses that are owned and managed independently, such as PTYs, co-operatives, social enterprises and non-governmental organizations.

### 2.2.2 Categories and Classification of SMMEs

In South Africa, SMMEs are further separated into five categories. Netshandama (2006) has identified five different types of SMMEs (survivalist micro enterprises, very small enterprises, small enterprises and medium enterprises). The following table gives an explanation of each type of SMME.

**Table 1.1: Types of SMMEs**

<b>Types of SMMEs</b>	<b>Explanation</b>
<b>Survivalist Enterprise</b>	Most of the survivalist operate in an informal sector They are normally started by unemployed people They are found in rural areas.
<b>Micro Enterprises</b>	Ranging between 1 to 5 employees, informal no trading license. Business turnover is less than R 300 000 Have basic business skills & training
<b>Very Small Enterprises</b>	The business has less than 10 paid workers The business is part of the formal economy
<b>Small Enterprises</b>	The business has less than 100 employees. The business is well established compared to very small enterprises.
<b>Medium Enterprises</b>	Maximum of 200 employees. It's more formal, this type of business operates from the fixed premises with all formal requirements

Source: Netshandama (2006)

In South Africa small businesses are categorised by means of their sector of operation. These sectors include agriculture, manufacturing, construction, mining, wholesale trade, retail, catering, hotel and accommodation services, transport, finance and business services, textile, general dealers, fashion design, bakery etc. The majority of SMMEs in rural areas are more focused on agriculture, textile, general dealers and catering services. However, there are a few SMMEs in other sectors such as hotel and accommodation. Okhahlamba is mainly dominated

by farms, and the Drakensberg Mountain attracts a lot of tourists. There are many holiday resorts, bed and breakfast and hotels which falls under the definition of SMMEs.

The below table gives a broader categorization of SMMEs per region. Each country, or region, has its own definition of a small business. In a South African framework, small business enterprises is defined as any business, or entity, that is registered under the Small Business Act. It includes any person, or persons, operating a small business concern in any sector. These small businesses are established with the intention to make a profit and benefit both owners, and employees.

**Table 2.2: Categories of SMMEs**

						BRICS				
	EU	US	ASIA	EGYPT	GHANNA	BRAZIL	RUSSIA	INDIA	CHINA	RSA
	SME	SME	SME	SME	SME	SME	SME	SME	SME	SME
<b>Micro</b>	<10	0	5	1 - 4	Up to 5	Up - 19	0	0	0	<20
<b>Small</b>	<50	<100	5 - 50	5 - 14	6 - 29	20 - 99	15 -100	0	<300	50 to 99
<b>Medium</b>	<250	<500	5 -150	15 - 49	30 - 99	100 - 499	101- 250	0	300- 2000	100- 200
<b>Turnover</b>										
<b>Micro</b>	\$3 m	0	RM250.00	0	\$10k	0	0	<RS50m	0	<R150K
<b>Small</b>	\$13 m	0	RM250.00 to <RM10m	0	\$100k	0	400m RUB max	Rs50- 60m	<Y30	R2m - R4.5m
<b>Medium</b>	\$67 m	0	RM 10m to RM25	0	\$1million	0	1B RUB max	Rs60- 99m	Y30 - Y300m	R4.5 - R50m

Source: SEDA and Underhill Corporate Solution (2013)

### 2.3 HISTORICAL DEVELOPMENT OF SMMEs IN SOUTH AFRICA

Prior to 1994, black-owned small businesses were marginalized and it was very difficult for them to break into the mainstream economy. Black-owned small businesses found it very difficult to operate under such conditions. There was no clear policy, or strategy, that guided the development of small business or support for black-owned businesses. Black-owned business were deprived of many privileges under the Apartheid government. According to Chalera (2007), black-owned small businesses were deprived opportunity such as the

acquisition of technical skills. Similarly, there were no entrepreneurial education/training programmes. During Apartheid, the majority of people were forced to remain in homeland regions where there were very limited opportunities. The Apartheid system made it difficult for black-owned businesses to prosper. All these conditions were unfavourable to black-owned businesses.

After the election in 1994, there was a need for a government to draft policies and strategies to address the legacies of the Apartheid government. In 1995, South African government - through Department of Trade and Industry - drafted the White Paper on National Strategy. The focus was on the promotion and development SMMEs. That white paper was adopted and approved by parliament to be the Small Business Development Act. According to Maye (2014), in 1996 the parliament of South Africa approved the National Small Business Development Act. This Act provided for the instituting of the National Small Business Council. The main objective of the Council was to promote and represent the welfares of SMMEs and also to guide government on national, provincial and local level economic, and social issues that affect small businesses.

The overall aim of this Act was to create a favourable atmosphere for SMMEs, and to address the inequalities in the South African economy. In 2004, the National Small Business Act was amended to provide the establishment of the Small Enterprises Development Agency (SEDA). It was formed to support and promote SMMEs. Each municipality in South were tasked to establish a Local Economic Development (LED) unit. Since SMMEs are based in different municipalities there was a need to have a unit, within each municipal office that could assist SMMEs. While most government departments are located in the cities, the local municipality will be first point of contact. Currently there are a number of programs that government has initiated, that aim to support SMMEs. Despite all the effort by government SMMEs are still struggling to live up to expectations.

## **2.4 OVERVIEW OF SMME DEVELOPMENT**

South Africa is considered as a developing country, and in developing countries SMMEs play an vital role in creating job opportunities. Like many other countries, the South African government prioritizes the establishment of SMMEs Researchers have indicated that SMMEs have the potential to employ more people than the formal economy which cannot absorb all

people that are looking for a job. Many countries in the world are embracing and acknowledging the contribution of SMMEs to their economy. This section will look at the international overview of SMMEs, SMMEs in Africa, SMMEs in South Africa, SMMEs in KwaZulu-Natal (KZN), SMMEs in uThukela District and also zoom into SMMEs in the Okhahlamba LM.

#### **2.4.1 SMMEs on the International Level**

According to Masuku and Selepe (2017) SMMEs are internationally recognized for their potential to create job opportunities and to lessen the high rate on of level of inequality in the economy. A number of countries have recognized the importance of SMMEs in boosting their economy. Nemaenzhe (2010) has identified five counties where SMMEs are recognized for their significance in the growth of their economies: the United State of America (USA), Japan, Britain, Denmark and Sweden.

While the United States economy is generally recognized for its stability, the US government still recognizes SMMEs as the engine of economic growth. Japan is also known for being advanced in terms of technology and their economy is also stable. In 2009 when there was a recession, the government of Japan relied on SMMEs to boost the economy. In Britain, the government has recognized that SMMEs are an important driver of national growth. In Denmark, SMMEs are seen important tools to increase employment. In Sweden SMMEs are held in high regard by the government as they contribute significantly to the GDP.

#### **2.4.2 SMMEs in Africa**

Africa is a developing continent, and the economic landscape is quite different to other parts of the world. Many African countries are experiencing high levels of economic, political and social instability - high unemployment, severe poverty, inequalities, political instability, high illiteracy levels and population migration. SMMEs are seen as a vehicle to reduce poverty, increase job opportunities and contribute to the mainstream of the African economy. According to Njoroge and Gathungu (2013), small business in Africa as whole play a significant role in poverty alleviation and create wealth, promotion and participation by those that were previously disadvantaged. A number of countries in Africa have identified SMMEs as crucial to their economic growth.

In Kenya, SMMEs and co-operatives are highly regarded by government and they contribute significantly to economic growth. They range from being very small businesses to medium enterprises. According to Nemaenza (2010), the Tanzanian government has adopted several reforms in order to improve the business's success in the country. In Botswana the SMMEs are a priority of government, Mannathoko (2011) states that the Botswana government has recently passed the Small Business Act. In other African countries, such as Côte d'Ivoire, SMMEs are highly valued and considered as a primary factor in building strong economic growth. Although SMMEs are contributing significantly to the economic growth of the continent they face many challenges in developing countries. High expectations are often placed on SMMEs in Africa, and although they do contribute to economic growth, across Africa, there are also cases where SMMEs - as vehicles of economic transformation - fall short of expectations.

### **2.4.3 SMMEs in South Africa**

South African government identified small businesses as the primary mechanism of creating job opportunities, addressing the inequalities and promoting black-owned businesses. If SMMEs are supported, and promoted, they are likely to contribute positively to the economy of the country and attract foreign investment. Similarly, SMMEs reduce poverty and allow for skills development. Chimucheka (2013) argues that SMMEs are contributing positively to the South African economy and should receive much attention from the government. SMMEs need support from government and other agencies for them to prosper.

South Africa has nine provinces (Western Cape, Eastern Cape, Northern Cape, North West, Free State, Gauteng, Mpumalanga, Limpopo and KwaZulu-Natal). Each one of the provinces have their own SMME Provincial Growth and Development Strategy. This articulates as to how each province is going to promote and support SMMEs. Provincial growth strategy is also aligned to SMME National Strategy. Furthermore, the municipalities have their own District Growth and Development Strategy. This is done to ensure that SMMEs receive much needed support from the government. The following table shows the SMMEs number per province, by province, from 2008-2015.

**Table 2.3: SMMEs number per province**

<b>Province</b>	<b>Number of SMMEs in 2008 Quarter 1</b>	<b>Number of SMMEs in 2015 Quarter 2</b>	<b>Percentage Difference</b>
<b>Western Cape</b>	223 933	230 324	2,77
<b>Eastern Cape</b>	218 865	197 366	-10,89
<b>Northern Cape</b>	29 894	20 616	-31,05
<b>Free State</b>	114 949	96 864	-15,73
<b>Kwa-Zulu Natal</b>	418 406	373 434	-10,75
<b>North West</b>	106 860	112 856	2,26
<b>Gauteng</b>	687 556	785 321	14,22
<b>Mpumalanga</b>	193 259	185 399	-4,07
<b>Limpopo</b>	186 101	249 663	34.15
<b>Total</b>	<b>22182 823</b>	<b>2251 821</b>	<b>3.06</b>

Source: Dlova (2017)

The above table shows the SMMEs number per province in nine South Africa's provinces. The table shows that Limpopo has the highest SMME growth of 34, 15%, followed by Gauteng with a growth of 14, 22%, and then the North West province with a growth of 2, 6%. There is a noticeable decrease in the number of SMMEs in the Eastern Cape, Free State, Northern Cape and KwaZulu-Natal.

#### **2.4.4 SMMEs in KwaZulu-Natal**

KwaZulu-Natal has 10 Districts and one Metropolitan Municipality. The majority of SMMEs in KZN are based in rural areas. The KZN provincial government through (EDTEA) has the directive to support and promote SMMEs at a provincial level. While the South African government has adopted Radical Economic Transformation, the EDTEA has a mandate to ensure that SMMEs are benefiting in that programme. According to EDTEA Strategic Plan 2015-2020, the Department has already identified tangible interventions in order to realize the goal of radical economic transformation. The Department will implement the following programmes to support and promote SMMEs -: Operation Vula, payment of services providers within 30 days, Radical Socio-Economic Transformation, Revitalization of Township and

Rural economies and Industrial Economic Hubs. These programmes aim to ensure SMMEs are participating in the stimulation of the economy of the province.

According to the EDTEA Strategic Plan 2015-2020, the department has registered 1340 SMMEs in 2015 and a total of 2119 SMMEs were trained, by the department, in business management. The department works in partnership with TVET Colleges in KZN, with municipalities and other agencies. EDTEA is mandated to create a conducive environment for economic development and to empower those who were previously disadvantaged. However, statistics indicate that there is a large SMME failure rate, especially at the start-up level of businesses.

While there are many programmes established to support SMMEs in KZN, many SMMEs seem unable to succeed. KZN, like other South African provinces, has high levels of poverty, unemployment, crime and high illiteracy levels. In particular, business management skills are identified as a fundamental factor that lead the failure of small businesses in KZN. Some SMMEs formed are very small scale farming ventures, and are created primarily for an individual, or communities, survival purpose. The provincial government needs to work on developing mentoring programmes. SMMEs receive funding but they still fail. This indicates that SMMEs owners-managers lack financial skills, and these skills can be acquired through training and mentorship.

On the positive side, KZN contributes positively to the country's GDP. KZN is said to be second largest contributor to the national economy. According to Sitharam (2014), KZN makes a contribution of 15.7% to the national GDP. This contribution to national GDP is further divided by the following sectors: manufacturing contributes 18.30%; taxes less subsidies on products contribute 10%; mining and quarrying contributes 10%; electricity, gas and water contribute 13.60%; construction contribute about 17%; agriculture, forestry and fishing contribute 4.20%; personal services contributed 2% and transport, storage and communication contribute 11.50%.

#### **2.4.5 SMMEs in uThukela District**

The uThukela District is situated on the western boundaries of KwaZulu-Natal. The district is made up of three local municipalities; namely, Alfred Duma Local Municipality, Inkosi

Langalibalele Local Municipality and Okhahlamba LM. According to the uThukela District Annual Report 2016-2017, the district is dominated by rural areas and is characterized by poor socio economic activities. The region has poor infrastructure, high levels of unemployment, poverty and limited access to basic services. It has a low revenue base and low income base. The UThukela District has developed a SMME strategy that deals with the promotion of SMMEs at district level. More recently, the district has established the uThukela Economic Development Agency (UEDA).

According to Motala (2017), the uThukela Economic Development Agency will be critical in ensuring that SMMEs in the region is getting much needed support. The agency will identify markets for SMMEs and cooperatives at a district level and facilitate access to funding. The district agency is working hand in hand with Local Economic Development units in all three local municipalities. The agency is also working with SEDA, EDTEA and other government departments that are involved in the development of SMMEs and Co-operatives, at the district level. The agency is relatively new, but it has a mandate to ensure that there are tangible strategies, and tactics, to assist the district municipality. It will help redress the higher unemployment rate, and low economic growth, in the district.

In other districts such as the Ilembe District, Harry Gwala and Umkhanyakude district they have access to the Enterprise Development Agency. These particular agencies are established to facilitate the implementation of economic development, at a district level, and create a favourable environment for regions struggling to reach their potential. These agencies bridge the gap between the private and public sector. However, many agencies are located in cities where ordinary people find it very difficult to access support. It may be more feasible to create satellite offices in the Local Municipal offices. This will enable people to access the agency, and its services.

#### **2.4.6 SMMEs in Okhahlamba LM**

Okhahlamba is one of the local municipalities within the uThukela District. The Okhahlamba LM is characterized by its famous Drakensberg Mountains (*Izintaba Zokhahlamba*), one of South African World Heritage Site. The mountains serve as a barrier between South Africa and Lesotho. The municipality has a population of 134 068 and is the second highest contributor to the District economy. (Okhahlamba Integrated Development Plan (2016-2017),

Like any other local municipality, in South Africa, the Okhahlamba LM has the following sectors: agriculture, mining, quarrying, and manufacturing, electricity, water, construction, wholesale, retail trade, catering, hotels, transport, insurance communication, storage, finance, real estate, and community development, personal services. The SMMEs of Okhahlamba are participating in all these sectors. Since the Okhahlamba is located in a rural area, it must be noted that agriculture, tourism, trade and manufacturing are the main contributors to the local economy. A number of SMMEs in Okhahlamba are involved in agricultural business, these including SMMEs that are owned by both black and white people. Okhahlamba LM through its Local Economic Development unit works very close with SMMEs, and provides support where needed.

Although there are many business sectors, within the municipality, there is still a high level of unemployment. According to Municipal IDP (2016-2017) the unemployment rate in 2011 was 44.4% - for people that are above 35 years and, in the very same year, the youth unemployment rate was 52.3%. These number shows that there is a need for municipalities to come up with other means to create job opportunities. It is for this reason that the Municipality has set aside an amount of R6.7 million for SMMEs and Co-operatives and R800 000 for job creation initiatives (Okhahlamba LM Final Budget, 2017-2018). This money is used by the municipal LED unit to develop SMMEs and ensure that they receive basic support from the municipality. In return, the SMMEs are expected to create job opportunities for people that live within Okhahlamba.

## **2.5 CONTRIBUTION AND SIGNIFICANT OF SMMEs IN SOUTH AFRICA**

Small businesses plays a vital part in the development and the growth of countries economy. Cimucheka (2013) argues that SMMEs form 97% of all business in South Africa and that they generate 57% of Gross Domestic Product. SMMEs were identified by the government as a priority to reduce the unemployment rate and create job opportunities. The value of SMMEs is highly recognized worldwide, whether the country is well developed or is still developing, like South Africa. The following table shows the contribution of SMMEs toward employment and Gross Domestic Product (GDP)

**Table 2.4: SMME's contribution towards employment and GDP**

Country	Number of SMMEs	SMMEs Contribution towards Employment (%)	SMMEs Contribution towards GDP
United Kingdom	4984 100	54%	30%
Brazil	8893 268	67%	20%
United States	5868 737	50.6%	52%
Mexico	2891 300	71.9%	59%
China	8000 000	78%	57%
Egypt	1649 794	75%	25%
Ghana	25 697	65%	55%
South Africa	<b>2251 821</b>	66%	57%

Source: Tarwirie (2015)

The above table shows that SMMEs play a meaningful role for economic development across different countries. The table shows that SMMEs contributions are higher in the developing countries, like South Africa and Ghana. SMMEs also help the South African government to address the following issues:

### 2.5.1 Poverty Alleviation

Poverty is one of the major problems in the world; however, the poverty rate is more severe in Africa. According to Statistics SA Poverty Trends in South Africa 2006 and 2015, 55% of the population lives in poverty. Within the Okhahlamba Municipality a large number of people live in poverty. According to Chimucheka (2017), the government has recognized small businesses as the most important factor in poverty eradication. Despite the many challenges faced by SMMEs they still continue to provide employment to many people and assist the government in poverty alleviation.

### 2.5. 2 Contribution of SMMEs to Economic Growth

It has been acknowledged that small businesses play integral part in developing and contributing to economic growth in a country. Matsukunyane (2013) argues that small businesses are a pillar of economic stimulation. A lot of effort should be focused on assisting

the SMMEs. From the ground level as they also contribute to the local economic growth of a region. If the SMMEs are well developed, and supported, they have the potential to change the economic and social landscape - tackling the issue of job opportunities, address income gap and contribute in boosting local economic development.

### **2.5.3 Equity and Participation**

SMMEs are likely to benefit the previously disadvantaged people, and communities, and provide a chance for previously disadvantaged people to partake in the mainstream economy. Government has drafted a small business strategy that focuses on the development of SMMEs in both urban and rural areas. Strategy focuses on assisting small business particularly for those people that were previously disadvantaged. The youth and women are highly encouraged to start small businesses. The National Youth Development Agency has set aside the budget to capacitate and fund the small businesses that are owned by the youth.

