AN INVESTIGATION INTO THE PROBLEMS AND CONSTRAINTS FACING SMALL BUSINESS IN 'DOWNTOWN' PIETERMARITZBURG

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ABSTRACT

This study attempts to investigate the perceived problems and constraints facing small Indian owned businesses in the 'downtown' area of Pietermaritzburg. An attempt was further made to profile businesses in the area, to investigate the specific problems and constraints facing them, and to look at problems on the basis of business sector and type of business. Further, the study aimed to provide information to marketers in the area and to make recommendations from a management point of view.

The problems facing SMME's were broadly divided into internal problems, external problems and those facing the firm at industry level. Internal problems are those over which the owner-manager has control and external problems are those over which the owner-manager has no control. The main problem facing SMME's at industry level appears to be competition from similar businesses.

The profile of businesses in downtown Pietermaritzburg is as follows:
- Owners
- Retail businesses
- Family owned
- Sole proprietors
- Male co-owners
- Approximately 72% of the businesses in the sample exist for a period of longer than 10 years.

The internal problems faced by the businesses include:
- 24% have no business experience
- Businesses do not offer credit facilities
- 32% experience problems in recruiting skilled staff
- Location is by far a major constraint in the business

The external problems do not seem to be having a serious/ very strong negative impact, however the common external problems faced by these businesses include

- Business cycle
- Exchange rates
- Changes in distribution patterns
- Social Cultural factors
- Rentals

Crime however appears to have the most serious negative impact on the businesses in this area.

Medical practices in the area surprisingly do not appear to have stock control systems in place. Operating costs were high for clothing businesses and general dealers. Location appears to be a problem for general dealers, jewelers, medical practices and clothing businesses. Crime appears to be a problem especially for jewelers, medical practices, and general dealers. General dealers, hairdressers and clothing businesses are affected by competition from similar businesses. Clothing businesses are negatively impacted by changes in distribution patterns.

There does not seem to be much difference between retail, service and other businesses with respect to internal and external problems. There also does not seem to be much difference between owners, managers and partners with respect to internal and external problems

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DECLARATION

I declare that the work is my own and in accordance with the rules of The University of Natal.

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CHAPTER 1
INTRODUCTION

This study is modeled on a similar one by Rwigema & Karunga (1999), who researched Small, Medium, and Micro Enterprise (SMME) Development in Johannesburg's Southern Metroploitan Area. An attempt will be made to investigate the perceived problems and constraints facing small business in the 'downtown' area of Pietermaritzburg. 'Downtown' Pietermaritzburg in this study refers to Church Street, between Retief and East Streets. Most of the businesses in this area are involved in the retail sector.

This study attempts to use a sample that represents the SMME sector in the country. This sector was chosen due to knowledge of it gained through working in it for the past fifteen years.

1.1 Background To The Study Problem

According to the General Conference of the International Labour Organization (1998) small and medium sized enterprises are a critical factor in economic growth and development. They are increasingly responsible for the creation of the majority of jobs throughout the world. They also provide the potential for women and other traditionally disadvantaged groups to gain access to productive, sustainable, and quality employment opportunities.

Although the statistical base of SMME's in South Africa is still poor, there can be little doubt about their significance. There are more than 800 000 small, medium, and micro-enterprises in the country absorbing about a quarter of the labour force of 15 million people. This is in addition to about 3,5 million involved in some or other type of survivalist enterprise activities (White Paper, 1995). In South Africa, SMME's contributed 42% of GDP in 1998 (Ntsika, 1997 in Smorfitt, 2002).

The South African government regards small business development as one of the pillars on which the economy needs to be built. SMME's in South Africa account for 60% of all employed people. This means that they are most effective in creating jobs in the country and an important vehicle for effectively addressing extreme inequalities in income (Ndwandwe, 1998, 60).

The Association of Small Business Development Centres (ASBDC) in the USA has research showing that there are over 22 million small businesses in America and the number is growing rapidly with over 800 000 started in 2000 alone. Small business accounts for 99% of all U.S. businesses and contributes over half of the nation's private domestic product (Smorfitt, 2002).

1.2 Definition Of Concepts

1.2.1 Definition Of SMME's

Differences of opinion exist about what a micro, small, or medium sized business really is. Differences exist not only between countries but different interpretations of these concepts are encountered within the same country (Moolman, 1996, 161; Smoffitt, 2002; Kosei *et al* in Rwigema & Karunga 1999, 109). The need for an internationally acceptable definition of an SMME is not always realized. Definitions of SMME's are normally based on economic (qualitative) and statistical (quantitative) guidelines. Unique qualitative characteristics of SMME's include the following:

- Independence
- Simple organizational structure
- Owner involvement
- Multiple liability.

Unique quantitative characteristics include the following:

- Annual Turnover: The maximum level for all types of SMME's is R5 million turnover per year, but that different maximum levels should be considered for different industries.
- The number of full time employees should not exceed 100.
- The value of assets (excluding fixed property) should not exceed R1 million
- The SMME must not have more than 5 branches.