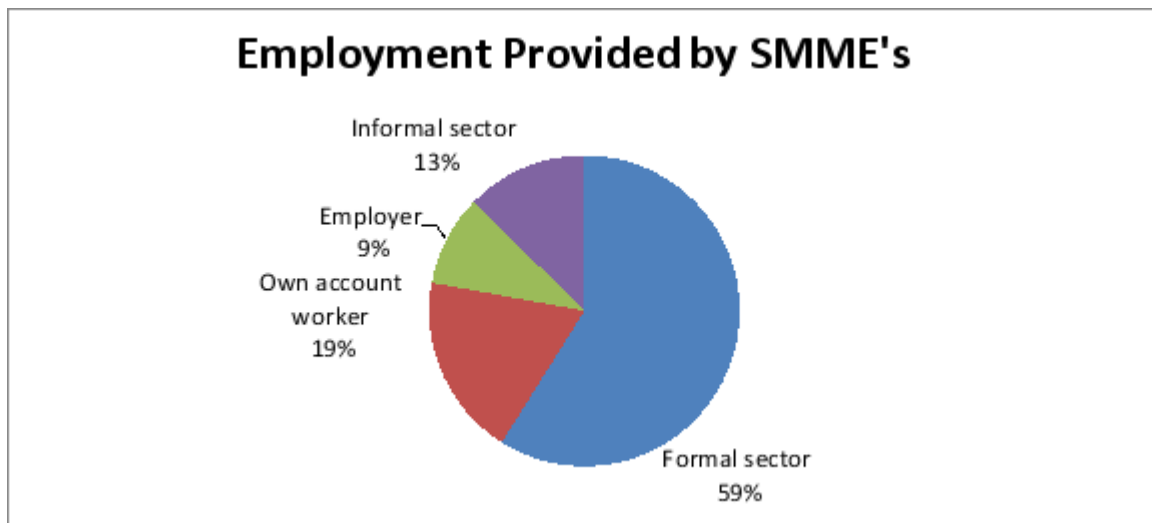
### **2.5.4 Contribution of SMMEs to Sustainable Development**

SMMEs are well known in the world for their contribution to sustainable development. It has been said that SMMEs contribute to economic growth, poverty reduction, increase employment opportunities, community development and crime reduction. The Okhahlamba LM is based in a rural area where majority of people are not working and some do not have formal education. SMMEs that are within the municipality employs a number of people and, in return, the SMMEs contribute positively to the local economy.

### **2.5.5 Contribution of SMMEs to employment**

In South Africa particularly in KZN, unemployment is very high and is negatively impacts socio-economic development. Leboea (2017) argues that SMMEs are perceived as an important tool to address the issue of high unemployment in the country, since the SMMEs are labour intensity. SMMEs are likely to absorb more people. According to a SMME quarterly report by SEDA 2018, first quarter report – SMMEs has employed about 8.9 million people countrywide. It is estimated that 2.44 million jobs were for SMMEs owners, while 6.4 million were for SMMEs employees. The majority of SMMEs employment is located in the formal sector (59%), followed by 13% in the informal sector, 9% employer and 19% own account workers. The following Pie Chart shows the contribution of SMMEs towards employment.

**Figure 2.1: Employment provided by SMMEs**



Source: SEDA Quarterly Report (2018)

In the Okhahlamba LM the unemployment rate is sitting at about 58.9%. There is no doubt that if the SMMEs in Okhahlamba can be supported, and well promoted, that they are likely to generate more jobs. They will be able to absorb the unemployed people that live within the boundaries of the municipality.

## **2.6 SMMEs SUPPORT STRUCTURES**

The South African government is supporting SMMEs in a number of ways. SMME owners are known to have good business ideas, but, in most cases, they don't have enough resources to successfully run their businesses. Khoase and Ndayiziganye (2018) argue that the newly established SMMEs needs assistance in terms of registration, start-up capital, business licensing, training, business premises, market linkages, training and networking. In most cases, the newly established businesses, or owners, lack the necessary business skills or sufficient start-up capital. Many owners are not aware of the SMME supporting institutions that are available to them. After the first democratic election in 1994, government has introduced a numerous SMMEs support structures that assist small business. This section will focus on discussing the SMME institutions.

### **2.6.1 National Department of Small Business Development (DSBD)**

This is a national government department which was established to help SMMEs realize their potential. Previously this department fell under the umbrella of the Department of Trade and

Industry (DTI). However it was noted that SMMEs need greater attention. The department was formed to look after the specific interests of small businesses. According to Zulu (2017) the department is responsible for providing a comprehensive qualitative, and quantitative framework, for the development of SMMEs. The department recognizes the unique role SMMEs perform in the creation of sustainable employment and the positive contribution they make to economic growth. The department is also responsible for ensuring active participation of SMMEs, and Co-operatives, in the mainstream economy.

### **2.6.2 Small Enterprise Development Agency (SEDA)**

In 2004, Department of Trade and Industry establish SEDA to assist SMMEs in various business aspects. However SEDA has been recently moved to DSBD. According to Mutezo (2005), SEDA provides business support and development services to small businesses. SEDA also assist small businesses in a number of ways. This includes help with the following- : registration; coaching/counselling; business plans; access to market; mentorship; building; procurement/tender advice; export readiness; franchising; small business training. The Agency has offices in all KZN districts.

### **2.6.3 Small Enterprise Finance Agency (SEFA)**

Funding has be identified by many small business people as hindrance in their prosperity. Matsukunyane (2013) argues that the main aim of this SEFA is to support small businesses with financial, and non-financial support. The Agency is assisting SMMEs with asset finance, bridging loans, term loans and land reform empowerment funds. SEFA have offices in all nine provinces but unlike SEDA, SEFA does not have an office in all districts in KZN. In KZN their offices are located in Durban, which poses a serious challenge to the small businesses that are far from Durban, especially those located in more rural areas. The issue of SEFA accessibility is still a concern that needs to be addressed.

### **2.6.4 Industrial Development Corporation (IDC)**

IDC is another support structure for small businesses. It provides funding and business support linkages. The main objective of the IDC is to provide finance for bigger projects. The IDC plays a critical part in encouraging corporations amongst different industries in South Africa,

and those that are outside South Africa, to promote regional economic growth. SMMEs are encouraged to make use of the services that are offered by IDC.

### **2.6.5 Commercial Banks**

Commercial banks support SMMEs with loans. Banks, such as First National Bank, Standard Bank, Nedbank and Capitec have specific units to offer financial products to SMMEs. However, commercial banks require stringent criteria to be met, before they give out loans to small businesses. According to Mutezo (2005) commercial banks normal do a credit check and require collateral, as one of the requirements, in accessing funding. This is a challenge for start-up businesses because they may not have any tangible assets to use as collateral.

### **2.6.6 Department of Economic Development Tourism, Environmental Affairs (EDTEA)**

In KZN, EDTEA is the custodian of SMME development. The department is responsible for promoting and supporting SMMEs in the province. EDTEA creates a favourable atmosphere for small business in the province. The department has offices in all eleven districts and provides a range of services. EDTA assist with: business registration, capacity building, business compliance, facilitates access to market; assists with the application of funding and business profiles. The department also works very closely with other SMMEs support structures, such as the Municipality LED offices, SEDA and other government departments.

### **2.6.7 Ithala Development Finance Corporation**

Ithala Development Finance Corporation, also known as Ithala Bank, is one of the public entities of EDTEA. The Ithala Bank is mandated to facilitate the development and empowerment of KwaZulu-Natal businesses. Ithala bank is also responsible for the promotion of SMMEs and entrepreneurial development (formal, informal and social enterprise) in the province. The bank provides the following financing solution: commercial asset finance, procurement finance, micro-finance, agriculture and agro-processing finance and franchise finance (Ithala Bank website). The SMMEs can access Ithala branches in all eleven KZN districts.

### **2.6.8 KwaZulu-Natal Growth Fund**

KwaZulu Natal Growth Fund, is another public entity of EDTEA, is mandated to support sustainability and the growth of businesses by providing finance for private sector projects. Growth Fund is more interested in supporting projects that boost local economy, increase employment, and minimize inequalities. SMMEs that are in the agriculture sector, particularly sugar cane, are encouraged to make use of the services of the KZN Growth Fund.

### **2.6.9 District Enterprise Development Agencies**

District Enterprise Development Agencies are an extension of the LED Units in district municipalities. However, these agencies operate independently from the municipality. In KZN there are there are 6 district agencies: the uThukela Business Development Agency (Ladysmith), the UMgungundlovu Economic Development Agency (Pietermaritzburg), the Ilembe Enterprise Development Agency (Umhlali-Ballito), the Harry Gwala Development Agency (Ixopo) and the Umhlosinga Development Agency (Mtubatuba). All these agencies were established to fast track the development of SMMEs at a district level.

### **2.6.10 Sectorial Government Department**

SMMEs are also supported by other government departments. These include the KZN Department of Agriculture and Rural Development (DARD), the Department of Cooperative Governance and Traditional Affairs (COGTA) and the KZN Department of Arts and Culture. SMMEs are further supported according to their sectors. For example DARD has programmes assisting Co-operatives, and SMMEs, with the development of business plans and funding. In addition, municipalities, through their LED units, also provide valuable support to SMMEs.

There are many institutions that support SMMEs at national, provincial and local levels. However, many studies indicate that SMMEs - particularly those in rural areas - are still struggling; and most of them are failing within five years of operation. Given the number of institutions that are available to support SMMEs this should not be the case. However, the majority of these supporting institutions are not accessible. They are located in towns and out of reach for the ordinary rural person. Many small business owners, on the ground, in these regions, may not be aware of these institutions and agencies either. In many cases these institutions, or agencies, doing one and the same thing and there is a duplication of services. If the government is serious about the development of SMMEs, an integration approach should

be adopted to ensure that there is no duplication of services. Each district could possibly form a SMMEs steering committee, whereby all stakeholders will be presented, in order to avoid duplication.

## **2.7 GOVERNMENT LEGISLATION AND POLICY FRAMEWORKS FOR SMMES**

After the first elections in 1994, there was a need to develop legislation and policies that would address the development, and promotion of, SMMEs. SMME legislation and policy was not developed by the apartheid government. New legislation and policies were drafted to guide the implementation of SMMEs in the country. Legislation and policy was developed across three spheres of government. This section will focus on discussing government legislation and policy pertaining to small business development.

### **2.7.1 The White Paper on National Strategy for Development and Promotion of Small Business in South Africa**

This was the first document, drafted in 1995, to fast track the development and promotion of SMMEs. According to Zulu (2017) it was developed to create an enabling atmosphere for accelerated the growth of SMMEs. It followed a period of South African history which was characterized by the dominance of white-owned businesses. This white paper addressed, particularly, a numerous challenges and issues that were encountered by black-owned businesses. These included: registration requirements, legal and regulatory requirements, capacity building, funding, market linkages and managerial competencies. The White Paper came at the right time - people, at that time, were so keen to start small businesses and people wanted to be involved in the economic structures of the country.

### **2.7.2 National Small Business Development Act 102 of 1996**

After the development of the White Paper in 1995, there was a need to further develop the Act to address the development of SMMEs in the country. The National Small Business Development Act was passed by parliament in 1996. The main purpose of the National Small Business Act was to provide for formation of National Small Business Council and also provide for formation of Insika Enterprise Promotion Agency, this agency was later renamed as SEDA.

The Act also highlights the functions of the supporting agency (SEDA). The Act provides the necessary guidelines for other government department as to how the SMMEs should be promoted, and supported, in South Africa.

### **2.7.3 The Integrated Small Business Development Strategy (ISBDS) 2004-2014**

This Strategy further offered guidelines on the implementation of SMMEs programmes in South Africa. The ISBDS's main focus is on acknowledging all entrepreneurs, and all entrepreneurial activities, in South Africa. The strategy focuses on both formal and informal small businesses. According to ISBDS (2004-2014) the strategy aims to enhance the contribution of SMMEs to the growth of S.A, and create sustainable jobs. The ISBD strategy ensures that previously disadvantaged people are equally represented in the small business sector, and improves communication between small businesses and government.

### **2.7.4 The National Framework for Local Economic Development 2006**

This is another policy framework that was adopted by the government to encourage SMMEs to participate in the local economy. According to Nkwinika (2016) this national framework sought to encourage local people to work together in order to achieve sustainable development and also to enhance economic development where they are stay. The framework further provides for the role of the local municipality LED offices. It also gives guidelines on the implementation of SMMEs programmes on a local level.

### **2.7.5 Broad-Based Black Economic Empowerment Policy Strategy**

This is another initiative by the government to ensure that SMMEs have an equal share of the economy of the country, especially by black owned businesses. October (2013) argues that the B-BBEE Strategy aims to empower black-owned enterprises, empower rural businesses - and local communities - by enabling access, and creating an atmosphere that ensures that previously disadvantage group is benefiting in government programmes. This policy allows for the development of the operational and financial capacity of B-BBEE enterprises, especially SMMEs. The B-BBEE seeks to encourage more SMMEs to participate in the mainstream economy.

### **2.7.6 KZN Provincial Growth and Development Strategy (PGDS)**

The Provincial Planning Commission, in 2012, developed a Provincial Growth and Development Strategy. It is a comprehensive strategy which includes seven goals that detail how provincial growth can be achieved. The primary goal is job creation and includes the importance of SMME's in the province. The strategy acknowledges the significance of coaching/mentorship programmes for the owners-managers of SMME's. According to PGDS 2012, provincial government will work on reducing business red-tape, promote entrepreneurial career paths and review the funding model. It is hopeful that SMMEs in the province will benefit from the implementation of this strategy. However, the implementation of this strategy requires an integration effort from all provincial government departments, municipalities and from the private sector.

### **2.7.7 Legislations and Policy Framework at uThukela District**

At a district level the municipality has developed three important documents, namely; uThukela Local Economic Development Strategy, uThukela District Growth Plan and uThukela Municipality Investment Promotion Strategy. All three strategic documents mention the importance of SMMEs in the district. These documents also articulate how SMMEs will be supported and promoted at a district level.

Other than the above mentioned legislation, policies and strategies, there is also the KZN Small Businesses Enterprise Strategy. It aims to provide a guideline on the development of SMMEs in the province. There is also a National Development Plan. It touches on the promotion and support of SMMEs. The KZN Trade and Investment Strategy also highlights the importance of SMMEs in attracting investment to the province. There are many strategic documents, policies and laws that provide guidance on SMMEs development, at both national and local levels, within the country.

South Africa has good legislation, policies and strategic documents, but, there is a serious problem when it comes to the implementation of these. In many cases, these strategic documents are good on paper, but implementation is very difficult. Given the number of laws, policies and strategic documents that exist - to support, and promote SMME development - the country should not have such a high rate of SMMEs failure. There are many areas where SMMEs may face stumbling blocks. The bureaucratic stages in many government departments,

municipalities and agencies make it very difficult for SMMEs to flourish. Red-tape is also a major hindrance in SMMEs development. Finally, research suggests that most government departments, municipalities and agencies have staff who are not passionate about SMME development or lack the skills required for business development.

## **2.8 CHALLENGES/OBSTACLES FACED BY SMMEs**

There are many aspects that obstruct the growth of small businesses in South Africa. Some of these challenges are acknowledged by the government. There is a pressing need for government and SMMEs to try, by all means possible, to reduce the long list of difficulties confronted by small business within the country. These difficulties comprise of: SMMEs funding; early stage support; issue of infrastructure; business location; coaching and mentorship; crime and corruption; resource management; poor management skills and; lack of education and training.

### **2.8.1 SMME funding**

The issue of funding in SMMEs remain as huge challenge that is difficult to tackle. Although there are many institutions that are funding SMMEs, they require an extensive application process. The issue of collateral remains the biggest challenge to SMMEs. According to Hwarere (2012) providing collateral is a particular challenge which limits small businesses' access to funding. Another concern, in terms of funding applications, is that many SMME owners/managers do not keep accurate financial records. Funding institutions require these records and statements before they grant funds the business.

### **2.8.2 Early Stage Support**

Many researchers agree that the first six month of business operation is the most critical phase in any business. Support, at this stage of a business operation, which is the most critical phase, is of great significance. Maye (2014) argue that five out of seven SMMEs fail in their first year of operations. This is a strong indication that SMMEs, at an earlier stage, are fragile and they need a lot of support. At this stage SMMEs need to be supported by close mentorship programmes, funding, resources and training on small business skills.

### **2.8.3 Issue of Infrastructure**

Many people have good business ideas, but do not have business premises. They work from home or small, private spaces. This is particularly true for small businesses, and SMME growth, in rural areas. According to Hleko (2017) physical infrastructure has been recognized as the crucial factors influencing development of small businesses. In Okhahlamba there are still areas that don't have electricity and running water - which both create a significant challenge to SMMEs development in the area.

### **2.8.4 South Africa Labour Laws**

If the government is serious about SMME development, there is a need to review and revise current labour laws. For SMMEs to grow, and enable job creation, labour laws need to be amended. Maye (2014) emphasizes that the current South African labour laws and policies are restrictive and inhibit SMMEs growth by placing financial burdens on small business that cannot be met. The legislation provides for workers' rights, which include: entitlement to leave, day offs, fringe benefits, and UIF contributions. Workers' rights should be balanced in a way that benefits both small businesses and workers. South African labour laws need to be reviewed to accommodate small business development.

### **2.8.5 SMME Mentorship**

According Hleko (2017) mentoring is a tool and process that can be utilized to good effect within the small business development framework. Mentoring is the most critical aspect in a small businesses particularly those that are in rural areas. Many SMMEs fail because they lack guidance, there is no one who is telling them whether they are on the right track, or not. Organizations like SEDA, District Agencies, EDTEA and LED officers should play an integral role in providing mentorship to small businesses.

### **2.8.6 Crime and Corruption**

Garewe (2010) states that South Africa is listed amongst the world's five most murderous nations. Some government officials are corrupt; in many cases they would ask for money or gift with a promise that they will assist small business. Crime and corruption is another major problem facing small businesses particularly in South Africa. The effect of crime is felt on small business. Business crime is increasing in South Africa. Small business owners/managers

pay money for service that they are not supposed to pay for. In some instances that SMME owners-managers are also corrupt. For example, a small business owner-manager, who does not qualify for a government grant, may pay a bribe to receive a grant. Crime and corruption is a severe burden to the prosperity of SMMEs that are within South Africa.

### **2.8.7 Resource Management**

According to Dzansi (2004) small businesses often lack the ability to manage resources. Many SMMEs do not have the capacity to manage their resources effectively. In many instances SMMEs, generally, lack sufficient skills when it comes to accounting systems, costing and pricing, lack of knowledge on business saving techniques. SMMEs also fail to separate business finance, with personal belonging. They often take businesses money, without recording it, and give or sell products with credit, without recording it.

### **2.8.8 Lack of Management Skills**

Dlova (2017) argue that the great ineffectiveness of small business in the country can be attributed the lack of managerial skills of its owners-managers. Business management skills are considered to be the most important factor in business success. Managerial skills include: the capacity to manage resources effectively; organize businesses activity; business planning and administration; financial record keeping and the ability to manage the assets of the business. Many SMME owners do not have the above mentioned skills.

### **2.8.9 Lack of Marketing Skills**

Tarwirei (2015) defined marketing as the management function for identifying, anticipating and satisfying the requirements of potential customers. Many small businesses are making good products, however their products are not known by people. In most cases SMME owners-managers do not spend much time on marketing. Their main focus is on production and they actually forget that good business ideas go hand in hand with good marketing strategies. SMMEs should invest a lot of time in marketing in order to attract more customers. SMME's can even use social networks such as Facebook, Twitter, Instagram and Skype. Social networks are the cheapest marketing strategy that can be used by SMMEs.

### **2.8.10 Lack of Training and Development**

Chimucheka (2013) points out that a lack of managerial skills by small business owners-managers can be ascribed to a deficiency of education and training. Another obstacle in SMME development is the deficiency of quality training programmes offered to SMMEs. Many SMMEs owners-managers start a business without any formal education, or training on how to manage a business. Education and training can help SMMEs owners-managers to develop the Managerial competencies that are necessary for business prosperity.

## **2.9 SMME FAILURE RATE**

Given South Africa's history and the input of small business to the economy of the country, the government must address the high SMME failure rate. It is of great concern to South Africa, generally. The government must not overlook the challenges faced by SMMEs. The government should nurture, support and develop SMMEs. The failure of small businesses is highly associated with above mentioned SMME's challenges. In many instances, SMMEs fail because owners-managers lack an accurate estimation of the cost that are associated with starting a business.

Justino (2015) define enterprise failure as the state whereby a SMME is not able to achieve set business objectives. Many researchers suggest that small business failure can be ascribed to a combination of both internal and external factors. Fatoki (2014). Internal factors are those factors that can be manageable by the business internal, internal skills may include management expertise, planning and organizing. External factors are those factors that are not in the control of the business and they include factors like competition, high distribution cost, lack of finance and the rising cost of doing business. The SMMEs owners-managers should be conscious of both internal and external factors, especially those that might affect their businesses negatively. They would need to take necessary steps to avoid the negative effect of such factors.

The SMME failure rate in South Africa is a major concern for government. This is because government invests a lot of money in small business development. According to Frederick's (2015), the South Africa government has set aside 30% state procurement for small businesses. This is another effort by the government to boost small businesses. However, the failure rates of small business is still a great concern to the government. Sololom (2004) states that in 2004

between 70%-80% SMMEs were failing with one year after they were established. While Frederick's (2015) suggest that the SMME failure in 2015 is sitting at 90%. This statistics give an indication that the SMMEs are still struggling to live up to expectations. The observation made by many researchers is that the failure rate is much higher for small businesses when compared to large scale or well established businesses.

## 2.10 MANAGING A SMALL AND MEDIUM BUSINESS ENTERPRISE

Managerial competencies go hand in hand with management functions. Managing any business requires owners-managers to have broader understanding of business management. Hissom (2009) argue that management in general is an organizational process. It comprises of setting objectives, managing operations, planning and understanding financial statements, manage human capital and assets to achieve business objectives. Managing SMMEs requires owner-managers to have the capacity to coordinate all business activities. In many cases with the SMMEs, they consider themselves very small and don't see the importance of having a proper guideline, of functioning, of their business. Hissmon (2009) argues that managing small businesses requires its owners-managers to perform five basic management functions. The management functions are depicted in the following diagram.

**Figure 2.2: Management Functions**



Source: Hissom (2009)

### **2.10.1 Planning**

Planning is one of the most important management functions - without a proper plan the SMMEs will not succeed. Tarwarie (2015) argues that the planning function in small business is very critical, proper planning determine the future prospects of the SMME, and creating guidelines on how those projections are to be achieved. Planning is essential and provides direction on the operation of the business. By creating a plan for the business the owner-manager can identify the anticipated results and identify ways to achieve them. However, the literature suggests that planning is still a major challenge to many SMME owners-managers. SMME owner-managers do not sufficiently plan the operations of their business; they normal don't do strategic planning for their business.

Planning for future development in business is very important. Proper planning gives business owners-managers a direction and a map of how to achieve future goals of the business. Priyanath (2006) SMME owners-managers can easily reach their goals if they have proper plan. Planning in SMMEs play a crucial role in helping them to achieve their set goals, and objectives. Unfortunately, very few SMMEs have a proper business plan. Many researchers have found that the SMMEs that are situated in rural areas, like Okhahlamba LM, are still very behind when it comes to planning for their business.

### **2.10.2 Organizing**

Organizing is a critical skill in the management of any business. SMMEs organizations is about ensuring the business owner-manager is able to bring people together, identify the work needed to be done, allocating those activities to the right people, and constantly monitoring the progress. Dawson (2013) argues that organizing in SMMEs is a procedure whereby all planned activities are put together and ensure the implementation of decision taken during the planning processes. It is about creating the structure in which the work can get done in the business. Organizing in SMMEs requires owners-managers to devise a strategy as to how the work will get done. It requires managers to have the skill to analyse the workload and come up with a strategy to get work done timeously.

Organizing in SMMEs is also about ensuring that owners-managers are able to indicate how machinery, equipment, raw material and human capital can be used, to achieve the organizational goals. This will guide the operation of the business as a whole. Organizing also includes the process of allocating roles and responsibilities, to the employees of the business. SMME owners-managers are not able to do everything on their own and are dependent on delegating some functions to their staff. The weakness of SMMEs, when it comes to organizing, is that there is no written plan that articulate their daily job. They just wake up and go to work - without the necessary planning that will guide their work. It is noted that many SMMEs invest much effort on the actual physical work of their businesses. However the very same effort should go into planning, and organizing, the necessary resources that are required in business.

### **2.10.3 Leading**

Leading is another very important management function. Leading in SMMEs is a process whereby owner-managers lead by example and try to direct the employees towards achieving the organizational goals. According to Scott (2012) leading is all about motivating the staff, inspiring the workers to achieve the set targets and supervising and monitoring all activities in the business. This management function requires small business owners-managers to lead up front and show some commitment in business as well as work very closely with the staff. They need to always be available to the staff to provide guidance and advice where it is needed. SMME owners-managers have a responsibility to ensure that they provide a clear vision and direction of the business. They have the mandate to communicate with the staff in each and every step of business operation.

Leading is not just about motivating the staff only, but is also about ensuring that the managers have the capacity to resolve conflicts in the organization. This is due to the fact that wherever there are many people working together, there is the possibility that a conflict might arise. Leading requires a SMME owners-managers to have the skills to develop employees, to realize their full potential. This can be achieved through a number of initiatives; which include coaching and mentorship and improving employee's skills.

#### **2.10.4 Controlling**

Without proper monitoring and evaluation a business runs a serious risk of failing. Any business needs to have a business monitoring tools to assess its performance against the set goals. According to Samson and Daft (2012) the controlling function includes monitoring an employee's daily activities, keeping the organization in line, in terms of achieving its goals, and making the necessary adjustments when needed. This is a critical managerial function, in the management of SMMEs, because it allows small business owners-managers to monitor performance of the business and take corrective actions. However, the businesses need to develop monitoring tools and controlling measures that will be applicable to their businesses.

Scott (2012) further argues that the controlling function includes monitoring production levels, comparing the output against the targets and measuring the financial performance of the business. Again, many researchers argue that the majority of SMMEs do not have the mechanisms, or tools in place, to measure their organizational performance. This management function requires managers to do monitoring and evaluation of the performance of their business. In some SMMEs they don't even have basic systems to monitor their employee's performance. This places a business in a compromising situation and this can prove to have a negative effect on the entire business operations.

Finally, managing a small business requires owners-managers to be able to perform all management functions, and have adequate skills to manage both the people, and resources of their business. From the above discussion, we can see that most SMMEs fails because they do not have systematic ways of doing things. In order for any SMMEs to survive and be prosperous, there is a need to put systems in place. The SMME owners-managers need to design an administrative system that will record all activities of the business. They need to have a good accounting system, to record all business transactions. It is necessary to have a good inventory system - to manage and record the stock of the business. Lastly, it is very important to have a proper personal plan management system. All these systems are key to the success of small businesses. The majority of SMME owners-managers, however, do not have these systems in place which places their businesses under severe pressure.

## **2.11 MANAGERIAL COMPETENCIES**

Managerial competencies are considered as the most vital aspects of any business. A business; prosperity depends on the managerial competencies of its managers. Managerial competencies are recognized as the most critical aspect that contribute to business success, or failure, of SMMEs. Many SMMEs are started by ordinary people. Many of them may not have had a great education, or completed high school - or have, in fact, the required skills and competencies, to manage the business. This section will mainly focus on managerial competencies in SMMEs and discuss the impact on the small business management.

### **2.11.1 Definition of Competencies**

Before going further with the discussion of managerial competencies, it is imperative to first define the word “competence”, and see how it fits into the SMME context. According to Irene (2017), competencies can be defined as a combination of connected skills, expertise, knowledge and attitudes that affect the great portion of one’s job. This correlates with job performance and can be improved upon through education and training development. On the other hand, Sandra, Sackey and Falholm (2011) define competency as the specific behaviours and characteristics of a person - which result in an effective, and superior performance. Competencies play integral part in the prosperity of the SMMEs and distinguish between average, and excellent managers. These two definitions are relevant to the SMME context. A competent owner-manager poses the required knowledge, skills, expertise and attitude to manage the business effectively.

### **2.11.2 Definition Managerial Competencies**

Henderson, as cited in Kaniyingi (2010), defined managerial competencies as a mixture and cluster of skills, knowledge, expertise and attributes that are vital to effective job performance. Garwe (2010) states that managerial competencies are made up of a set of knowledge, behaviours, skills and attitudes that contribute to the personal effectiveness of performing a job.

Relationship between managerial competencies and SMME success/failure remains an important issue in the context of small businesses development. The SMME with owners-managers that have the essential skills, expertise, knowledge and abilities to manage enterprises effectively are likely to be successful. Conversely, SMMEs where owners-managers don’t have

the essential skills, expertise, knowledge and abilities to manage a businesses, are likely to fail. Therefore, managerial competencies are considered to play an integral party in the prospects of a small businesses. Rahman, Abdulah, Adham and Mat (2014) have noted five managerial competencies that owners-managers of SMMEs should have. These managerial competencies are depicted in the following diagram.

**Figure 2.3: Managerial Competencies**



### **2.11.3 Communication Competency**

For a business to be successful, owner-managers must be able to communicate well with both internal and external people. Communication must be clear and precise. Butler and Taxas (2015) define communication competency as the ability of a manager to meritoriously transfer, and exchange information that leads to understanding between yourself and others. Sanda, Sackey and Falthoron (2011) argue that managers of SMMEs must able to clearly communicate with his/her staff by listening to their ideas and concerns, and be able to communicate with clients and external stakeholders. A low literacy level is still a challenge to many small business owners-managers. Nowadays there is a social media network that can be used to communicate with external people. However some SMME managers are still reluctant to use this type of communication.

The communication competency is not only important to communicate with internal staff, but communication competency also plays a pivotal role in interacting with the customers.

Communication is a part of convincing them to buy the product or use the services that are offered by the business. Zarefard and Beri (2017) argue that communication competency is a key factor in numerous areas. Such as convincing their business partners or pitching their business ideas, plans or products to clients. Communication competency is a skill that is a 'must have' for a business owners-manager. Without appropriate communication skills SMME owners-managers will not be able to communicate their business ideas or market their business effectively. In many cases rural SMMEs, like those in Okhahlamba, you find that although they are making good products, or offering excellent services - their products are not well marketed and fail to attract customers.

#### **2.11.4 Planning and Administration Competency**

This managerial competency is one of the most important functions in an organization. Tarwarie (2015) maintains that planning includes deciding on the tasks required to be done, assigning the necessary resources where it needed and further monitoring their progress. According to Chen (2010), administration refers to the ability to arrange, organize and execute activities. The main reason why SMMEs fail is that owners fail to do basic planning and administration. Tawarie (2015) argues that the specific cause of SMME failure, in South Africa, is that owners lack the capabilities required to do proper planning for their business.

SMME owners-managers fail to do basic planning. Basic planning involves allocating resources, carrying out revenue projections, basic record keeping and other activities related to managing the resources of the business. Many SMME owners-managers seem to be lacking when it comes to planning, administrative and technical competencies. Evidence suggests that the majority of SMMEs, particularly in rural areas, don't not have a written plan of the business. They just wake up every day and do daily activities. Some of these businesses don't even keep basic business information, such as - slips, money in or out, or financial statements.

#### **2.11.5 Teamwork Competency**

Nadal, Manas, Bernado and Mora (2015) define teamwork competency as the necessary skills, knowledge and attitudes required to work with other people, in achieving a common goal. In most cases SMMEs work in isolation and don't collaborate with other SMMEs even when necessary. In other instances, SMME owners-managers don't consult with subordinates when making decisions. SMMEs are, generally, formed by one or two people who have a common

ideas to start a business. When a business grows it employs more people, who then assume different duties, or roles. A business owners-managers should be in a position to identify the strengths, and weaknesses, of each employee in the organization. An owner-manager should have the ability to put them in a team's/groups to do work and have the necessary skills to monitor and manage the team dynamics of the business.

Manalo and Khan (2017) argue SMME owners-managers who use teamwork/teams in their organizations are more effective. Designing teams calls for the formulation of clear objectives. These, in turn, encourages team members to perform effectively. The appropriate staff, the team as a whole, and assignments of tasks and responsibilities to individual team members, allows for greater success. Business owner-managers cannot do everything but need to delegate some functions to other staff and monitor the process. Business success depends on all people that are employed by the organization, and it's also requires teamwork - from both the management and employees of the organization.

#### **2.11.6 Global Awareness Competency**

The nature of the business operations has been changed in recent years. Owners-managers of SMME's need to start to think about global trends and how these affect businesses. Rahman, Abdullah, Adham and Mat (2014) define global competency as the capacity of a manager to recognize, appreciate, value and answer to global politics, culture and the economies of the globe. Owners-Managers of business need to develop an ability to read, interpret and analyze global trends. It is important to understand how these global trends will impact their businesses. According to Rosanna, Manalo and Khan (2017) a multicultural, or global competency of a manager is reflected through their knowledge and understanding of international economics, cultures, social and political trends. This requires small business owners-managers to familiarize themselves with international business practices and trends.

Sitharam (2014) argues that small businesses in South Africa can no longer limit themselves to domestic markets. They are both challenges and opportunities that come from globalization. Owners-managers need to have the capacity to read global trends, and be able to address the challenges and benefit from business opportunities that are brought by globalization. There are very few SMMEs that are involved in, or operate, globally. Sitharan (2014) argues that only about 40% of SMMEs in KZN are directly affected by globalization. This is a very low

percentage - given the number of SMMEs in the province. SMME owners-managers need to develop global competency, so that they will be able to compete with other international businesses.

### **2.11.7 Strategic Action Competency**

According to Vijay and Ajay (2011) strategic competency includes strategic intelligence. It reflects the capacity of the manager to develop a future vision of the organization and take the necessary strategic directions or/actions, to achieve set targets. Most SMMEs owners-managers lack this competency. Some owners-managers of small business have vision and mission statements for their business. The literature suggests that very few SMME owners-managers capable of practical strategic planning. Although many people would argue that the majority SMMEs operate on a small scale, there is a need for owners-managers to do some form of strategic planning. They should have something written about their current situation and their future ambitions. This written plan will guide their daily operations and will help them achieve future goals.

Umar and Ngah (2017:62) states that strategic action competency also relates to planning, implementing, monitoring and evaluating business strategies. Planning, monitoring and evaluation is another important element lacking in the management of many small businesses. Evidence suggests that many SMMEs do not have tools for monitoring and evaluation. This places many SMMEs under immense pressure because without proper monitoring and evaluation, business owners-managers lack the knowledge to improve, or see areas of weakness. Although strategic planning is not an easy thing to do, the small business supporting structures such as LED officers, SEDA and EDTEA should be able to assist the SMME owners-managers in this regard.

## **2.12 CONCLUSION**

In conclusion, managerial competencies are the combination of all the necessary skills, knowledge, experience and attitudes needed by owners-managers to perform their duties effectively. If owners-managers of small business lack these competencies, their business is likely to fail. Managerial competencies are key to the survival and sustainability of small businesses. It has been noted that the high failure rate of small business is highly associated with the poor, or lacking, managerial competencies of owners.

The above literature suggests that there is, generally, an existing gap in SMMEs management, that there is a lack of managerial competencies amongst the owners-managers of small businesses and it appears that owners-managers lack communication competency. Some owner-managers are not able to communicate well with either internal or external people. Neither do they embrace the use of new technology as a way to market their business. Planning and administration is still a challenge for many small businesses. The literature reveals that the majority of SMME owners-managers tend to work in isolation, and not as a team. Many SMME owners-managers are struggling to read and analyze global trends. Some small businesses lack vision and mission statements.

Finally, literature indicates that the majority of SMME owners do not take an initiative to develop themselves. SMME owners-managers can enhance their managerial competencies by attending a number of short courses. There are many training institutions that offer these short course programmes. Education and training is key in sharpening the managerial competencies of small business owners-managers.

Therefore, this study intends to measure the managerial competencies of the SMME owner-managers in the Okhahlamba LM. This study is likely to contribute to further our understanding as it will reveal the reasons behind the lack of managerial competencies, amongst the SMMEs' managers, in the Okhahlamba LM. The study outcome, or final theses, will be shared with all the relevant stakeholders. This includes provincial government, District Municipality, Local Municipality and other stakeholders. The study will also provide recommendations as to what needs to be done to improve the managerial competencies in small businesses. This is the very first study that will assess small business managerial competencies at a district, and local level. The study will provide a broader understanding of SMMEs at District and Local level.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

Chapter three will discuss research methodology that used for this study. This chapter will also provide research methodologies used in conducting the study. The following research methodologies will be discussed: research design, research approach, aims of the study, objectives of the study, research questions, sampling strategies, target population, sampling and sampling size, data collection, data quality control, data analysis instruments, ethical consideration.

#### **3.2 RESEARCH DESIGN**

Kothari (2004) has defined research design as the preparation of environments for collection and analysis of data. Furthermore, it is done in a manner that seeks to combine relevance to the research purpose. Ogunsola (2017) argues that research design is a comprehensive plan that outlines how the study will be done. In simple terms, research design is a detailed outline of the tools that will be used to answer the research questions. Research design provides comprehensive information such as, what type of data is needed for the study, and which methods are employed in order to collect relevant data and analyze that data. Van Wyk (2017) has identified five types of research designs that are used in conducting research. These include case study, descriptive, exploratory, explanatory and action research design.