A business is considered an SMME if it confirms to at least four of the above guidelines (Moolman,1996, 161).

1.2.1.2 Distinction Between Survivalist, Small, Micro and Medium Sized Enterprise

The latest trend is to refer to different elements of small business. None of these elements is excluded from the above-mentioned definition. According to the White Paper on Small Business (1995, 9-10), distinction can be made between the following characteristics of SMME's.

Survivalist enterprises are activities by people that cannot find a paid job. The income generated usually falls short of a minimum living standard. Very little capital is invested, skills levels are very low and only limited opportunities exist for growth into a viable business. Poverty and a struggle to survive characterize these enterprises.

- Micro-enterprises are very small businesses, often involving the owner, some family members and at the most one or two employees. They are usually informal as they lack business licenses, do not pay tax, do not keep any records and do not occupy formal business premises. They have a limited capital base and very little technical or business skills. Some micro-enterprises advance into viable small businesses and income levels vary widely.
- Small enterprises constitute the bulk of established businesses. They are usually owner managed and likely to operate from business premises and meet all the formal registration requirements. Usually between 5 and 50 staff members are employed.
- Medium enterprises are usually difficult to differentiate into 'small' and 'big' enterprises. These enterprises could have shareholders and ownership is somewhat

more complex (Moolman,1996, 162-163). According to the White Paper, (1995, 10) the upper limit of employment can be as high as 200, while capital assets (excluding property) can amount to R5 million.

1.3 **Problems And Constraints Facing SMME's**

By problems are meant something that is difficult to deal with, whilst constraint limits a person's freedom of action. Compared to big business in South Africa and in other countries, small businesses face a wider range of constraints and problems and are less able to address the problems on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environment confronting SMME's, the access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the quality of the business infrastructure in poverty areas and, in some cases the tax burden (White Paper, 1995, 10).

1.4 **How Small Business Contributes To The Economy**

SMME's form a significant component of modern economies, both in terms of the number of firms and their contribution to a country's employment level. While comparable figures are not available due to the divergence in definitions for class size and underlying unit costs across countries, the following table emerges when SMME's are defined as having less than 100 employees.(Ministry of Economic Development, 2002, paragraph 60).

Table 1 - Distribution Of Employment By Firm Size

	Year	Employment Size Class		
		1-19	**20-99**	**100+**
		Percentages		
New Zealand	1999	42.0	18.9	39.1
United States	1993	18.4	18.8	62.7
Canada	1992	25.5	20.8	53.7
France	1992	25.3	21.7	53.0
Germany	1992	31.3	18.2	50.5
Italy	1991	55.6	15.9	28.5
United Kingdom	1991	31.2	15.0	53.8

(Ministry of Economic Development, 2002, paragraph 1 & 2).

Table 2 - Percentage Of Employment In SMME's

Country	Percentage of Total Employment in SMME's
Italy	71.5
New Zealand	60.9
Germany	49.5
France	47.0
Canada	46.3
United Kingdom	46.2
United States	37.2

(Ministry of Economic Development, 2002, paragraph 1 & 2).

The highest proportion of total employment generated by SMME's is observed in Italy, followed by New Zealand, with a significantly lower rate observed in the U.S. (Ministry of Economic Development, 2002, paragraph 1 & 2).

Nearly three-quarters of the increase in employment between 1995 and 1999 in the UK came from SMME's. Over 750, 000 more people were in work during this period when 5.9 million jobs were created and 5.1 million were lost. SMME's created 540,000 of the gain, 71% of the extra jobs. New business during 1995 and 1999 created 2.3 million extra jobs with SMME's creating 85% (1, 925, 000) (Irwin, 2001,paragraph 2&6).

Small businesses in British Columbia created 80 300 new jobs between 1994 and 1997, more than 26 500 jobs per year (Smorfitt,2002). In the UK, 55% of employment rests with small businesses (Smorfitt,2002). The period between 1994-1995 and 1999-2000 in NSW Australia, saw the number of people working in small businesses grow by 16.7%.

Furthermore, small business provided 75.1% of the increase in employment in all NSW businesses between 1994-1995 and 1999-2000 (Smorfitt,2002). In South Africa, small, and medium sized businesses provided 57% of all employment in the private sector in 1997(Ntsika, 1997 in Smorfitt, 2002).

As part of the business community, small firms contribute to the nation's economic welfare. According to Longenecker et al (1997, 29), small businesses produce roughly 50% of the U.S. goods and services. Thus their general economic contribution is similar to that of big business.

According to Irwin (2001) some of the exceptional contributions made by small business include the following:

- Providing New Jobs
- Introducing innovation
- Stimulating Economic Competition
- Aiding Big Business
- Distribution Function
- Supply Function
- Service Function
- Producing goods and services efficiently

" Jobs are not the only reason for government support to this sector. SMME's also bring benefits such as stimulating competition, providing a supply chain, and developing and exploiting new technologies and niche markets.