##### **3.2.1 Case Study Research Design**

Kumar (2011) argues that case study research design is based on the idea that the case being studied is distinctive of a certain type, and the case study gives in-depth information of the study. This research design allows a researcher to study, or investigate the case in detail without generalizing the outcome,

##### **3.2.2 Descriptive Research Design**

Mutinta (2017) describe descriptive research design generates as detailed description of the phenomenon. This research design allows the researcher to answer questions such as what,

who, when, where and how an event occurs. This research design allows a researcher to get a detailed information about the problem that is being studied.

### **3.2.3 Exploratory Research Design**

Many researchers have agreed that this is the most appropriate research design for research questions that address a subject with high levels of uncertainty and ignorance about a particular problem. According Van Wyk (2017) the objective of exploratory research design is to carefully recognize the limitations of the atmosphere in which the problem or situation of interest, are likely to reside. Exploratory research design is also able to investigate in detail the scope or extent of the phenomenon.

### **3.2.4 Explanatory Research Design**

Bougie and Sekaram, as cited in Motsukunyane (2013), argue that explanatory research design is considered when there is little information available or if the information is not available. This research design has the capacity to generate more detailed information about the problem or phenomenon that is being studied. The explanatory research design method is likely to generate an explanation of the problem that is being studied.

### **3.2.5 Action Research Design**

Mutinta (2017) argues that the action research design method is used to examine, assess and investigate the cause and effect of the problem being studied. This research design method allows a researcher to identify and generate a theory that informs an intervention to solve the problem that is being studied.

However, this study will use the research design known as the case study method. This research design method was selected to assist the researcher to generate rich and accurate data. When a researcher employs this type of research design, it should be noted that findings cannot be generalized to another site. Data collected using this technique is unique to the particular case, and is likely to provide in-depth information. This research design allows the researcher to make an in depth enquiry into the current managerial competencies, of the owners-managers of small business, within the Okhahlamba LM.

The case study research design is more applicable to this study, as it will allow the research to focus on one specific location, which is the Okhahlamba LM. This research design method will permit the researcher to narrow down, and zoom in, into one specific place.

### **3.3 RESEARCH APPROACH**

Researchers normally use three research methodologies when conducting studies, these include the quantitative method, qualitative method and mixed method. In this section all of these research approaches will be explained.

#### **3.3.1 Quantitative Research Method**

Neville (2007) argues that the emphasis on quantitative research method is in collecting data and analysing numerical data. This research method approach is based on establishing a statistically significant conclusion within the population that is being studied. Pavan and Karani (2014:172) describe the quantitative research method as more concerned with statistics and something that can be measured in a systematic way. In many cases it is difficult to include everyone in a population because of resource constraints. In this research method a representative is chosen from the population. A sample will be identified using statistical tools. The sample represents the entire population and the conclusion is made, based on the representative sample.

#### **3.3.2 Qualitative Research Method**

Justino (2015) argue that qualitative research method is a research technique that focuses on the explanation of a phenomenon using certain research methods and tools to obtain in-depth responses from the population that is being studied. Many researchers argue that this research method is more subjective in nature when compared to quantitative research. In qualitative research method, data is collected using instruments, such as semi-structured interviews. This allows a researcher to capture textual type of data, This method is more concerned with discovering insights, interpreting data in a subjective manner and getting as many opinions as possible

### **3.3.3 Mixed Method Research**

Springfield and Teddlie, as cited in Zulu (2017), define the mixed research method as the collection and analysis of data using both quantitative and qualitative research methods. In this research approach method the researcher may use quantitative research methods in one phase, and qualitative research methods in another phase of the study. This research approach allows a researcher to integrate the data that has been collected.

This study will use the quantitative research method approach. Zainal (2007) argues that case study permits the collection of data by either quantitative or qualitative research methods. Since the study will be done at Okhahlamba LM, of which is a deep rural area, then quantitative research methods will permit the researcher to finish the study within a shorter time period. Questionnaires will be distributed to SMME's owners-managers - it will be easy to collect them, rather than doing an in-depth interview or using focus groups (qualitative) - all of which are time consuming. The issue of budget constraints was taken into account when choosing this particular research method.

### **3.4 THE MAIN AIM OF THE STUDY**

Main goal of the study is to measure the managerial competencies amongst the owners-managers of SMMEs within Okhahlamba LM. The study aim to determine whether the owners-managers of SMMEs, in Okhahlamba LM, have the essential skills and competencies to succeed their businesses.

### **3.5 OBJECTIVES OF THE STUDY**

The objectives of the study were:

- To establish the relationship between the communication competency and teamwork competency of SMME'S owners;
- To examine the relationship between the communication competency and global awareness competencies of SMME'S owners;
- To ascertain the influence of planning, and administration, on the strategic actions of the SMME's owners;
- To evaluate the relationship between global awareness competency and the teamwork competency of the SMME's owners; and

- To examine the relationship between planning, administration and communication competency.

### **3.6 THE KEY QUESTIONS TO BE ANSWERED BY THE STUDY**

This study attempted to answer the following key questions:

- Is there a relationship between the communication competency and teamwork competency of SMME'S owners?
- Is there a relationship between the communication competency and global awareness competency of SMME'S owners?
- To what extent is the relationship between planning, administration, and the strategic action of, the SMME's owners?
- What is the relationship between global awareness and teamwork competency of the SMME's owners?
- To what extent is the relationship between planning, administration and communication competency?

### **3.7 THE TARGET POPULATION**

According to Justino (2015) the target population is the total number of objects, or people, selected from a sample of potential participants, to respond to research questions. Nkabane (2016) argues that a target population is the large pool from which the elements are drawn.

The target population for this study are the Owners-Managers of SMMEs, within the Okhahlamba LM. However, the study will extend to all stakeholders involved in SMME development in Okhahlamba. These include officials from the Department of Economic Development, Tourism and Environmental Affairs and members of the Okhahlamba Local Economic Development (LED) and Okhahlamba Business Forum Executive.

### **3.8 SAMPLING DESIGN**

Nzama (2011) describes sampling as the process of choosing a representative sample from an observation of the total population. Krishnaswani, as cited in Majola (2015), defines sampling as a process by which a researcher selects a representative segment, rather than the entire population. This is due to cost implications, time constraints and the limited availability of

resources. It is impossible to study all members of a given population. It is therefore important to select a sample, from the larger group. According to Mutinta (2017) there are two sampling methods that are normal used by different researchers, namely probability sampling and non-probability sampling.

Adwok (2015) argues that probability sampling ensures that all units, or people in the population have an equal chance of being selected. On the other hand, Pandey and Pandey (2015) describe non-probability sampling as a method whereby some elements, or units of a population, have no chance of selection. In non-probability sampling the onus is on the researcher to decide the sample to use. Probability sampling methods are more relevant to quantitative studies. Non-probability sampling is more applicable to qualitative studies. Since this study is using quantitative research method, the probability sampling method was employed to choose the sample for the study.

### **3.8.1 Probability Sampling**

There are four types of probability sampling methods (simple random, systematic, and stratified and cluster sampling).

#### **3.8.1.1 Simple Random Sampling**

Adwork (2015) defines random sampling as probability sampling where the units comprising a population are allocated a number. Therefore a set of random numbers is created and the units matching those numbers are taken as the sample. Simple Random sampling is more applicable in a situation where the population is small and readily available.

#### **3.8.1.2 Systematic Sampling**

According to Alvi (2016), systematic sampling is a method through which every unit, or individual in a population is selected = according to a predetermined sequence, from a given list. In this sampling method the element in the list are selected systematically, meaning a pattern is followed when choosing the sample for the study.

### **3.8.1.3 Stratified Sampling.**

In stratified sampling, certain attributes of interest, of each unit or individual in a population, are included in the sample of the study. Shalabh (2014) defines a stratified sampling as a process whereby the researcher will split the whole target population into a small group, subgroups or strata. The researcher will then randomly choose final subjects, proportional from the strata.

### **3.8.1.4 Cluster Sampling**

Many researchers have argued that the use of cluster sampling is more suitable when it is very challenging to compile a target population. Ahmed (2009) argues that in cluster sampling the unit of sampling does not refer to an individual, but rather, a group of organizations or entities.

However, in this study, the researcher opted to use the simple random sampling method. A number of factors were taken into account when choosing this method. The first being the fact that the researcher has knowledge of the target population being studied, and the population is relatively small and homogenous. Secondly, simple random sampling was chosen over other sampling method due to the fact this sampling method is highly representative. Simple random sampling is considered an unbiased sampling method. Each individual has an equal probability of being selected to participate in the study.

## **3.9 SAMPLING SIZE**

Kothari (2004) argue that sample size refers to the number of units, or items selected from a population to institute a sample. Runsborg, as cited in Nkabane (2016) notes that sample size refers to the number of elements in a sample. The sample size is made up of 120 SMME's owners-managers, 01 Department of Economic Development Tourism and Environmental Affairs (SMME/Co-operative Manager) and 01 Okhahlamba LM- Local Economic Development Manager. The 120 SMME's owners-managers were selected using simple random sampling technique. Other stakeholders were given questionnaires to complete, directly.

### **3.10 DATA COLLECTION PROCEDURES**

Mbhele (2014) describe data collection as the systematic recording and gathering of information that will be used in a study. Data collection helps the researcher to answer relevant questions, evaluate the responses and make forecasts about future possibilities, and trends. The aim of data collection is to make sure that the researcher obtains superior evidence, which can then lead to data analysis, interpretation and the provisions of recommendations of the study. Walliman (2011) argue that there are two styles of data collection methods, namely primary data and secondary data.

Hox and Boeije (2005) has describe primary data as new data which is collected for a precise research goal. Primary data is original data collected by the researcher for the defined purpose, to address the problem at hand. On the other hand Kothari (2004) defines secondary data as data that has been already collected and has been used before for a purpose other than the problem that is being studied. Secondary data is data that is already available, and can be used to respond to the problem at hand. In this study, the data was collected using primary data (questionnaires), and Secondary data was also used in the second chapter of this study (literature review).

### **3.11 DATA COLLECTION METHODS**

Since this study opted for quantitative methods there are two possible methods which can be used to collect data. Data was collected through interviews and questionnaires.

#### **3.11.1 Interviews**

Kothari (2004) defines interviews as a method of collecting data using oral-verbal responses. Ndlovu (2012) argues that while interviews are mainly used in qualitative research method, they can also be used in quantitative research. In quantitative research, interviews are more structured and organized - as opposed to in qualitative research method. When interviews are used, in a quantitative research method, the researcher is compelled to ask a standard set of questions, and nothing more than that. Research interviews may be done in a various ways. These include telephone interviews, face-to-face interviews and computer-assisted personal interviews. Kothari (2004) further outlines the Advantages and Disadvantages of interviews:

### **3.11.1.1 Advantages of Interview Method**

- Personal information can easily be obtained when using interviews.
- More data can be gathered if interviews are used.
- Interviews can determine which individual will respond to the questions.
- There is more flexibility when using this method.

### **3.11.1.2 Disadvantages of Interview Method**

- The interview method is very expensive.
- There is always the likelihood of the biases of the interviewer, and those of the respondents
- Interviews are usual time consuming
- Certain people may not be able to express themselves well, when the interview method is used.

### **3.11.2 Questionnaires**

Questionnaires are the most commonly used method to collect data. Neville (2007) describes questionnaires as a way of collecting data by asking a sample of people to respond the same designated questions. The respondents are expected to answer the questions on their own. A questionnaire can be done in various ways, including sending the questionnaires by email, or, collective administration. Here, the audience is kept in one place, such as a public space. The researcher can meet the respondents and questionnaires and be physically delivered to respondents. Kumar (2011) highlights of the some advantages and disadvantages of questionnaires

#### **3.11.2.1 Advantages of Questionnaires**

- Questionnaires are less time consuming
- Questionnaires are free from interviewer and respondent bias.
- People are given enough time to complete questionnaires.
- The cost, associated with questionnaires, even if the sample size huge, is low.
- Respondents can be easily reached to disseminate questionnaires.

### **3.11.2.2 Disadvantages of Questionnaires**

- This method can only be used when the respondents are educated/literate.
- When questionnaires are used, there is a lack of opportunity to clarify any issues that might arise.
- The response rate is relatively low.
- There is no flexibility.
- There is always the possibility that respondents may consult other people before attempting to answer certain questions.

The researcher opted to use questionnaires for this study because they can be spread to a great number of individuals in a little time. A number of factors were consideration when the researcher choose to use questionnaires, as a data collection method, for this study. The Okhahlamba LM is located in a deep rural area and the SMMEs are more scattered in this region. Geographic, time and cost factors were also considered when choosing this method. This particular data collection method is more applicable, and relevant, to the study because of the large distances amongst the SMMEs in a rural area. This method allows researchers to gather data within a short space of time. Therefore, questionnaires were the most viable and feasible way to collect data in this study.

### **3.11.3 Construction of Questionnaires**

Questionnaires in general should be designed and constructed in a manner that allows the researcher to gather relevant, reliable and valid data. The questionnaires were constructed in a manner that covers all five research objectives and questions. The questionnaire was divided into two sections. Section A- covers demographic information, such as name, business name, gender, ethnic group, age, and level of education, period of business operation and sector of operation. Section B is comprised of questions to assess the managerial competencies of the owners-managers, of SMMEs in the Okhahlamba LM. The following table depicts the construction of questions - in relation to research questions and research objectives.

**Table 3.1 Construction of Questionnaires**

<b>Research Objectives</b>	<b>Questions addressing the Objectives</b>
<ul style="list-style-type: none"> <li>● To establish the relationship between the communication competency and teamwork competency of SMME’S owners;</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Question 1 in section B</b> (which is made up of five sub questions)</li> </ul>
<ul style="list-style-type: none"> <li>● To examine the relationship between the communication competency and global awareness competencies of SMME’S owners;</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Question 2 in section B</b> (which is made up of six sub questions)</li> </ul>
<ul style="list-style-type: none"> <li>● To ascertain the influence of planning, and administration, on the strategic actions of the SMME’s owners;</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Question 3 in section B</b> (which is made up of six sub questions)</li> </ul>
<ul style="list-style-type: none"> <li>● To establish the relationship between global awareness competency and the teamwork competency of the SMME’s owners; and</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Question 4 in section B</b> (which is made up of six sub questions)</li> </ul>
<ul style="list-style-type: none"> <li>● To examine the relationship between planning, administration and communication competency.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Question 5 in section B</b> (which is made up of five sub questions)</li> </ul>

The questionnaires were designed, and developed, using the 5 points Likert Scale rating scale. The respondents were asked to answer the question using the 5 point scale. The scoring scale for answers to the question was as follows:

- Option 1= Strongly Agree;
- Option 2= Agree;
- Option 3= Neither Agree or Disagree;
- Option 4=Disagree;
- Option 5= Strongly Disagree;

In designing questionnaires, the issue of literacy, and the intellectual level of respondents, was taken into account. . The questions are short and straight forward; this was done to reduce the anxiety of respondents. The questions address each research objective and questions. Finally, the questions were designed in a sequential manner starting with question that relate to demographics and followed with questions that address managerial competencies.

### **3.11.3.1 Closed-Ended Questions**

The questions were designed using the closed-ended question approach. Kumar (2004) states that closed-ended questions are those where possible answers are set out, in the questionnaires. The researcher provides a selection of answers, or categories, to best describe the respondents answer. As mentioned above, each question has five options, or categories, which respondents can choose from.

### **3.11.3.2 Finalisation of Questionnaire Design**

There are three final parts of the third section, the cover letter and the informed consent form, Section A and Section B

- **Covering Letter:** The main intention of a cover letter is to provide the respondents with the relevant details, information about the study and actions expected from participants. Covering letter also outlined a topic for the study and explained the issue of confidentiality. The consent form was made available for respondents to sign, prior answering the questionnaires. The respondents are given an option to voluntarily participate in the study. This section explains that there will be no compensation, or reward for participation. This section also includes basic information about the researcher and academic supervisor. (Contact details are provided.)
- **Section A:** Section A of the study covers the basic information about respondents, this includes demographic information such as name, business name, gender, ethnic group, respondent age, education background, period of business operational, and sector of operation. This section provides the background of each respondent.
- **Section B:** Section B is made up of five questions to test Managerial Competencies amongst the owners-managers of SMMEs in Okhahlamba LM.

### **3.11.3.3 Administration of Questionnaire**

The questionnaires were personally delivered, by the researcher, to SMME owners-managers. This was done to ensure that the researcher was able to answer some of the questions that might be asked by respondents. The questionnaires were accompanied by the letter of consent, and the letter that explained the main objectives of the study was also attached. Letter also explained that participation in the study is strictly voluntary, and that the respondent may withdraw anytime if they feel that the study is not in line with their wishes. The questionnaires were collected by the researcher and were kept in a safe box.

## **3.12 DATA QUALITY CONTROL**

It is the responsibility of the researcher to ensure that the data collected is of quality and it can be easily analysed using different methods. Solberg (2013) has identified reliability and validity as the most important concerns that a researcher needs to consider when conducting research.

### **3.12.1 Reliability**

Cohen, Manion and Morrison (2007) have defined reliability in quantitative research as essential for dependability, replicability and consistency over time, over instruments and over groups of respondents. Reliability is more concerned with accuracy and precision of data. Kumar (2011) argues that data is said to be reliable when the research tools are consistent, and stable, hence predictable and accurate. Many researchers have argued that the greater the degree of stability, and consistency in an instrument, the greater its reliability. Reliable data can be audited by different researchers and give similar results or outcomes.

### **3.12.2 Validity**

Wiid and Digganes, as cited in Ogunsola (2017), have argued that validity, in research, signifies the degree to which the research instrument is able to display level of genuineness and accuracy - to measure what it was meant to measure. Kumar (2011) defines validity in research as the extent to which an empirical measure adequately reflects the real meaning of the concept, under consideration. In simple terms validity refers to the degree to which a research study has measured what it intended to measure. Muijs (2004) had identified various distinct aspects of validity: content validity, criterion validity and construct validity:

- Content Validity: ensures that the measure includes an adequate, and representative, set of items that tap the concept.
- Construct Validity: testifies to how well the outcomes, obtained from the use of the measure, fit the theories around which the test is designed.

The data collected was reliable and valid. The researcher safeguarded, and ensured that the data was reliable, by applying consistency - in measuring the responses from questionnaires. In addition, the questionnaires were developed and designed in a manner that was simple. The researcher ensures that the questionnaires were in line with the set standards of the University of KwaZulu-Natal. The researcher drafted the questionnaires and submitted them to the Research Supervisor to get a second opinion on the validity, and reliability, of the questionnaires.