Small businesses, according to Irwin (2001), do better in recessions than large firms. While large firms do massive layoffs, small firms adjust earlier and more quickly and actually create growth while large firms are collapsing.

1.5 Aims Of The Study

- To profile small businesses in the area.
- To investigate the specific problems and constraints facing small business in the area as perceived by the members of the business community.
- To look at problems on the basis of type of business and to find common problems associated with the different profiles of business.
- To make recommendations on how such problems can be addressed from a management point of view.

The emphasis as mentioned previously will be on Indian owned and managed enterprises as this area has historically been traded by Indians. The constructs are the problems and constraints facing SMME's and the independent variables to be identified include, access to finance, competition from big business, marketing, skills, technology, labour, and government regulations. Recommendations arising out of this study are intended to be passed on to policy makers.

The following chapter (Chapter 2) of this study deals with the problems and constraints facing small business in general. The problems are broadly divided into internal problems, external problems, and those facing the small firm at industry level. Internal problems are those over which the manager/owner has control and external problems are those over which the owner/manager has no control. The primary cause of internal problems was found to be management incompetence. Management incompetence was found to manifest as ineffective management planning, insufficient management information, poor controls, unsatisfactory financial management and insufficient marketing.

External problems facing small business include economic conditions, the technological environment, political and legal limitations, demographic changes, social and cultural factors, locational factors, and crime and discrimination faced by SMME's. The main problem facing small business at industry level appears to be competition.

Chapter 3 discusses the research methodology of this dissertation, with particular focus on the research problem, research objectives, and research design. Data collection methods are discussed , as well as validity, reliability and bias control.

Chapter 4 presents the findings of the survey, and a discussion of it.

Chapter 5 is a presentation of conclusions and possible recommendations. Limitations of the research as well as areas that would require further research will be discussed.

CHAPTER 2

PROBLEMS AND CONSTRAINTS FACING SMALL BUSINESS

2.1 Problems Of SMME's

The SMME sector is exposed to all the fluctuations and insecurities of the economy (Moolman, 1996; White Paper, 1995). Small businesses face a wider range of problems and constraints and are less able to address the problems on their own, even in effectively functioning market economies. Many of the problems of SMME's are associated with the particular characteristics and needs of the small entrepreneur and the size of the business. On the one hand there are the external factors over which the small entrepreneur believes little influence can be exerted; on the other hand, there are the internal factors concerning internal management and operations which the entrepreneur can indeed influence (Moolman, 1996, 167).

2.2 SMME Failures

According to (Moolman,1996, 167; Hassim,2001, 72) the first three years in the life of an SMME carry the greatest danger of failure. If the first three years are survived, there is a much greater chance of success. Many SMME's succeed in surviving the first year. However, it appears that retail businesses run the greatest risk of failure during the first three to five years, while service businesses already exhibit the possibility for failure during their second year.

2.3 Internal Problems

The primary cause of SMME failure according to Rwigema & Karunga (1999), can be attributed to one overriding factor, management incompetence. The following causes of failure manifest as a result of this incompetence:
- Insufficient turnover
- Insufficient business experience and specific industry exposure

- Unsatisfactory competitive ability
- Problems with the sourcing of supplies
- Excessive operating costs
- Poor location
- Inventory problems
- Excessive investment in assets
- Other problems such as negligence, fraud and theft.

Internal problems are those that are associated with the management and business operations of the SMME. They are in fact associated with the size of the business, but over which the entrepreneur can exert an influence (Moolman, 1996; Hodgetts & Kuratko, 1998).

2.3.1 Managerial Incompetence

Many studies and surveys have shown that the greatest cause of failure in SMME's is incompetence (Moolman, 1996; Rwigema & Karunga, 1999; Hodgetts & Kuratko,1998). The following managerial shortcomings are encountered in the SMME:

2.3.1.1 Ineffective Management Planning

Formal setting of objectives, management planning, budget systems and guidelines for reaching the objectives are often inadequate and sometimes completely absent.

Management is the process of getting things done through people. Hodgetts and Kuratko (1995, 340), state that this is a problem because many owner/managers have attained success by relying on themselves. Management activities can be divided into two groups,' doing' activities and 'thinking' activities. Research shows that most managers tend to spend far too long doing things. An effective manager however should spend more time thinking. The reason why owner/ managers experience problems is that they fall prey to what is called the "first law of operating priority", which states that when a manager is confronted with doing work and thinking work, he or she will opt for the

former. The dual principle of getting things done through people and giving priority to 'thinking' work influence the basic management functions, including:

- Planning
- Organizing
- Directing
- Controlling (Du Tooi & Kroon,1996).