### **3.13 DATA ANALYSIS INSTRUMENTS**

Kumar and Ranjit (2005) describe data analysis as a processing involving a number of closely related operations. Data analysis is performed to organize and summarize the data collected, in such a way that it answers the research question. Data analysis is a very important step in a research. Pandey and Pandey (2015) highlighted four main function of data analysis:

- The researcher should analyze the obtained data for examining the statement of the problem.
- The researcher should analyze the collected data for testing each hypothesis of the problem.
- The researcher should study the original records of the data before actual data analysis.
- The researcher should analyze data by using statistical measures or calculations

The researcher has considered all the above factors when analyzing data for this study. Data was analyzed using a statistical tool known as the Statistical Package for Social Science (SPSS). Greener (2008) argued that SPSS is a scientific tool specifically designed to analyse quantitative data from social science research. Okyere (2012) states that there are two statistical measures used to analyse data in quantitative research: descriptive statistics, and inferential statistics.

### **3.13.1 Descriptive Statistics**

Patel (2009) argues that descriptive statistics are used to describe the variables, and how they perform, by analyzing one variable at a time. Quyang, as cited in Okyere (2012), states that descriptive statistics also includes a central tendency, variability, relative position and relationships. Descriptive statistics give researchers a method to present data in a way that is simple to interpret. Descriptive statistics are used in this study to summarize, and describe, the data. As well as using other statistical measures, such as mean, frequency counts, variances, standard deviation, percentages, bar charts and pie charts.

### **3.13.2 Inferential Statistics**

Williman (2011) states that inferential statistics provide a researcher an opportunity to draw a conclusion about the population based on the data that has been obtained. Nhleko (2017) states that inferential statistics allow for an inference to be made - from the sample to the rest of the population. Inferential statistics were also used to analyse the data for this study.

## **3.14 ETHICAL ISSUES**

It is the responsibility of a researcher to act ethically when conducting a study. Akaranga and Makaru (2016) define ethics as a framework, and the guiding norms and standards of people, and their relationship with each other, in the context of research. Orb, Eisenhauser (2001) states that ethics refers to the ethos or social norms, which define what is acceptable, or unacceptable. It is important that there is no violation of a respondent's rights.

### **3.14.1 Privacy Confidentiality**

Hickey (2018) argues that confidentiality is an extension of privacy. It relates particularly to the agreement made about what can be done with the data collected from the study.. Respondents signed a consent form before responding to the questionnaires. Each respondent had the freedom to decide not to continue with involvement in the study. The data gathered was only used to answer the research question. The researcher was bound by the University of KwaZulu-Natal Ethical Committee rules in conducting this study.

### **3.14.2 Informed Consent**

Informed consent is another important factor. The participants, or respondents, need to agree upfront that they will take part in the study. According to Halai (2006), the researcher is expected to acquire consent from all of those members directly involved. The researcher also has a responsibility to explain the main objectives, reasons, duration and possible consequences of the study to participants. This was done to ensure that participants understood the main ideas behind this study. Participants were told, in the consent form, that their rights are protected and they can choose to not to participate, or participate in the study. The participants were urged to sign the consent form before responding to their questionnaires.

### **3.14.3 Anonymity**

According to Research Ethics Handbook (2008) the researcher has a responsibility to explain to participants how they will be afforded anonymity and confidentiality. Participants should be given the choice choose to participate, or not, to participate in the study. The participants were told that their information will not be shared with a third party. The anonymity of participants will be maintained by the School of Management, IT and Governance, University of KwaZulu-Natal Westville Campus.

### **3.14.4 Respect for the Human**

The rights of participants were considered when this study was conducted. Scott (2013) states that participants have the following rights:

- The right not to be mistreated or injured;
- The right to give informed consent to participate in the study;
- The right to privacy, anonymity or confidentiality;
- The right to have the researchers support and need for protection and respected.

In conducting this study, the researcher has assured the participants that they are not subject to, or exposed to unnecessary risks or harm. In this study the participants were not subjected to any form or human rights violation.

### **3.14.5 Voluntary Participation**

Marshall, Adebamawo, Adeyemo, Temidooyo and Strenski (2014) define voluntary participation as the condition where participants have the freedom to choose whether to

participate, or not, in a study. The participants in this study were made aware that participation in the study was strictly voluntary, and that there would be no reward or payment made. Respondents were asked to sign a consent form and were given the option not to participate in the study.

#### **3.14.6 Data Storage and Securing (Information Management)**

Data storage and security involves ensuring that the data collected is kept in a safe place; this includes both electronic files and physical data. According to Hickey (2018), data storage and security includes keeping hard copies of interview notes, questionnaires, print photographs, videos, audio tapes and computer files. All the information that was gathered from questionnaires were held in reserve locked cabinet. This was done to ensure that the data was not used for other purposes, other than answering the research questions.

### **3.15 CONCLUSION**

Although there are many different research designs and approaches, after considering the study area and target population, the case study and quantitative research method was chosen. The chapter provides more detailed information regarding many issues such as data collection procedure, target population, sampling procedures, sampling size, data collection methods, data quality control, data analysis instrument and ethical issues.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND INTERPRETATION OF RESULTS**

#### **4.1 INTRODUCTION**

This chapter presents an analysis of the quantitative data collected using structured questionnaire. A total of 116 questionnaires were distributed and collected from participants. The data collected was analyzed using SPSS version 25. A quantitative research design was adopted to achieve the objective of this study which was aimed at assessing managerial competence among the SMME owners-managers, in Okhahlamba LM.

Inferential statistics such Pearson Product-Moment Correlation coefficient, otherwise referred to as Pearson's correlation was valuable to answer the research questions. Linear regression was employed to test the hypotheses. The analysis of the demographic section of the questionnaire was depicted by bar charts, a type of descriptive statistics. Frequency distribution was employed to analysis the study participants responses on scale.

The data analysis, and interpretation of results, in this chapter are based on the formulated research questions:

- Is there a relationship between communication competence and teamwork competence of SMME'S owners?
- Is there a relationship between communication competence and global awareness of SMME'S owners?
- To what extent is the relationship between planning, administration, and the strategic action of the SMME's owners?
- What is the relationship between global awareness and the teamwork competence of the SMME's owners?
- To what extent is the relationship between planning, administration and communication competence?

## 4.2 RESPONSE RATE

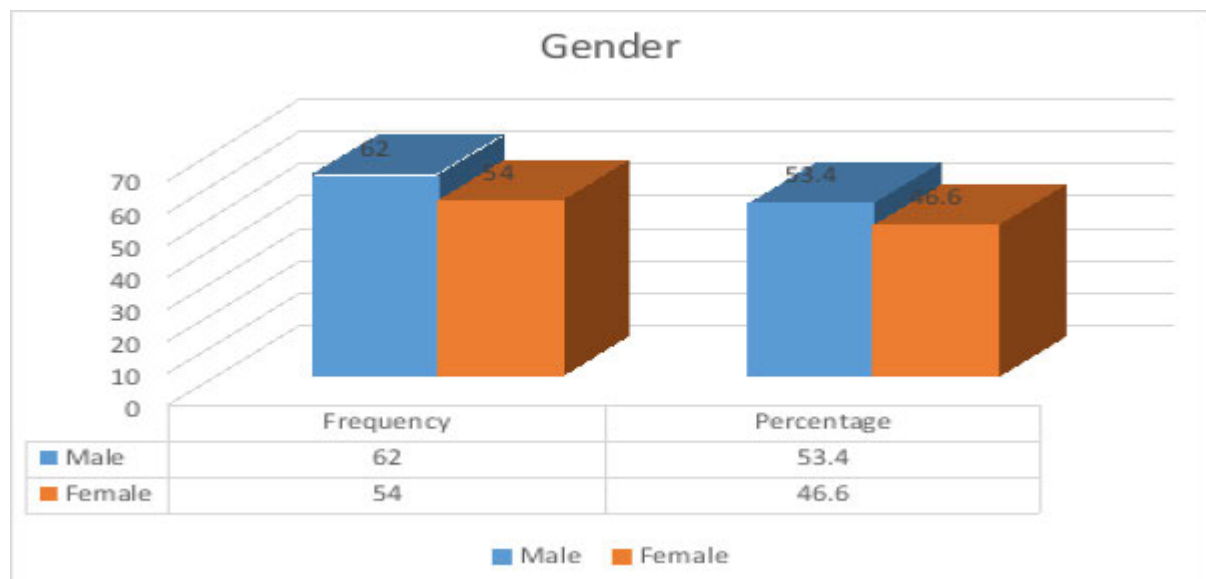
A total of 120 questionnaires were administered to the SMME owners in the Okhahlamba Municipality. One hundred and seventeen (117) questionnaires were returned. One of the questionnaires was not properly completed and was discarded. The remaining 116 which were coded and analyzed for this study. The response rate is 96.7%. . An analysis of the demographic section, of the data collected, is presented in section 4.3.

## 4.3 DESCRIPTIVE ANALYSIS OF DEMOGRAPHY

The survey questionnaire used in this study has five classes of demographic data which include gender, race, age, education, duration of business, sector, and role in business and capacity of employees. The analyses of the demographic data is presented using bar charts and illustrated with the Figures below.

### 4.3.1 Gender

Figure 4.1 illustrates the gender distribution of the survey respondents.

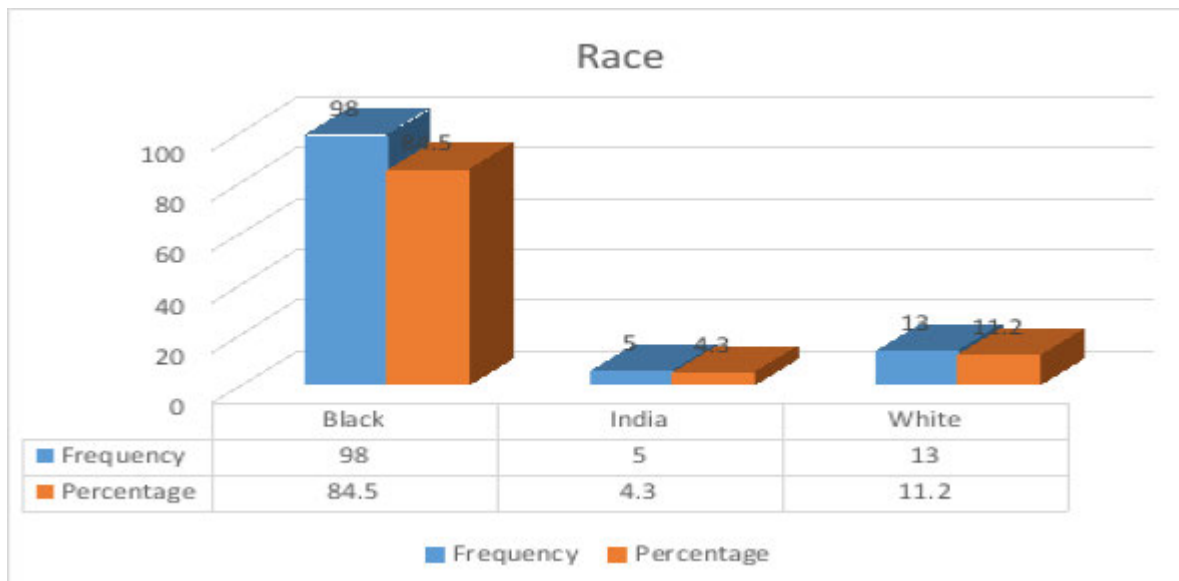


**Figure 4.1: Gender distribution of respondents**

As shown in Figure 4.1, 53.4% of the total respondents were male, while 46.6% were female. This result indicates that majority of the SMME owners-managers in Okhahlamba LM were male.

### 4.3.2 Race

The distribution of the survey participants based on race is illustrated in 4.2.

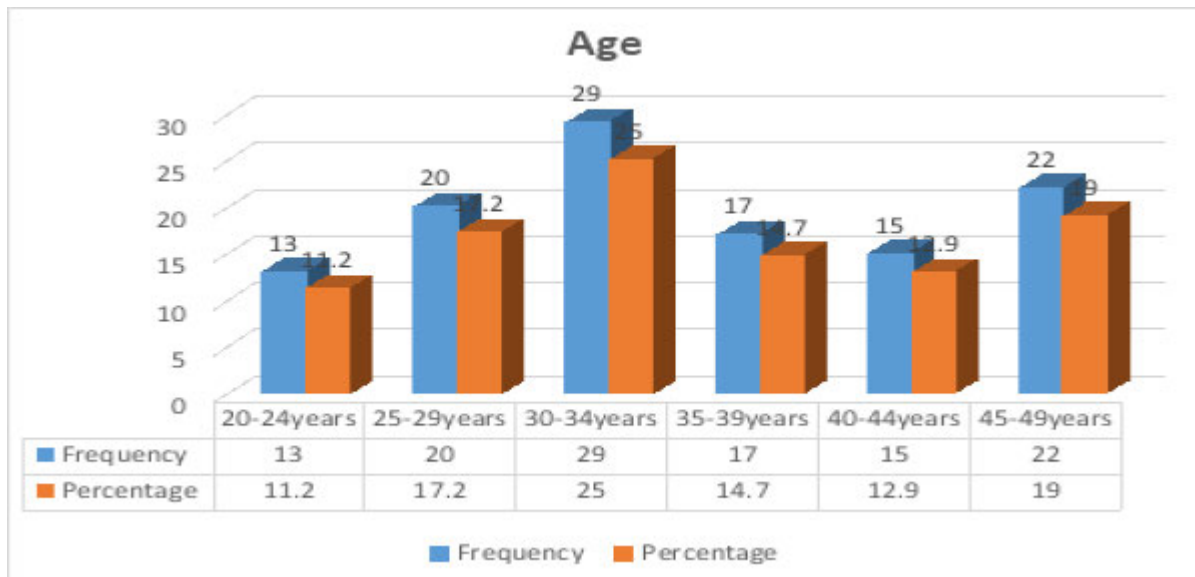


**Figure 4.2 Respondents race**

The bar chart in Figure 4.2 revealed that 84.5% of the respondents were Black, 4.3% were Indians and 11.2% were White. This outcome shows that the majority of the SMME’s owners-managers in Okhahlamba LM are Black. The dominance of Blacks may be linked to the population distribution of the Municipality, which indicated Blacks to be in the majority.

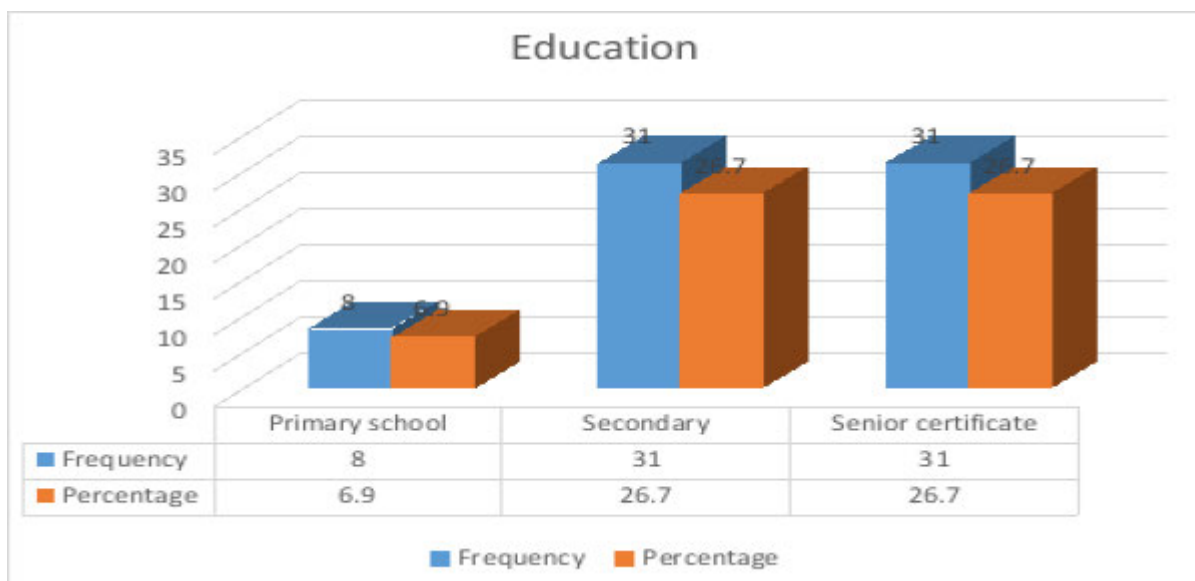
### 4.3.3 AGE

The analysis of the age distribution of the survey respondents revealed that the SMMEs owners-managers fall into the following age groups: 11.2% are aged between, 20-24years; 17.2%: 25-29 years, 25%: 30 -34 years; 14.7%: 35 -39 years, 12.9%:40-44 years, and 19% are 45-49 years old. Figure 4.3 illustrates the age distribution of the respondents.



**Figure 4.3: Respondents age distribution**

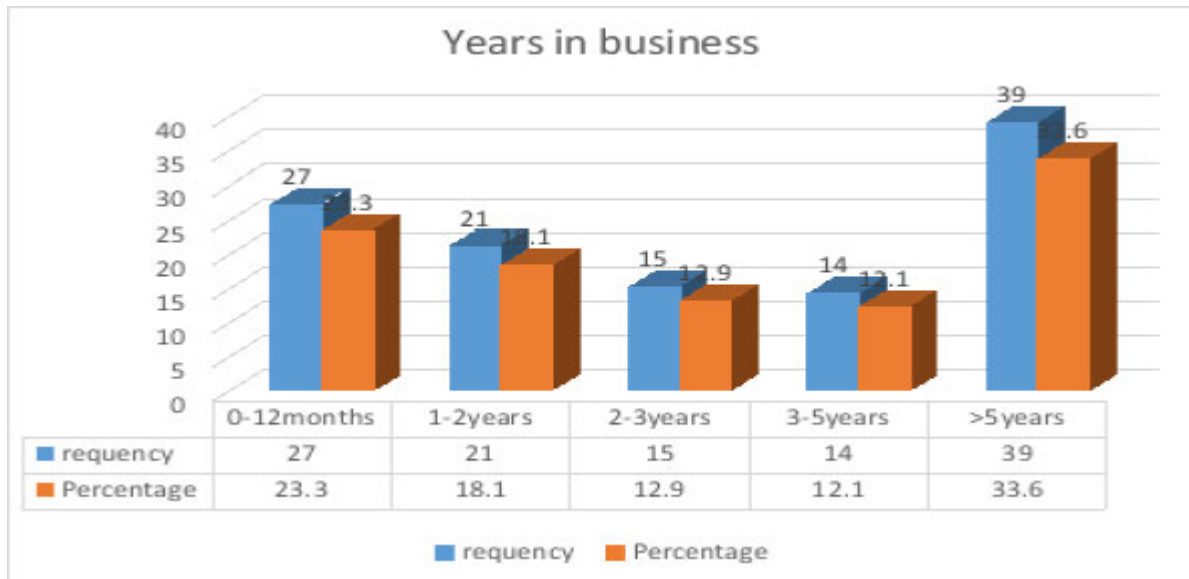
#### 4.3.4 Education



**Figure 4.4 Respondents educational qualifications**

The Figure 4.4 provides an explanation of the educational backgrounds of the SMME Owners-Managers, (Okhahlamba LM). The results are as follows - 26.7% respondents have Senior Certificates, 26.7% have secondary education. These respondents do not have matric or a senior certificate. 6.9% of responded did not make it to high school. This poses a serious threat to the operation of a business. An Owner-Manager needs to have a basic understanding of finances. In addition they need to have the ability to keep records, and market, or communicate with clients at different levels. This requires a person to have a certain education background.