2.3.1.2 Management Information

Problems regarding management information occur when regular feedback on business activities and performance is not available to act as a basis for evaluation and decision-making. Information concerning matters such as sales, purchases, products, supplies, gross profit, costs and productivity are often lacking. Decision-making is often based on instinct and personal judgment rather than on facts (Moolman, 1996; Du Tooi & Kroon, 1996).

2.3.1.3 Poor Controls

Control can be described as the systematic process of comparison with the stated plans and objectives, in order to determine deviations and the need for corrective action (Hunter, 2000). Small business people are often controlled by their business instead of the other way round. This stems from an inability to apply the basic management functions and from irresponsible administration. Gross profit control, stock control, credit control, the daily control of operating costs and cash controls are generally neglected (Moolman, 1996, 170; Du Tooi & Kroon, 1996, 199).

2.3.1.3.1 Inventory Control

Major advantages associated with inventory control include (Hodgetts and Kuratko, 1998) :

- Inventory stock can be balanced in relation to sales.
- Primary attention can be given to the fastest moving most profitable lines.
- The ideal rate of stock turnover for each item can be determined.

When inventory levels are not what they should be, the owner-manager knows that pilferage (by employees or customers) has taken place or that mistakes have been made in the record keeping.

2.3.2 Unsatisfactory Financial Management

The majority of SMME's have no proper policy or procedure for planning and managing finances. Businesses are operated on a daily basis without cash flow budgets and capital forecasts. Financial problems are approached on an adhoc basis and often too late (Franz, 2000).

2.3.3 Financing

It is an acknowledged fact that most SMME's are constantly short of capital (Adelman, 2000). The main reason for this is that far too many SMME's begin with insufficient capital. Capital is all too easily withdrawn, while capital growth by reinvestment of profits is often inadequate. Besides needing capital to acquire fixed assets, SMME's also need to finance assets and cover operating costs (Moolman, 1996).

2.3.4 Access To Finance

Ability 2 handle finance

Smorfitt (2002), asserts that a major problem in stimulating SMME growth is constrained access to finance. Small and medium businesses often do not meet the criteria financiers have traditionally used in evaluating loan applications. Government subsidies are available for small and micro business establishment, but the difficulty in accessing finance is slowing small and medium business growth, and therefore a solution

view: Small bus - high risk ventures with poor collateral w 20% ↑ the alt fin recent study conducted by stats sa

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is required that will allow small and medium businesses easier and simpler access to finance while reducing the risk for the financier (Franz, 2000).

2.3.5 Marketing

SMME's often run into problems in the marketing of products or in coping with modern marketing requirements. Many small business people begin their firms because they are technically competent and can manufacture a product. Market research is inadequate and when production commences, involvement in the manufacturing process increases so much that marketing is neglected (Palmer, 1999). This leads to haphazard attempts at marketing which in turn lead to the piling up of stock with all its accompanying financial problems.

Palmer (1999) further argues that the SMME entrepreneur in commerce and services is often so involved with the daily problems of the business that the marketing function, which is essential for the existence of the firm, is neglected. Experience has shown that the ignorance of the entrepreneur concerning the market is one of the most important reasons for failure. SMME's are seldom aware of the profile of customers, the market limits or the composition of the market in terms of sex, age, income group and other demographic factors. Small business people often neglect to budget for publicity, promotion and other marketing expenditure (Chamber Digest, 1999, 6).

Hodgetts & Kuratko (1998, 459) state that while point- of- sale and word of mouth advertising will help a small business, they are not enough. To truly generate sales it is necessary to advertise on a larger scale. As a result, for the modern small business owner/ manager, the question is no longer *if* advertising should be done, but how much should be done. Benefits gained from advertising include pulling people into the store, holding people as customers, advertising helps identify a business with the goods and services that it offers and it helps create goodwill, build confidence in the business, increase sales, speed turnover, and spread fixed expenses over a larger volume (Lilly, 2000).

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Carson et al. (1995, 145) identified three broad types of marketing constraints facing SMME's. These are:

- Limited resources, for example, limitations on finance, marketing knowledge, and time, may all contribute to limited marketing activity in relation to large companies and large competitors.

- The second constraint is specialist expertise, which may arise because managers and entrepreneurs in SMME's tend to be generalists rather than specialists. Traditionally the owner/manager is a technical or craft expert and is unlikely to be an expert trained in any major business disciplines. In addition marketing expertise is often the last of the business disciplines to be acquired by an expanding SMME.

- Limited impact is the third constraint facing the SMME as they have fewer orders, fewer customers and employees than larger companies. Consequently, the impact of an SMME's presence in an industry is likely to be limited as a result of its size alone. Similarly because of limited resources, and lack of marketing expertise, the impact on the media through advertising and publicity will often be negligible in relation to large company activities.

2.3.6 Personnel Limitations

SMME's in rural areas and those that are situated far from the labour markets often experience a shortage of suitably trained and skilled personnel. In addition, SMME's are unable to offer the same benefits, and security and promotion opportunities as large businesses. As a result a large proportion of the work force is not interested in a career in the SMME sector. In spite of the simple, informal organizational structure of SMME's and the more congenial labour relations normally associated with them, they often find it difficult to engage capable personnel (Lilly, 2000).