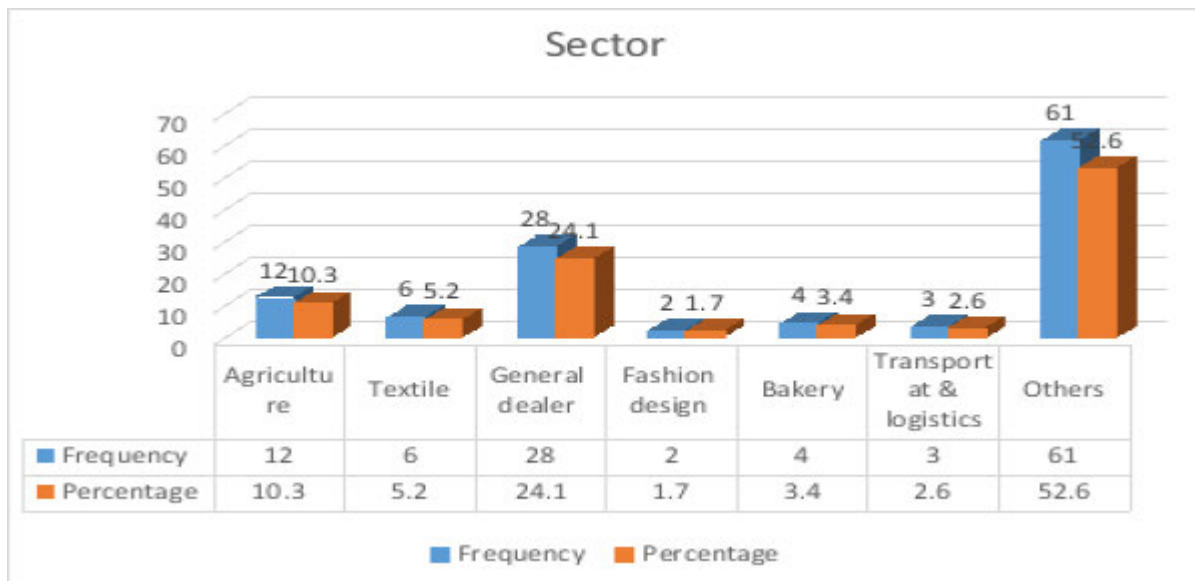
### 4.3.5 Years in business



**Figure 4.5: Respondents years in business**

Figure 4.5 shows the number of years in business. The result reveals that 23.3% of respondents are relatively new businesses (Between 0-12 months); 18,1% have 1-2 years in business; 12,9% have 2-3 years in business; 12.1% have 3-5 years in business and, lastly, 33.6% or respondents have 5, or more years in business. A further analysis, seen in Figure 4.5, is that there are a number of people starting businesses, but that they tend to fail, at an earlier age of operations. This can be attributed to a number of factors which might include the following: managerial competencies, access to finance, skills, commitment from the owners and a lack of support from government.

### 4.3.6 Sector



**Figure 4.6: Respondents business sector**

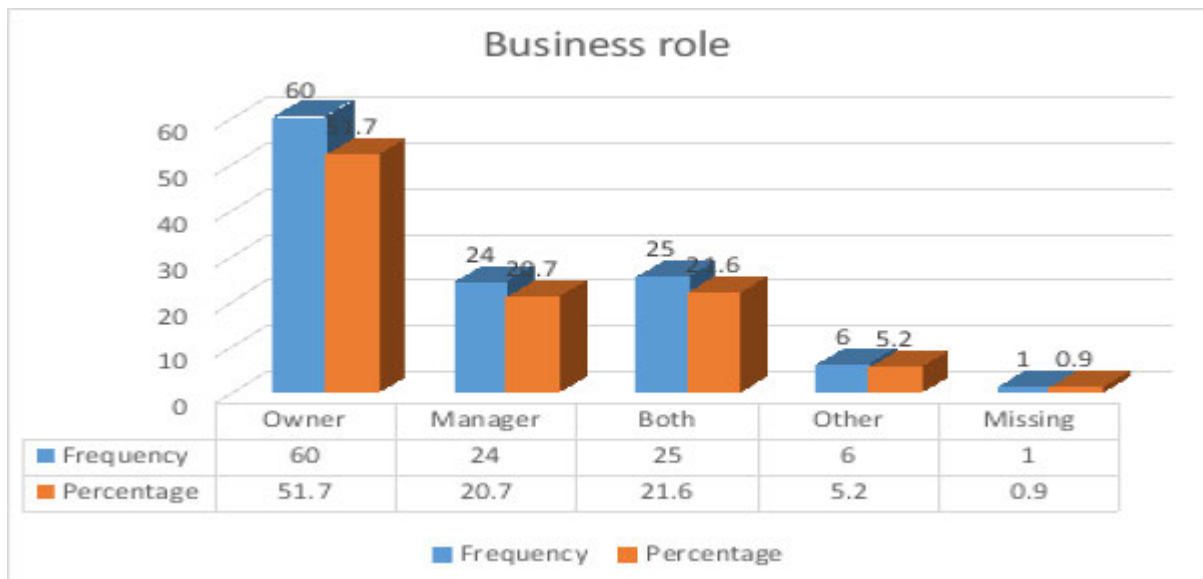
As illustrated in Figure 4.6, the bar chart delineate SMMEs, per sector. The above analysis reveals that 10.3% SMMEs are in agriculture; 5.2% are in the textile industry; 24% are general dealers; 1.7% are in fashion design; 3.4% are in bakery; 2.6% are in transport and logistics, and 52.6% is: Other. Other includes services like salons, tourism, and catering, cleaning and related businesses. The analysis in figure 4.6 gives a true reflection of the Okhahlamba LM. The majority of businesses in the area provide services, general dealers. Secondly, and the agriculture sector is also doing well in the area. The Municipality is located in a rural area, and the town is very far to other local people. Therefore general dealers are serving local people.

### 4.3.7 Business role

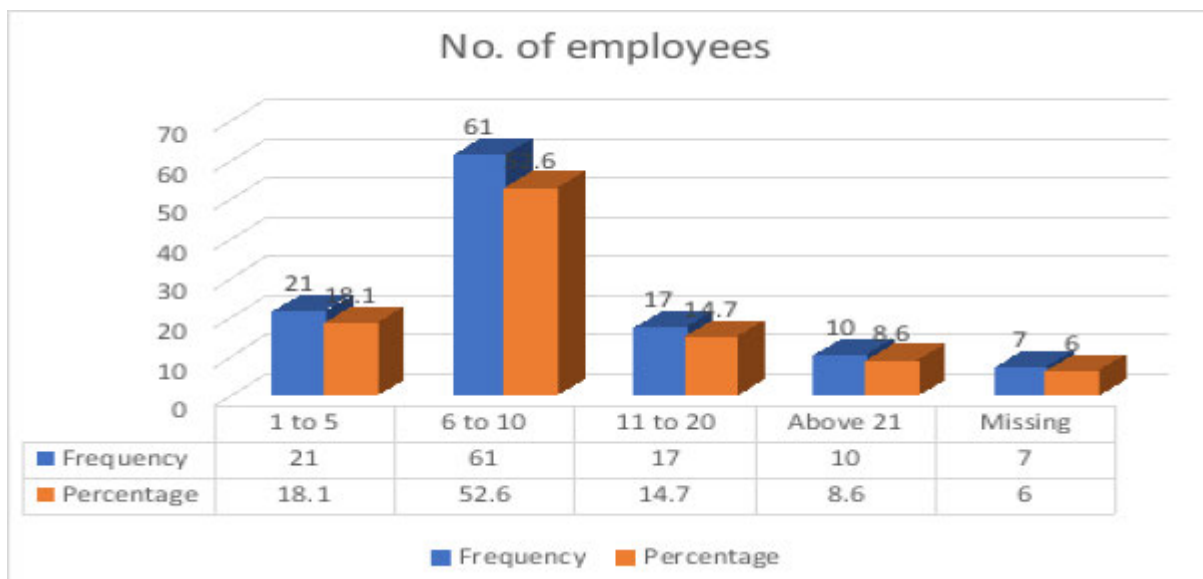
**Figure 4.7: Respondents role in business**

The below bar chart Figure 4.7, describes the respondents role in their business. Analysis indicated that the majority of SMMEs are owned, and managed by their owners (founding members). The bar chart indicates that 51.7% are managed by owners, 20.7% are managed by people appointed by owners, to take care of their business. This might be because the owners are committed somewhere or decide to appoint a person to manage his/her business on their behalf. 21.6% represents businesses that are managed by both owners/managers, 5.2%

represents businesses that are managed by others; and 0.9% did not specify on the questionnaire.



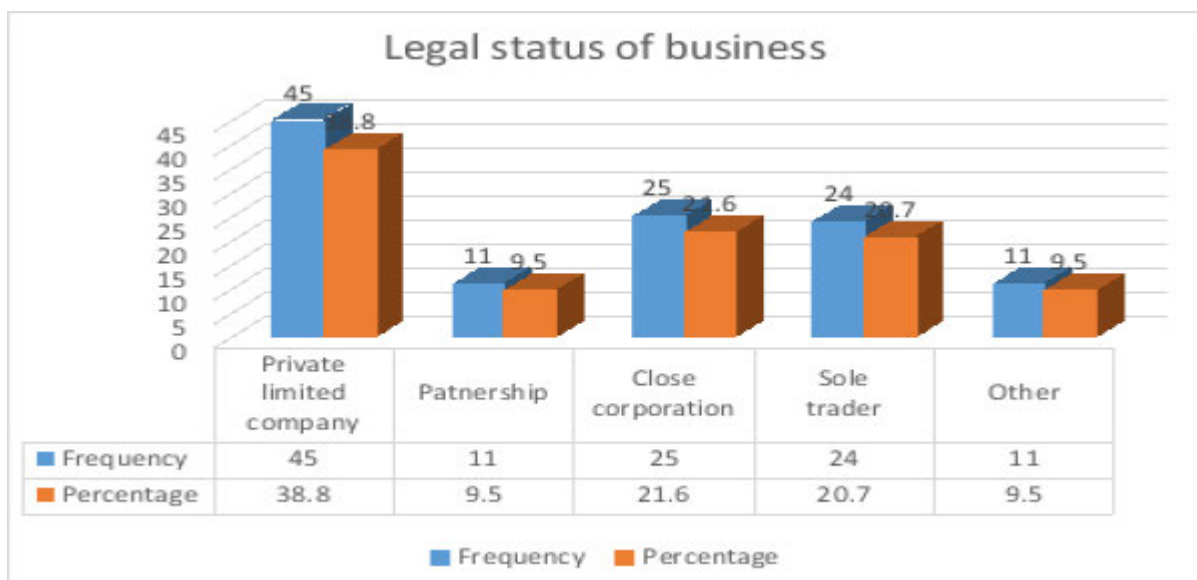
#### 4.3.8 Number of employees



**Figure 4.8: Number of employees employed by the respondents**

The bar chart in Figure 4.8 illustrates the number of people employed by SMMEs in Okhahlamba LM. Analysis reveals that 18.1% of SMMEs have employed 1 to 5 people; 52.6 % SMMEs have employed 6 to 10 people; 14.7% SMMEs have employed 11 to 20 people; 8.6% of SMMEs have employed more than 21 people. (6% didn't respond to this question.) This shows that SMMEs are able to create job opportunities, especially for local people. This also indicates that there are many people in Okhahlamba that are benefiting from SMMEs.

**4.3.9 Legal status of business**



**Figure 4.9: Legal status of respondents' business**

As illustrated in Figure 4.9 the majority of SMMEs are legally registered; 38.8% of SMMEs are registered as a Private Limited Company; 9.5% are operating as partnerships; 21.6% of SMMEs are registered as Close Corporations; 20.7% are operating as Sole Traders, and 9.5% represents other forms of business. (Other - including business that are not legal registered).

#### 4.4 DESCRIPTIVE ANALYSIS OF SURVEY RESPONSES ON SCALE

The table below illustrates the distribution of the responses, of the survey respondents, on items measuring each variable.

**Table 4.1: Communication competence**

S/N	Items	Strongly agree	Agree	Neither Agree/Disagree	Disagree	Strongly Disagree
1	I am accessible to others, easy to approach and to talk to	40 (34.5%)	71 (61.2%)	2 (1.7%)	3 (2.6%)	-
2	I share information with others and I able to build a rapport, and relate well with other people	36 (31%)	65 (56%)	6 (5.2%)	8 (6.9%)	1 (0.9%)
3	I am aware that communication is a two way street and I always respond in an appropriate way.	35 (30.2%)	66 (56.9%)	10 (8.6%)	5 (4.3%)	-
4	I don't pay attention to other people ideas.	4 (3.4%)	30 (25.9%)	7 (6%)	53 (45.7%)	22 (19%)
5	I am able to communicate well in English, this include read	37 (31.9%)	51 (44%)	12 (10.3%)	16 (13.8%)	-

	and write in English.					
6	I am able to negotiate effectively and I also able to persuade customers.	31 (26.7%)	71 (61.2%)	13 (11.2%)	1 (0.9%)	-
7	I am aware of different types of social media (Facebook, Instagram, Twitter, Skype), and I used one or two of them to communicate with my clients.	34 (29.3%)	42 (36.2%)	10 (8.6%)	25 (21.6%)	5 (4.3%)

**Table 4.2: Teamwork competence**

S/N	ITEMS	Strongly agree	Agree	Neither Agree/Disagree	Disagree	Strongly Disagree
8	I am able to work collaboratively with other colleagues to achieve the set target.	38 (32.8%)	61 (52.6%)	10 (8.6%)	7 (6%)	-
9	I take all credit for business	12 (10.3%)	35 (30.2%)	12 (10.3%)	40 (34.5%)	17 (14.7%)

	success; I believe that I am the only person who works hard in our business no one else.					
10	I encourage people/my staff to think and act co-operatively.	25 (21.6%)	75 (64.7%)	10 (8.6%)	6 (5.2%)	-
11	I conduct myself more professional when working in a team and I am able to manage team dynamics.	27 (23.3%)	74 (63.8%)	10 (8.6%)	4 (3.4%)	1 (0.9%)
12	I am open for criticism, suggestions and I am able to work with other business owner-managers.	30 (25.9%)	58 (50%)	6 (5.2%)	21 (18.1%)	1 (0.9)

**Table 4.3: Global awareness**

	<b>ITEMS</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neither Agree/Disagree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
13	Globalisation affects the	13 (11.2%)	61 (52.6%)	15 (12.9%)	24 (20.7%)	3 (2.6%)

	growth of my business					
14	I always buy and read newspapers, and I am passionate about knowing as to what is happening in other countries.	25 (21.6%)	52 (44.8%)	11 (9.5%)	24 (20.7%)	4 (3.4%)
15	I am aware of my culture and I am open and willing to learn other people cultures.	27 (23.3%)	66 (56.9%)	16 (13.8%)	6 (5.2%)	1 (0.9%)
16	I embrace to use latest technology to communicate with other people in different regions.	24 (20.7%)	62 (53.4%)	6 (5.2%)	23 (19.8%)	1 (0.9%)
17	I am fully aware of global business opportunities and I am willing	24 (20.7%)	60 (51.7%)	9 (7.8%)	22 (19%)	1 (0.9%)

	to expand my business.					
18	I am not willing to expand my business to other regions.	7 (6%)	38 (32.8%)	12 (10.3%)	42 (36.2%)	17 (14.7%)

**Table 4.4: Planning and administration**

S/N	Items	Strongly agree	Agree	Neither Agree/Disagree	Disagree	Strongly Disagree
19	I find it very difficult to set clear goals.	4 (3.4%)	43 (37.1%)	16 (13.8%)	41 (35.3%)	12 (10.3%)
20	I struggle to identify priority activities in my business, and it's always a challenge to allocate resources for activities.	11 (9.5%)	35 (30.2%)	16 (13.8%)	41 (35.3%)	13 (11.2%)
21	We do not plan all activities and draw budget in our business	2 (1.7%)	40 (34.5%)	11 (9.5%)	44 (37.9%)	19 (16.4%)
22	I always struggle to draw	3 (2.6%)	49 (42.2%)	11 (9.5%)	41 (35.3%)	12 (10.3%)

	financial statement such as income statement, cash flow and balance sheet.					
23	Do you have a person that look after business books? (book keeper)	11 (9.5%)	55 (47.4%)	11 (9.5%)	34 (29.3%)	5 (4.3%)
24	I am able to foresee business risks and allow for contingencies	11 (9.5%)	63 (54.3%)	27 (23.3%)	15 (12.9%)	-

**Table 4.5: Strategic action**

	<b>Items</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neither Agree/Disagree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
25	In my business we don't have mission and vision statement.	1 (0.9%)	42 (36.2%)	9 (7.8%)	36 (31%)	28 (24.1%)
26	I do have a broader understanding of my customers and I know what they	38 (32.8%)	66 (56.9%)	5 (4.3%)	7 (6%)	-

	want from our business.					
27	I always struggle to make decisions that are consistent with organization mission and strategic goal.	5 (4.3)	42 (36.2%)	12 (10.3%)	43 (37.1%)	14 (12.1%)
28	Our business strategic goals are realistic and achievable goals.	28 (24.1%)	69 (59.5%)	17 (14.7%)	2 (1.7%)	-
29	In my business we have long and short-term goals	32 (27.6%)	63 (54.3%)	8 (6.9%)	12 (10.3%)	1 (0.9%)

#### 4.5 ANALYSIS OF RESEARCH QUESTIONS

The research questions were answered using Pearson's correlation coefficient. Pearson's correlation was useful in establishing the level of relationships between the variables measured in this study.

##### 4.5.1 Research question one

Research Question One was aimed at establishing the relationship between communication competence and teamwork competence of SMME owners. Table 4.7 illustrates the outcome of the Pearson's correlation between the two variables.

**Table 4.7: Correlation matrix between communication competence and team work competence**

<b>Construct A</b>	<b>Construct B</b>	<b>Pearson’s correlation (r)</b>	<b>P - value</b>
Communication competence	Team work competence	0.609	<.0005

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

As illustrated in Table 4.7, the relationship between communication competence and teamwork competency indicates a significant positive relationship ( $r = 0.609$ ,  $p < 0005$ ). A positive relationship between the two variables implies a direct effect. This implies that communication competence among the SMME owners-managers enhances teamwork. Consistent with this outcome, a study by Nadal et al. (2015) highlights that teamwork competence is integrated with communication competence. In addition, Yi (2016) argues that communication, and teamwork, failure may adversely affect organizational survival.