SMME's are often operated as family owned or owner managed businesses. This gives rise to specific problems. Because of the owner/ manager's self interest in the business, the owner gives attention to practically all of the problems, thus limiting the necessary

function of delegation. The growth and success of many SMMEs are restricted because of an inability to retain personnel, the low productivity of the workers, conflict between family members in the business or because of unilateral action by the owner (Moolman, 1996, 171).

The entire function of effective human resource management is one that small business owners need to develop and improve as they expand and grow (Hodgetts & Kuratko, 1995, 393). Job satisfaction determines how employees view their work, and there is a greater likelihood of high productivity when they view it favourably. Small business owners should remain alert for signs of dissatisfaction, which include labour turnover, tardiness and absenteeism, and service quality.

2.3.7 Location

The location of a small business is a factor, which influences its performance. This is to be expected, since the bulk of sales of small firms are to highly localized markets (Storey, 1994, 142). Depending on the nature of the firm and its product or service, a decision must be made as to whether its location should be near the market, source of materials or other firms, in the city, in the country, in an industrial area or according to the personal taste of the entrepreneur (Du Plessis et al., 1996, 99).

2.3.7.1 Retail Locations

Retail stores have location problems different from that of other small enterprises. Small towns are often a good bet for small businesses as they are friendly and everyone has a sincere interest in seeing the community grow and expand. Research shows that certain types of businesses are heavily represented in small towns, including general stores, service stations and hardware stores (Hodgetts & Kuratko, 1995). Furthermore, many large chains have a minimum size limit for towns in which they locate and as a result, businesses in these smaller towns need not be concerned about competition from these

retail giants. This does not mean that small business cannot survive in large cities. For example, lunch counters and stands, drugstores and liquor stores appear to do equally well in both big and small communities. However some types of businesses require a large number of customers and thus are not likely to do well in small towns.

Depending on the size of the city or town, there may be one or more business districts. Usually one is downtown, and if the city has expanded in recent years, another is in the general location of this expansion. If expansion has occurred in several directions, it is not uncommon to find a business district for each, if only in the form of a giant mall or shopping center (Hodgetts & Kuratko, 1995). Key areas of concern with regard to retail locations include:

- Rent paying capacity
- Terms of the lease. Fixed rate lease versus percentage lease. With a fixed rate lease, the rent is set and does not vary while with a percentage lease the lesser gets a percentage of sales.
- The types of merchandise being sold. The ultimate choice depends on the type of customer the store is trying to attract, the sales volume it must do to break even and the ease with which customers can get to the store.
- Proximity to other businesses. Some retail stores do well if they are located near competition, whereas others are most successful if they are located away from competition.

2.3.7.2 Service Locations

Service establishments have location requirements similar to those of retail stores. However the most important factor in location is the type of service that the business offers. For example, a professional or personal service for which clients come to the place of business needs to be highly accessible. If however, customers do not come to the site, the location can be selected primarily in terms of the owner's preferences, e.g. space requirements. If a business has a reputation for high quality workmanship, it is

likely to attract customers in spite of poor location, something that is not true of other types of small businesses (Hodgetts & Kuratko, 1995, 285).

2.3.8 Discrimination

SMME's are often discriminated against just because they are small. Of the many examples of discrimination the best known involve purchasing, rental and financing (Franz, 2000).

2.3.8.1 Purchasing

Small business people often complain that they are denied the opportunity to purchase goods at the same prices as large businesses. This does not necessarily concern mass purchases, but small business people are often not given the opportunity to purchase the same quantities at the same advantageous prices (White paper, 1995, 29).

Public procurement practices in S.A. have been adjusted to facilitate the granting of some proportion of contracts to black owned or controlled enterprises, to encourage small business tendering for such contracts (White paper, 1995, 29).

2.3.8.2 Rentals

In comparing rentals, it is often found that the SMME pays a relatively higher rental than that of large business, even if they are in the same building. The difference in the tariffs is sometimes so great that analysis shows that the SMME subsidises the rental of the large business (Franz, 2000).

2.3.8.3 Financing

Banks have been accused of not doing enough to finance SMME's and of being excessively cautious and risk averse (Confidence, 2002, 3). This comment is contained in Ntsika Enterprise Promotion Agency's overview of the state of small business in SA. Charles Chemel, Director of Products and Strategic Development at Standard bank says that as future developments in the SMME sector are concerned, he would like to see the mentorship process extended beyond assistance on how to secure financing to also building the skills and capacity of the business owner over the longer term. There is a need to engage in partnerships that will benefit not only the banks, but will grow and support the SMME sector for all entrepreneurs across the sectors of society.

Business Partners, the financial services group which invests in SMME's had set aside R470 million for financing and investment into viable SMME's during its 2000-2001 year. The company caters for SMME's requiring between R150 000 and R15 million in the manufacturing, retail or service sectors. SMME's access this capital on a viability basis via Business Partners' network of 28 offices spread throughout the country. Business Partners year to date (11 months to February) breakdown of R131 million approved to SMME's in the manufacturing sector; R113 million to those in the commercial sector; while R163 million went to businesses in the service sector. The bulk of investments in service sectors which enjoyed the bigger chunks included tourism related businesses such as hotels, guest houses, travel agents, tour operators as well as health, education, medical, dental, veterinary, undertaker and video production services (Mncwabe, 2000, 4).

In the restriction of credit limits and the fixing of prime loan rates by financial institutions, it is once again the SMME sector that is discriminated against – not necessarily as a result of the greater risks involved, but usually as a result of the weaker bargaining power. Unfair treatment is often because of the small size of SMME's (Moolman, 1996,196).

2.3.9 Theft And Fraud

Hodgetts & Kuratko (1995, 666), state that the cost of crime has become a major cause of small business failure. The U.S. Chamber of Commerce reported in 1990 that 30 % of all business failures result from the costs of employee dishonesty – that is internal crime. Statistics from the FBI show that in each of the last few years, white-collar crime has accounted for over $40 billion in losses. The FBI breakdown includes some startling figures: $100 million was accounted for by computer fraud; $1.1 billion was lost in credit card and cheque fraud; $7 billion was lost through embezzlement and internal theft. These statistics highlight a major problem for today's entrepreneurs. Mechanisms should be put in place to combat these ' quiet crimes', for example:

- Employees can take precautions to reduce credit card theft by e.g. scrutinizing signatures.
- Developing effective procedures for cashing cheques.
- Eliminating opportunities for shoplifting.
- Reducing opportunities for internal theft. Some experts in crime prevention report that 30% of employees steal from their employers and internal theft has been increasing steadily for the last 20 years.

Having a policy to control computer fraud and embezzlement, which are two of the more 'glamorous' types of internal crime.

2.4 External Factors

There are a number of external problems and constraints facing SMME's. A discussion of these external problems ensues.

2.4.1 Current Economic Conditions

The general economic conditions influence the economic activities of all businesses in the country. During an economic recession, SMME's often experience problems due to

their size, which makes them particularly vulnerable to changes in the economic climate (Stanton et al., 1992).

SMME's for example are the first to experience credit restrictions in poor economic conditions. Financing institutions and commercial banks first restrict the riskier and weakly capitalized SMME's before credit is denied to large businesses. Such actions usually discriminate against SMME's (Stanton et al., 1992).

The SMME, which is often dependent on specialization for its existence cannot always diversify its risks. Where specialization occurs in durable and luxury goods and services, a rapid decline in turnover is usually experienced in times of general decline of consumer spending. Large businesses on the other hand which usually concentrate on a wide variety of basic and necessary products are less sensitive to economic fluctuations (Moolman, 1996, 168).

The economic environment is at the centre of change within the macro-environment. Every major economic change requires a reaction from the firm in an effort to maximize potential benefits or to limit negative effects on the firm.

2.4.1.1 Inflation

Inflation is described as the continual rise in the general price level. Since 1974, South Africa has been faced with a double-figure inflation rate. According to Du Plessis and Kruger (1996, 79), experience has shown that controlling inflation is more difficult than was originally thought. According to the wage price spiral, prices rise continually because the cost of wage and salary increases is simply passed on to the consumer. There are two forms of inflation, namely demand inflation and cost push inflation. Demand inflation occurs when the demand for goods and services is higher than the supply, resulting in higher prices. Cost- push inflation occurs when production costs of goods and services continually increase, resulting in higher input cost, which is reflected in higher selling prices (Du Plessis & Kruger, 1996).

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The firm must counteract the influence of inflation as far as possible. Under conditions of high inflation emphasis is placed on the management of operational capital items such as debtors, stock and creditors. Traditionally, firms that are liquid are regarded as fundamentally sound, but this is not necessarily the case during double- digit inflation. In practice it is better to recover sums owed by debtors as quickly as possible, keep stock levels as low as possible and postpone paying creditors for as long a period as is possible (Du Plessis & Kruger, 1996).

2.4.1.2 Influence of The Business Cycle

Inflation and successive periods of recession alternate with periods of economic growth. In the South African context the basic characteristics of recessionary periods are the following

- A marked decrease in the real income of the consumer
- Increased unemployment amongst all race groups
- A general feeling of uncertainty, especially among consumers.

During a period of recession, the consumer makes certain value adaptations in order to adapt to new economic realities. These may include the following:

- The consumer becomes increasingly price conscious
- Discretionary purchases are carefully considered
- Cheaper substitutes are bought
- Impulsive buying is eliminated.

Periods of positive economic growth, on the other hand require the firm to be prepared for increases sales. This requires the timeous increase of stock levels and the preparation of marketing to handle the increase in sales (Du Plessis &Kruger, 1996, 80; Stanton et al., 1992, 44).