#### **4.5.2 Research question two**

Research question two investigated the relationship between communication competence and global awareness of SMME owners. Table 4.8 illustrates the relationship between these two variables.

**Table 4.8: Correlation matrix between communication competence and Global awareness**

<b>Construct A</b>	<b>Construct B</b>	<b>Pearson’s correlation (r)</b>	<b>P - value</b>
Communication competence	Global awareness	0.633	<.0005

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 4.8, there is a statistically significant, positive association between communication competence, and global awareness ( $r = 0.633$ ,  $p < .0005$ ). The positive association indicates that communication competence is linked to the global awareness of the

SMME owners-managers. In other words, as the communication competence of an SMME owners-managers increases, so does their competence, with respect to, global awareness.

#### 4.5.3 Research question three

Research question three was generated to examine the relationship between the planning, administration, and strategic action of SMME owners. Table 4.9 illustrate the outcomes of the statistical analysis performed on the data collected,

**Table 4.9: Correlation matrix between planning and administration and strategic action**

Construct A	Construct B	Pearson's correlation (r)	P - value
Planning and administration	Strategic action	0.214	<.05

**\*. Correlation is significant at the 0.05 level (2-tailed).**

The Pearson correlation, as illustrated in Table 4.9, indicates a significant, positive relationship between planning and administration; and the strategic action of the SMME owners ( $r = 0.214$ ,  $p < .05$ ). This implies that when the planning and administration of the SMME owners-managers is effective, so is their strategic action. The converse scenario, would hold true too.

#### 4.5.4 Research question four

The objective was to determine the relationship between global awareness and teamwork competence of the SMME owners. The result of the statistical analysis is illustrated in Table 4.10.

**Table 4.10: Correlation matrix between global awareness and teamwork competence**

<b>Construct A</b>	<b>Construct B</b>	<b>Pearson's correlation (r)</b>	<b>P - value</b>
Global awareness	Teamwork competence	0.557	<.0005

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

Statistical analysis reveals that a significant, positive relationship exists between global awareness and teamwork competence. ( $r=0.557, p<.0005$ ) This implies that the global awareness of SMME owners-managers enhances their teamwork competence. The positive, significant relationship is an indication that there is a direct association between the two variables.

#### **4.5.5 Research question five**

The objective was to examine the relationship between planning and administration, and communication competence. Table 4.11 illustrates the outcome of the statistical analysis performed, using the Pearson correlation.

**Table 4.11: Correlation matrix between planning and administration, and communication competence**

<b>Construct A</b>	<b>Construct B</b>	<b>Pearson's correlation (r)</b>	<b>P - value</b>
Planning and administration	Communication competence	-0.266	<.0005

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

The relationship between planning and administration, and communication competence, is statistically significant. (Table 4.11.) However, in contrast to previous analysis, the relationship between these two variables is inverse. The outcome of the analysis revealed that:  $r = -0.266$ ,

$p < .0005$ . The inverse relationship between the two variables is surprising. Planning and administration was expected to enhance communication competence.

#### 4.6 TEST OF HYPOTHESES

The five hypotheses were formulated, and tested, using regression analysis. The hypotheses formulated in this study, to strengthen research findings employed robust statistical analysis. Regression analysis was adopted to test the hypotheses formulated.

##### 4.6.1 Hypothesis one

Hypothesis one is stated below:

**H1:** A significant relationship exists between communication competence and team work competence.

Table 4.12 illustrates the outcome of the tested hypothesis one (H1) using linear regression.

**Table 4.12: Communication competence as a predictor of teamwork competence**

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	3.677		3.963	.000	.371	67.276	1; 114	<.0005
Communication competence	.486	.609	8.202	<.0005				

DV – Teamwork competence

As illustrated in Table 4.12, regression analysis indicates that communication competence predicts 37.1% of the variance on teamwork competence. ( $R^2$  of .371. Based on this outcome, the independent variable (communication competence) predicts the dependent variable (teamwork competence)  $\beta = 0.609$ ,  $p < 0.0005$ . From this results, the alternative hypothesis is supported.

##### 4.6.2 Hypothesis two

Hypothesis two is stated below:

**H2:** There is a significant relationship between the communication competence and global awareness of SMME’s owners.

Table 4.13 illustrates the outcome of regression analysis.

**Table 4.13: Communication competence as a predictor of global awareness**

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	3.764		2.939	.004	.401	76.231	1; 114	<.0005
Communication competence	.715	.633	8.731	<.0005				

DV – Global awareness

As illustrated in Table 4.13, regression analysis indicates that communication competence predicts 40.1% of the variance in global awareness. (R<sup>2</sup> of .401) Regression analysis revealed that the independent variable (communication competence) predicts the dependent variable (global awareness)  $\beta = 0.633$ ,  $p < 0.0005$ . Based on the outcome of this statistical analysis, the alternative hypothesis is supported.

### 4.6.3 Hypothesis three

Hypothesis three is stated below:

**H3:** There is a significant relationship between planning and administration, and the strategic action of the SMME owners.

The result is illustrated in Table 4.14

**Table 4.14: Planning and administration, and strategic action**

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	10.113		10.275	.000	.046	5.480	1; 114	<.05
Planning & administration	.128	.214	2.341	<.05				

DV – Strategic action

Table 4.14 illustrates the result of statistical analysis, using linear regression. Regression analysis indicates that planning and administration predicts 4.6% of the variance in global awareness (R<sup>2</sup> of .046.) This implies that there are 99.95 unexplained variance in the strategic

actions of the SMMEs owners-managers  $\beta = 0.214$ ,  $p < 0.05$ . Based on the outcome of this statistical analysis, the alternative hypothesis is supported.

#### 4.6.4 Hypothesis four

Hypothesis four is stated below:

**H4:** A significant relationship exists between global awareness and teamwork competence of the SMME owners.

**Table 4.15: Global awareness as a predictor of teamwork competence**

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	5.323		6.382	.000	.311	51.361	1; 114	<.0005
Global awareness	.394	.557	7.167	<.0005				

DV – Teamwork competence

As illustrated in Table 4.13, regression analysis indicates that global awareness predicts 31.1% of the variance in teamwork competence, based on the value of the R<sup>2</sup> of .311. Regression analysis reveals that the independent variable (global awareness) predicts the dependent variable (teamwork competence) -  $\beta = 0.557$ ,  $p < 0.0005$ . Based on the outcome of this statistical analysis, the alternative hypothesis is accepted.

#### 4.6.5 Hypothesis five

The alternative hypothesis five is stated below:

**H5:** There is a significant relationship between planning and administration, and communication competence of the SMME owners.

Table 4.16 illustrates the result of the statistical analysis

**Table 4.16 Planning and administration as a predictor of communication competence**

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	20.164		11.998	.000	.071	8.711		<.005

Planning & administration	-.275	-.266	-2.951	<.005			1; 114	
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DV – Communication competence

Table 4.16 shows the result of regression analysis. It indicates that planning and administration predict 7.1% of the variance in communication competence, based on the value of the  $R^2$  of .071. Regression analysis reveals that the independent variable, planning and administration, predicts the dependent variable, communication competence. ( $\beta = 0.557$ ,  $p < 0.005$ .) Based on this result, the alternative hypothesis is accepted.

#### 4.7 CONCLUSION

This chapter presents the results of the quantitative data collected, and analyzed using SPSS (Version 26.) Descriptive and inferential statistics were used to achieve the objectives of this study. Descriptive statistics were used to analyse the demographic section of the study as well as the respondents' responses, on the scale employed, to measure the variables in this study. Pearson's correlation was useful to answer the research questions and regression analysis was used to test the hypotheses. The next chapter presents the summary, conclusion and recommendation of this study.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This Chapter focuses on providing conclusions, and recommendations, in response to the statement of the problem, research objectives and research questions. This chapter will provide a conclusion to the study, and recommendations will be made, as per the key findings of chapter four. There will be a conclusion made about the chapters of this study.

#### **5.2. CONCLUSION ON CHAPTERS**

##### **5.2.1 Chapter One**

Chapter one lays the foundation for this study, Chapter one has provided a brief overview of SMMEs in South Africa, and their contribution to the South African Economy. The statement of problem was discussed in this chapter. It was mentioned that although the South African government has assisted SMMEs in many ways, the high failure rate is alarming. This chapter

also provided the background of the study, the research objectives, research questions, brief literature review, brief research methodology, significance of the study, and ethical clearance.

### **5.2.2 Chapter Two**

This chapter provides an in-depth literature review/ SMMEs were clearly defined and categorized according to their operations. The historical development of SMMEs in South Africa was also discussed in detail in this chapter. In addition, this chapter includes an in-depth overview of SMMEs in South Africa. Focus shifted from a global view, to a local one. SMMEs were discussed, starting from an international level, and zooming in on the uThukela District Municipality and Okhahlamba LM.

This was done to paint a clear picture of the status quo, of SMMEs in South Africa, and in the world at large. This chapter includes the contribution of SMMEs to the economy at a national, provincial and district level. Further discussion includes, SMMEs support structures and the legislation that has affected the operation of SMMEs. SMMEs failure rates were discussed as well as ways of managing small businesses. Finally, the five managerial competencies were discussed in relation to the SMMEs context.

### **5.2.3 Chapter Three**

This chapter incorporates the entire research methodology. The research design was discussed in detail. It was clearly stated that the study uses the quantitative research method. The main aims, objectives and key questions were outlined. This chapter also discusses the target population and sampling design. The data collection procedures, data collection method and the construction of questionnaires as well as data quality control, were examined. Finally, chapter three includes assessing the data analysis instrument used.

### **5.2.4 Chapter Four**

This chapter discussed data analysis and the interpretation of the results. Results were analyzed based on the questionnaires, and data, collected. The data was analyzed using SPSS. Since the study opted to use the quantitative research approach, the data was analyzed using descriptive and inferential statistics. The first part of chapter four covers demographics while the second

part of chapter four discussed results (Using the Pearson Product-Moment Correlation Coefficient). This chapter includes the testing of the hypothesis.

### **5.2.5 Chapter Five**

This chapter has presented a conclusion and recommendations for the study. This chapter provides the conclusion of all chapters, in the study. This chapter provided a conclusion based on the questionnaires that were collected. The recommendations were drawn based on the key findings. The recommendations are for SMME owners-managers, and government, as a whole. Furthermore, the chapter provided research areas relevant to SMMEs Managerial Competencies.

### **5.3. OBJECTIVES OF THE STUDY**

The objectives of the study were:

- To establish the relationship between communication competency and the teamwork competency of SMME'S owners.
- To examine the relationship between communication competency and global awareness of SMME'S owners.
- To ascertain the influence of planning and administration on strategic action of the SMME's owners.
- To evaluate the relationship between global awareness and the teamwork competency of the SMME's owners.
- To examine the relationship between planning and administration and communication competency.

### **5.4 CONCLUSION BASED ON DEMOGRAPHICS**

The main objective of the study was to assess the managerial competencies amongst the SMME owners-Managers within the Okhahlamba LM. The results of this study are based on the questionnaires (120) distributed to SMME owners-managers in the Okhahlamba LM. Through an analysis of the results obtained, the following conclusions can be drawn:

- **Gender:** In terms of gender distribution, males seem to be dominating the SMME space in the Okhahlamba LM. The data reveals that male contribute 53.4%, while female contribute 46.6% of the total SMMEs.
- **Race:** the race results paint a true reflection of the Okhahlamba LM. The municipality is highly dominated by blacks with 84.5%; followed by Whites with 11.2% and lastly Indians with 4.3%.
- **Age:** In the age distribution, it can be concluded that 30-34 years are leading the pack with 25% of this age group owning SMMEs in Okhahlamba. They are followed by people aged, 45-49, who contribute about 19%. Results also show that youth, people that are between the ages of 20-29, are very interested in SMMEs - they contribute about 28, 4%.
- **Education:** the results show that that 26.7% of SMME owners-managers have Senior Certificate, 26.7% have secondary education and that 6.9% have primary school education. This puts them under a lot of pressure. This is due to the fact that business require managers to have an understanding of basic business management skills.
- **Years in business:** The analysis shows that there are many people starting small business (0-12 months) 23%. However, those with 1-5 years the number is relatively low. This indicates that there are many challenges faced by new entry businesses, especially in their early stages of operations. However, 33.6% constitutes the percentage of people who have been in the business for more than 5 years. These people have been in business for a few years and understand the dynamics of the small business arena.
- **Sector:** The results shows that the majority of SMMEs are in services business, followed by general dealers, agriculture and others. It can be concluded that most SMMEs are in services, which is made up of salon, catering services and tendering.
- **Business Role:** It can be concluded that the majority of SMMEs in Okhahlamba are managed by their owners (51.7%), and about 20, 7% SMMEs are managed by non-owner managers. But in other cases, it is found that SMMEs are managed by a person that is an owner and a manager (both).
- **Number of Employees:** It can be said that the SMMEs are contributing significantly to the local economic development of Okhahlamba LM. SMMEs in the area have employed quite a large number of people. And the number can even grow more if the SMMEs in the area can be properly managed.

- **Legal Status of the Business:** The data analysis reveals that the majority of SMMEs, in Okhahlamba LM, are legally registered. And that is good because they are known by the government and it is easy to trace them, whenever there is a need.

## **5.5 CONCLUSION ON RESEARCH OBJECTIVES**

The study had five research questions. This section will focus on summarizing and reaching a conclusion to the research objectives, as discussed in Chapter One of this study:

### **5.5.1 To establish the relationship between communication competency and teamwork competency of SMMEs owners**

The findings of the study have revealed that there is a significant relationship between communication competency and teamwork competencies of the SMME owners-managers. The findings indicate that these two competencies have a major role to play in SMME development. The analysis, based on the data collected from questionnaires, demonstrates that the majority of SMME owners-managers reply positive on questions relating to communication skills. However, questions that relate to the use of the latest communication technology reveal that many SMME owners are still behind.

Teamwork can be understood as one of the crucial managerial competencies in SMMEs. While it was found that many SMME owners-managers do embrace the team work, the result shows that numerous SMME owners-managers do not like to be criticized. This is not good in business because there is always room for improvement, therefore criticism is one of the key elements in business. It can be concluded that communication competency and teamwork competency are critical in enhancing the development of SMMEs.

### **5.5.2 To examine the relationship between communication competency and global awareness of SMME owners-managers.**

The second objective was to assess the relationship between communication competency and global awareness, of SMME owners-managers in Okhahlamba LM. Based on the results, of this study, it can be noted that there is a meaningful relationship between communication competency and global awareness competency, in SMME owners-managers. Therefore, the more SMME owner-manager communication skills increase, the more the SMME owners-

managers global competencies increase. This is due to the fact that communication generally enhances a broader understanding of any situation.

It can also be said that the majority of SMME owners-managers responded positively to many questions related to global competencies. However, in three questions some SMME owners-managers responded that they are not willing to expand their businesses, or move to another region or learn other people's cultures, They are not fully aware about global trends have a limited understanding of how global trends affect their business operations. This is an area of concern. In general SMME owners should be aware of what is happening in the global space. There is a need to quickly read global trends and adapt to changes in the global space.

### **5.5.3 To ascertain the influence of planning and administration on strategic action of the SMME owners**

Both planning and administration competency and strategic action competency is critical to the success of any business. The outcome of the results demonstrates that these two competencies support one another. Strategic action requires some level of planning and administration. There is a significant relationship between these two managerial competencies. It shows that, indeed, planning and administration have an influence on strategic action.

The tables presented in Chapter 4 (Table 4.4, Table 4.5) show that 37.1% of respondents indicate that they find it very difficult to set a clear business goal and 30.2% indicated that they struggle to prioritize activities in their businesses. The majority of SMME owners-managers (42.2%) indicated that they are struggling to draw financial statements for their businesses. On the other hand, 36.2% pointed out that they do not have vision and mission statements. This also poses a serious threat to the prosperity, and strategic planning, of their business. However, there are some SMME owners-managers that responded positively to many questions that were related to planning and administration, and strategic action.

### **5.5.4 To establish the relationship between global awareness and teamwork competency of the SMME owners**

The findings illustrate that there is major relationship between global awareness competency and teamwork competency. This can be summarized by saying that global awareness

competency is likely to influence teamwork among the SMME owners-managers. This kind of relationship is very critical in business, in general. SMME owners-managers should be able to work in collaboration with other business in their area (Okhahlamba) and other regions. This can enhance their business skills and it is likely to bring more business opportunities

#### **5.5.5 To examine the relationship between planning-administration and communication competency**

The last objective was to examine the relationship between planning-administration competency and communication competency. The results of this study reveals that there is no relationship between these two managerial competencies. It must be noted that this result came as a shock to the researcher. These two managerial competencies are going in different directions. However, the statistics exhibited in table 4.1 shows that the majority of SMME owner-managers, in Okhahlamba, responded positively on questions related to communication competencies. Furthermore, it must be noted that planning and administration competency, is still a major area of concern in some SMME owners-managers in Okhahlamba, as illustrated in Table 4.4.

### **5.6 GENERAL CONCLUSION**

The main intention of the study was to assess the managerial competencies among the SMME owners-managers in the Okhahlamba LM (uThukela District.) This kind of study was needed to understand the managerial competencies of SMME owners-managers, in Okhahlamba. The statistics show that irrespective of the numerous government initiatives that support SMMEs, there is still a high failure rates of SMMEs. (Chapter One.) Therefore, it was important to try and assess other factors that might lead to SMME failure. The study had five objectives, and five research questions.

The study revealed that managerial competencies are critical to the management of SMMEs, in general. In supporting the argument five hypotheses were tested in the study. They showed a positive relationship between the managerial competencies. It can be concluded that although many SMME owners-managers responded positively to the questions related to communication competency, there is a need to sharpen the managerial competency of many SMME owners. Other managerial competencies, like global competency, planning-

administration competency and strategic-action competency are still major problems for other SMME owners-managers in the Okhahlamba LM.

## **5.7 RECOMMENDATIONS**

This section will provide two types of recommendations. The first part of this section will present recommendations to SMME owners-managers of Okhahlamba. The second section will present recommendations to government.

### **5.7.1 Recommendations to SMME owners-managers in Okhahlamba**

#### **5.7.1.1 Networking**

SMME owners-managers must learn to expand their wings and interact with other businesses in the area, as well as other regions. This will allow them to see and observe how things are done in other regions. This is likely to improve their managerial competencies because they will learn from one another. Networking will allow SMEE owners-managers to see what they can learn e from other businesses. Therefore, it is important for SMME owner-managers to work with other business people. To work alone, does not improve the SMME's development. SMMEs in Okhahlamba should be encouraged to work in collaboration with one another.

#### **5.7.1.2 Training and Development**

Training and development is one of the most critical aspects of SMME development. There is a need for SMME owners-managers to be trained in various business management skills. From a review of literature, and by analyzing data, it is evident that most SMME owners-managers lack some managerial competencies, which compromises the development of their businesses. Therefore there is a need to increase the managerial competencies of SMME owners-managers. This can only be done through a series of training.

#### **5.7.1.3 Self -Introspection (SMME owners-managers)**

This is one of the most critical areas that SMME owners-manager should look at. Many SMMEs fail because they are unable to take time and do self-evaluation. This will allow them to see where they need to improve without blaming other people. Self-introspection will allow SMME owners-managers to identify areas where they need to expand their knowledge. With self-introspection, SMME owners-managers can identify which managerial competencies

they need to improve. For example, it was evident that the majority of SMME owners-managers lack planning and administration skills. Once, a person can identify an area where they need to improve, they need to take action or take a step to close the gap.

#### **5.7.1.4 Take Initiative**

SMME owners-managers should learn to take the initiative. Both personal development and the development of their businesses needs to be self-motivated. SMME owners-managers must learn not to blame government for everything that is not working well in their businesses. SMME owners-managers in Okhahlamba should learn to take the initiative to develop themselves - and not wait for training to be provided by the government. Their businesses are making money, therefore they can afford to pay for short courses like computer literacy, bookkeeping, communication skills, project management and business management. These short courses are likely to improve their managerial competencies.

#### **5.7.1.5 Change the SMME owners-managers Mindset**

There is a need to change the mindset of the majority of SMME owners-managers. Many SMMEs are happy to remain very small. Results show that people are not willing to expand their businesses and that they just want to remain small, and work in the Okhahlamba region. Expansion and diversification is essential to the development of their businesses - and, also to the mind-set, of owner-managers in the region. Most SMMEs are started to alleviate poverty, are relatively small and the owners-managers are mainly concerned with survival, rather than looking at the long term.

### **5.7.2 Recommendations to Okhahlamba Local Municipality and Government**

#### **5.7.2.1 Strengthen the Incubation**

This is one area that the Okhahlamba LM needs to look into. Incubation will ensure that SMMEs, within municipality are assisted, in all business aspects before they are able to work independently, from government. Incubation will allow SMME owners-managers to gain much needed managerial competencies which are the key in the management of their businesses. Business Incubation will also reduce the business failure rate. The literature review and data analysis indicates that the SMME failure rate is very high. Therefore

businesses incubation can be a solution in helping to decrease the number of businesses that fail, in their early stages.

#### **5.7.2.2 Strengthen Business Seminars/Business Forums**

There is a need for the local municipality to strengthen business through seminars and business forums. These kind of sessions will allow them to learn from one another, and will benefit all businesses in Okhahlamba. In these seminars, there should be a discussion about the various business challenges, and possible solutions. These will also increase the managerial competencies of SMME owners-managers within the Okhahlamba LM. These seminars/forums can also include other important issues, such as the funding of SMMEs, the market and other elements key to business development. It must be said that there is an existing business forum in Okhahlamba, however this need to be strengthened to ensure that other races are participating in that structure.

#### **5.7.2.3 Improve the Signal**

The local municipality should work with the provincial government to try and improve the current situation. In Okhahlamba there are areas where there is no signal which is not good for the business. The communication to those SMMEs remains a challenge - when there is no signal the SMME owners-managers cannot make or receive calls, or access email. These days, many business deals are done over the phone or email, and the current situation in Okhahlamba compromises the development of other businesses.

#### **5.7.2.4 Government to provide more support to SMMEs**

Government needs to provide more support to SMMEs. Chapter two shows that SMMEs are creating many job opportunities, and have the potential to create even more - if they are properly supported. Given the current economic situation, where unemployment is very high, SMMEs are an alternative that can help the government to reduce unemployment rates in the country.

#### **5.7.2.5 Procure from SMMEs**

The Okhahlamba LM and government departments in Okhahlamba should consider procuring goods and services from SMMEs in the area. This will ensure that SMMEs in the region have

a guaranteed market. In many instances SMMEs are suffering to get a market for their products. When Local Municipality and government departments are buying from SMMEs that will show that they have faith in small businesses in the area.

## **5.8 FURTHER RESEARCH AREA IN MANAGERIAL COMPETENCIES**

The study has focused on assessing managerial competencies amongst SMME owners-managers in the Okhahlamba LM. The study did not consider other factors that hinder the prosperity of SMMEs, in Okhahlamba. It must be noted that this is the first SMME study conducted in Okhahlamba. Therefore it is suggested that future studies should focus on broader factors that affect SMME development in the region.

## **5.9 FINAL REMARKS**

The study has revealed the significance of Managerial Competencies in SMME owners-managers. This study has discussed the significance of SMME development, and SMME contributions made to the economy, both internationally, and in Africa. A global view was narrowed down to focus then on South Africa, KwaZulu-Natal, and the uThukela District and Okhahlamba LM. It was evident that SMMEs, generally, are contributing significantly to the economy of the country. Therefore there is a need for government to adopt an integrated approach, in assisting SMMEs. All role players involved in SMME development need to pull together to ensure that small businesses achieve their potential.

The study also exposed the fact that some SMME owners-managers in Okhahlamba still lack critical managerial competencies. It is the responsibility of both SMMEs, and government, to ensure that SMME owners-managers improve in areas where they lack skills. Government should continue to strengthen entrepreneurial programmes, provide trainings to SMMEs, reduce rape tape, improve infrastructure and assist SMMEs to access funding.

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**UNIVERSITY OF KWAZULU-NATAL  
SCHOOL OF MANAGEMENT, IT AND GOVERNANCE**

**APPENDIX A: INFORMED CONSENT**

**Researcher: Lindani Nene (063 502 1954)**

**Supervisor: Professor Thokozani Nzimakwe (031 260 2606)**

**Dear Respondent**

**I Lindani Rodgers Nene**, I am a Master of Commerce student at University of KwaZulu Natal in the School of Management, IT & Governance. I hereby invite you to participate in my research project, titled as follows:

**Assessing managerial competencies of small enterprises in Okhahlamba Local Municipality**

Through your participation I hope to understand the managerial competencies amongst the SMME's owners at Okhahlamba Local Municipality and established as to what extent managerial competencies affect the prospect of business success. The result of this survey are intended to contribute to a better understand of SMME's managerial competencies in Okhahlamba Local Municipality. The outcome of the study will be shared with all relevant authorities.

Your contribution in this study is strictly voluntary. You may refuse to participate in this study, and you are allowed to withdraw anytime if you feel that your right to privacy is violated. Please note that there will be no reward for responding to the questionnaires of this study.

The issue of confidentiality and anonymity of records identifying as a participant will be maintained by the School of Management, IT and Governance, University of KwaZulu Natal Westville Campus. This questionnaire should take you about 15-20 minutes to complete. I hope that you will take to complete this questionnaire

Sincerely

L.R Nene

-----

Date:



**University of KwaZulu-Natal**  
**School of Management, IT and Governance**

**CONSENT**

**I .....(full names of the participants) hereby understand that the content of this document and nature of the research project, and I consent to participate in the research study. I further understand that I am allowed to withdraw from research project any time, should I so desire.**

**I hereby consent to participate in the research project.**

**Signature of Participant**

**Date:**

.....

.....

**APPENDIX B: QUESTIONNAIRES**  
**Sample of Questionnaire (SMME's owners-Managers)**

**Instructions to Fill the Questions:**

- This questionnaire has two section; Section A and Section B.
- Section A will cover demographics and Section B will cover the managerial competencies in small business owners-managers.
- Note this study will use closed ended questionnaires, meaning you will choose your answer from the given options.
- You may pick one box in one question, mark your answer with “X” or “tick”.
- Your Name and Surname will be not be shared with any other unauthorized person.

**Section A**

**Demographics Questionnaires**

This section of questionnaire require you to provide demographic information your name, business name, gender, ethnic group, age, level of education, period of business operation and sector of operation

**Question 1**

Please provide your name and surname \_\_\_\_\_

Please provide the name of your Business \_\_\_\_\_

**Question 2**

Please indicate your gender

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

**Question 3**

Please indicate your ethnic group/race

Black	<input type="checkbox"/>	Coloured	<input type="checkbox"/>
Indian	<input type="checkbox"/>	White	<input type="checkbox"/>

**Question 4**

How old you?

20-24 years	<input type="checkbox"/>	35-39 years	<input type="checkbox"/>
25-29 years	<input type="checkbox"/>	40-44 years	<input type="checkbox"/>
30-34 years	<input type="checkbox"/>	45-49 years	<input type="checkbox"/>

**Question 5**

Please indicate your highest level of education

Primary School	<input type="checkbox"/>	Diploma	<input type="checkbox"/>
Secondary School	<input type="checkbox"/>	Degree	<input type="checkbox"/>
Senior Certificate	<input type="checkbox"/>	Postgraduate	<input type="checkbox"/>

**Question 6**

How long your business has existed?

0-12 months	<input type="checkbox"/>
1-2 years	<input type="checkbox"/>

2-3 years	
3-5 years	
>5years	

**Question 7**

Your business operates under which sector?

Agriculture	
Textile	
General Dealer	
Fashion Design	
Bakery	
Transport/Logistics	
Construction	
Engineering	
Services: e.g Salon	
Other	

**Question 8**

What is your role in the business?

Owner	
Manager	
Both	
Other	

**Question 9**

How many people you employed in your business

0	
1-5 employees	
6-10 employees	
11-20 employees	
>21 employees	

**Question 10**

Please indicate the legal status of your business

Private Limited Company (PTY)	
Partnership	
Close Corporation (CC_)	
Sole trader	
Other	

**Section B**

**Managerial Competencies**

The following questionnaires will be used to assess managerial competencies to SMME's owners-managers

**Question 1: Communication Competency: the following questions will be used to assess the level of communication skills to small business owners-managers.**

I am accessible to others, easy to approach and to talk to.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I share information with others and I able to build a rapport, and relate well with other people.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am aware that communication is a two way street and I always respond in an appropriate way.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I don't pay attention to other people ideas.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I able to communicate well in English, this include read and write in English.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am able to negotiate effectively and I also able to persuade customers.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am aware of different types of social media (Facebook, Instagram, Twitter, Skype), and I used one or two of them to communicate with my clients.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 2: Teamwork Competency: The following questionnaire will be used to assess teamwork competency amongst the SMME's owners-managers.**

I am able to work collaboratively with other colleagues to achieve the set target.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I take all credit for business success; I believe that I am the only person who works hard in our business no one else.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I encourage people/my staff to think and act co-operatively.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I conduct myself more professional when working in a team and I am able to manage team dynamics.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am open for criticism, suggestions and I am able to work with other business owner-managers.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 3: The following questions will be used to assess the global awareness amongst the SMME's owners-managers.**

Globalisation affects the growth of my business

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I always buy and read newspapers, and I am passionate about knowing as to what is happening in other countries.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am aware of my culture and I am open and willing to learn other people cultures.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I embrace to use latest technology to communicate with other people in different regions.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am fully aware of global business opportunities and I am willing to expand my business.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I am not willing to expand my business to other regions.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 4: Planning and Administration. The following questionnaires will be used to explore the challenges of SMME's owners when it's come to planning and administration.**

I find it very difficulties to set clear goals.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I struggle to identify priority activities in my business, and it's always a challenge to allocate resources for activities.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

We do not plan all activities and draw budget in our business

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I always struggle to draw financial statement such as income statement, cash flow and balance sheet.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you have a person that look after business books? (book keeper)

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I able to foresee business risks and allow for contingencies

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 5: Strategic Action: To measure the level of understanding of SMME's owners-managers when it's come strategic planning.**

In my business we don't have mission and vision statement.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I do have a broader understanding of my customers and I know what they want from our business.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

I always struggle to make decisions that are consistent with organization mission and strategic goal.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Our business strategic goals are realistic and achievable goals.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

In my business we have long and short term goals.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**APPENDIX C: QUESTIONNAIRES**  
**Sample of Questionnaire (STAKEHOLDERS)**

- 
- This questionnaire has two section; Section A only
  - Section A is closed ended questions
  - Section B is open ended questions
  - Note this study will use closed ended questionnaires, meaning in section A you will choose your answer from the given options
  - You may pick one box in one question, mark your answer with “X” or “tick”.
  - Your Name and Surname will be not be shared with any other unauthorized person.
- 

**Please provide your information**

<b>Name</b>	
<b>Surname</b>	
<b>Organization</b>	
<b>Position</b>	
<b>Contact Number</b>	
<b>E-mail address</b>	

**Section A**

**Managerial Competencies**

The following questionnaires will requires you to provide the input regarding managerial competencies of SMME’s owners-managers.

**Question 1: Communication Competency**

Please rate the level of communication skills of SMME’s owners-managers.

Excellent	Good	Fair	Bad	Very Bad

Please rate business negotiation skills of the SMME’s owners-managers.

Excellent	Good	Fair	Bad	Very Bad

Do you think majority SMME’s owners-managers have the ability to transfer and exchange information in both English and IsiZulu?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think SMME’s owners-managers are able to make use of latest technology such as social media to market their business?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 2: Teamwork Competency**

Please rate co-operations amongst the SMME’s, meaning that they are able to co-operate with one another, e.g referring customers to one another, especial if one is out of stock

Excellent	Good	Fair	Bad	Very Bad

Do you think SMME’s owners-managers have the ability to manage team dynamics in their businesses?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think SMME’s owners-managers are able to stick to a plan or work schedule and are they able to meet a deadlines.

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think SMME’s owners-managers have the ability to influence others (staff) without putting a pressure on them?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 3: Global Awareness Competency**

Do you think SMME’s owners-managers are paying attention to business global trends?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think SMME’s owners-managers are aware of global business opportunities?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

According to your observations, do you think SMME’s owners-managers are willing to expand to other regions?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 4: Planning and Administration Competency**

Do you think SMME’s owners-managers are able to set a clear goals for the businesses?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think SMME's owners-managers able to identify priority activities in their business and allocate necessary resources?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

According to your observation, do SMME's owners-managers able to draw financial statement, financial statement such as cash flow, income statement and balance sheet?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think SMME's owners-managers are able to foresee the business risk well in advance?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

**Question 5: Strategic Action**

Does SMME's have mission and vision statement?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do you think that owners-managers of small business are able to make decisions that are consistent with their organization vision?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

Do owners-managers of small business able to set realistic and achievable goals?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree

According to your observations, do you think SMME's do have short and long goals?

Strongly Agree	Agree	Neither A/Disagree	Disagree	Strongly Disagree



**edtea**

**Department :**  
Economic Development, Tourism and  
Environmental Affairs

**PROVINCE OF KWAZULU-NATAL**

73 Murchison Street  
Ladysmith, 3370  
Tel: (035) 634 5001, Fax: (036) 236 1830  
Dumisani. Langa@kznedtea.gov.za  
www.kznedtea.gov.za

**To Whom It May Concern**

**Date: 03 September 2018**

Lindani Nene is a Masters student at the University of KwaZulu Natal Westville Campus. He has proposed a research project towards his thesis on Assessing Managerial Competencies amongst the SMME's owners-managers using Okhahlamba Local Municipality as a Case Study.

I am aware that the study will take place during the office hour's within the Department of Economic Development, Tourism and Environmental Affairs at Uthukela District (SMME's & Coops unit), for which he will be collecting data through interviews or questionnaires with District Manager and other staff. I am also aware that in collecting data he will be engaging other stakeholders such as development agencies, local municipality and SMME's owners-managers.

I understand that this project involves accessing the information that is held by the Department (EDTEA Uthukela), and I would like to commit myself that the information will be provide to the researcher in a manner which ensures confidentiality of the participants.

I support the conduct of this research in this organization

Dumisani Langa

**Uthukela District Manager SMME's and Co-operatives**

**Department of Economic Development Tourism and Environmental Affairs**

**Tel: 036 634 5001**

**Cell: 082308 0685**



LOCAL MUNICIPALITY

Local Economic Development Unit  
10 Broadway Street  
PO Box 71  
Bergville, 3350  
Tel: 036 448 8015  
Cell: 079 496 1893

Date: 27/08/2018

Dear Lindani

**PERMISSION TO CONDUCT RESEARCH AS PART OF THE RESEARCH DISSERTATION  
REQUIREMENT FOR MASTER COMMERCE COURSEWORK DEGREE**

Name: Lindani Nene

Student No: 205507017

Dissertation Topic: Assessing Managerial Competencies amongst the SMME's owners-  
managers: Case study of Okhahlamba Local Municipality

Authority is granted for the above mentioned student to conduct the research in the SMME's that are within Okhahlamba Local Municipality. The student will be expected to get the participant's consent before administering questions or conduct interview that is required as a means of data collection.

Furthermore it will be appreciated if the result of the study can be shared with this Municipality so that we can learn from the knowledge gained. It is anticipated that the results of the study will give us more insight on the shortcomings and successes of the SMME's at our municipality. I trust that the research will comply with all ethical conditions as stipulated by the University.

For any further enquiries, do not hesitate to contact me at 036 448 8015 or email [hengiwe.ndaba@okhahlamba.gov.za](mailto:hengiwe.ndaba@okhahlamba.gov.za).

Yours Faithfully

Hengiwe Ndaba  
LED Manager





25 February 2021

**Mr Lindani Rodgers Nene (205507017)**  
School of Management, IT & Governance  
Westville Campus

Dear Mr Nene,

**Protocol reference number:** HSS/0195/019M

**Project title:** Assessing Managerial competencies amongst small, medium and micro managers: A case study of Ukhahlamba Local Municipality

**Amended title :** Assessing managerial competencies of small enterprises in Okhahlamba L

### **Approval Notification – Amendment Application**

This letter serves to notify you that your application and request for an amendment re 2021 has now been approved as follows:

- Change in title

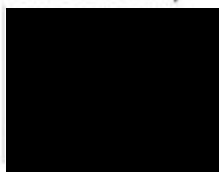
Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule Form; Title of the Project, Location of the Study must be reviewed and approved through the School of Management, IT & Governance prior to its implementation. In case you have further queries, please quote the protocol reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for

**All research conducted during the COVID-19 period must adhere to the national and UKZN**

Best wishes for the successful completion of your research protocol.

Yours faithfully



.....  
**Professor Dipane Hlalele (Chair)**

## **English Editing Certification Form**

This is to certify that I. Michelle Thomson, have edited this thesis/dissertation manuscript prepared by Lindani Rodgers NENE 205507017. (UKZN).

ASSESSING MANAGERIAL COMPETENCIES AMONGST THE SMMES OWNERS-MANAGERS: A CASE STUDY OF UKHAHLAMBA LOCAL MUNICIPALITY

The language, with respect to the grammar used, has been partially edited to improve sentence composition. The author's content, tone, style and all other aspects of the paper, have not been changed. The choice of words, expressions used, and all other aspects of composition are the author's own.

**English Editor,**

**Ms. Michelle Thomson (B.A.) (UKZN)**

**083 608 1992**

**Date of Completion:**

**20/11/2019**

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