2.4.1.3 Interest Rates

Interest is the price paid for money. Personal risk leads to an increase in the interest rate for the individual. Both current and expected interest rate levels are important, since these have a marked influence on the cost of capital as well as on the expected minimum return on capital. Relatively high interest rates have the following implications:

- The use of debt financing becomes more expensive and places liquidity under pressure.

- High interest rates can dissuade consumers from buying durable consumer products like furniture and cars. Many consumers purchase these items on a hire-purchase basis and an increase in interest rates discourages such purchases (Du Plessis & Kruger, 1996, 81; Stanton et al., 1992, 45).

2.4.2 The Technological Environment

The economic environment largely determines the direction of technological innovation. Entrepreneurial ability on the other hand determines how much of this technological innovation can be absorbed. Technological innovation takes place at a dramatic rate. The small firm may find new technology inaccessible owing to the cost involved or to a lack of knowledge and experience. Technological innovation has an influence on various fronts:

- Labour saving machinery, equipment, and products. New and improved products, which satisfy specific needs, have been made available to the consumer.

- Administrative systems and equipment. New technology in the form of electronic and automated systems introduced a new area of competition among firms. Particularly in the areas of banking, retailing, tourism, and recreation; entrepreneurs are forced to keep abreast of new developments regarding credit cards and computer-backed services. These services are primarily focused on the convenience of and service to the consumer.

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- The most outstanding result of advanced technology is probably increased productivity, which increases turnover of the firm's products and service to the consumer (Du Plessis & Kruger, 1996, 82).

Some of the most common applications in small business have been for payroll, general ledger, accounts receivable, accounts payable, inventory control and word processing. Computerized accounts receivable for example provide a wide array of information to the small business. These programmes make it possible to print invoices and sales analysis reports (Hodgetts and Kuratko,1995, 687). The technological revolution is dramatically changing the way small businesses operate and this is not confined to the use of communications and electronic equipment. The Internet is now a major marketing tool for many small businesses (Hodgetts & Kuratko,1998, 27)

2.4.3 Political and Legal Limitations

The SMME is also sensitive to the influence of government policy and the limitation of certain legislative measures. (Moolman, 1996, 168; White paper, 1995). The Reconstruction and Development Programme of the Government of National Unity placed the promotion of the small enterprise sector of the economy as one of the critical areas. Not only is it of great importance for the rate of job creation and income generation in the country, but also it deserves particular attention because this sector has been greatly neglected in the past.

Governments in many developed countries have introduced legislation to assist the small business sector for three reasons, firstly because of the numerical dominance of the smaller firm in most developed economies; secondly because the small firm sector is thought to be a dynamo of growth, thirdly governments have intervened for reasons of assumed market failure. State support can come in a number of different forms, it could be as loans at subsidized rates of interest, it could be the provision of free or subsidized

information and advice, or it could be ensuring that small firms obtain shares of government contracts (Storey, 1994, 151; White Paper, 1995).

In order to formally recognize the importance given to the small-enterprise sector in South Africa, the government has passed many enabling acts. The experience from other semi-developed countries in Europe, Asia and Latin America showed that properly designed acts could play a positive role. A revamped National Small Business Act was passed during 1996 in South Africa. The act will attempt to create an enabling environment for a dynamic SMME sector and will provide for the continual review of laws having a detrimental effect on SMME's (Rwigema & Karunga, 1999).

2.4.4 Demographic Changes

Demographic changes pose particular problems for SMME's. The depopulation of rural districts is a worldwide phenomenon, which, especially in South Africa, has reached alarming proportions. Small business people are in general more involved in the community than, for example the manager of a large firm. It is therefore not so easy for small business people to leave a town or an area because of a population shift. Moving away is still more difficult in cases where the site and buildings belong to them and the property market is on the decline (Hodgetts & Kuratko, 1998).

Due to the increase in crime, unemployment, poor housing conditions and unhealthy living conditions as well as collapsing infrastructure, there are signs that the trend of urbanization of some race groups is starting to decline and may even turn around (Moolman, 1996, 168).

2.4.4.1 Dynamic Distribution Patterns

In the past three decades, dynamic changes in the distribution trade have taken place, the changes being best illustrated by the establishment of shopping centers, the modernization and alteration of existing buildings, and the building of hypermarkets. These developments do offer opportunities to small business people. Some, on the other

hand are often bound to existing centers and may be negatively affected by these developments (Hodgetts & Kuratko, 1998).

2.4.5 Social And Cultural Forces

The enterprise is at the centre of changes taking place in the social environment. The firm contributes to social change, but is also influenced by it. The small business must therefore be aware of the culture, needs, preferences, purchasing patterns, nationality, religion, and geographical location of consumers. The consumer is a member of a certain group, each with unique characteristics like an own language, religion, habits, culture and traditions (Moolman, 1996, 82; Stanton et al., 1992, 139).

2.4.5.1 Changes In Consumer Behaviour

In addition, changes are taking place in consumer behaviour, purchasing patterns, together with the appearance of preferences and demands. The growth of consumerism in South Africa also poses new challenges and problems for SMME's. Today's consumers are less loyal, more price and quality conscious and better informed. The successful modern business must be aware of the demands, purchasing patterns, preferences and desires of the consumer. Constant analysis is needed to determine customer wants and competitors offerings. Management has to guard against inertia. Studies by Reichheld (cited in Walker et al., 1999, 283), showed that customers who describe themselves as satisfied are not necessarily loyal. About 60-80% of customer defections in most businesses said that they were satisfied. In the interim however, competitors improved their offerings, the customer requirements changed or other environmental factors shifted. The SMME is in fact in close contact with its customers but not always in a position to forecast the global changes or trends. In this respect SMMEs are often disadvantaged in comparison with bigger business (Moolman, 1996, 169).

2.4.6 Buildings And Facilities

Many small business people have difficulty in acquiring suitable modern business premises. This particularly applies to black business people in traditional townships and in the rural areas. This restriction is being addressed by the Reconstruction and Development Programme of the government (White Paper, 1995, 32; Moolman, 1996). A great need for buildings that satisfy the demands of the modern distribution exists in rural areas and in the country districts. Due to limited growth potential, property developers are hesitant to invest in these areas. Industrial premises hardly exist in traditional black townships. The need for adequate facilities for small industrialists is prevalent everywhere – in country districts, rural as well as urban areas (Moolman, 1996, 169).

2.4.7 Crime

Research undertaken by the Graduate School of Business at the University of Cape Town indicate that registered businesses tend to experience more crime and theft as they are more likely to have premises away from home (Cape Argus, 2002).

In South Africa, high crime rates and continuing violence are serious obstacles to small business growth since they increase the risks for small enterprises and often cause major losses of stock, damage to buildings or reduced turnover. Attempts by central, provincial or local authorities to help establish peace and decrease crime is seen to be an important stimulant for SMME growth in South Africa (White paper, 1995).

2.5 **Problems At Industry level**

Five interactive competitive forces determine collectively an industry's long-term attractiveness: present competitors, potential competitors, the bargaining power of suppliers and buyers, and substitute products. This mix of forces explains why some industries are consistently more profitable than others (Walker et al., 1999, 161).

2.5.1 Competition

Starting with no reputation and limited financial and human resources, new firms must learn to compete, sometimes in industries dominated by large, established companies. The literature mostly advises small firms not to meet competitors head on, but to concentrate instead on specialized products, localized business operations and products or services with a high degree of value added, through craftsmanship and customer service. Such considerations point small firms towards the adoption of niche strategies where there are few competitors (Hendry et al., 1995, 31; Moodie, 1996, 70).

A firm generally faces competition from three different sources. Brand competition from marketers of directly similar products, substitute products that satisfy the same need and competition for the customer's limited buying power (Stanton et al., 1993, 45; Moolman, 1996, 174; Hodgetts and Kuratko, 1995, 469).

2.6 Small Business Support

Most of the popular SMME assistance programmes are supply driven and concentrate on providing such services as finance or training. It is argued that success stories of SMME growth have tended to be driven by demand (Rogerson, 1998, 917), for example, Public Procurement Programmes and Tourism. A potentially critical factor in the success of small business is the role and developmental capacities of local government – to act as catalysts in small enterprise growth through subcontracting, public procurement programmes and tourism, and the formation of business linkages.

For the first time in SA corporate buyers have a practical solution to challenges posed by the Preferential Procurement Act and the adoption by government of the recommendations of the Black Economic Empowerment Commission Report (Emery, 2002). This follows the launch of SME Africa, an innovative e procurement offering

from a joint venture between Trade World (Johnnic Group's subsidiary) and Miraculum (owned by Dimension Data, Old Mutual, Nedcor and J&J jointly). The way in which SME Africa works is that corporate subscribers to SME Africa have access to a database of BEE and SME suppliers – based on Trade World's established database.

Hassim (2001) explains that despite governments in both developed and developing countries having made SMME's a focus of economic policy and putting mechanisms in place to develop and strengthen them, the failure rate of new businesses is high. Research shows that 9 out of 10 causes of failure could have been foreseen. It would appear from the research that smart ideas and venture capital funding are no guarantees for long- term success. Business incubators attempt to reduce the risks of failure and improve the chances of success. Business incubation is the process of cultivating new business under controlled conditions. The process is a temporary one which allows the business to develop until it can cope without assistance.

Incubators may be funded by government, by communities, by universities or by the private sector. Indeed there has been a development towards 'for profit' incubators and these are growing at a phenomenal rate across the globe. South Africa is not very far behind in terms of incubator development in the technology sector and more particularly in 'for profit' incubation.

The Graduate School of Business (GSB) in Cape Town, one of South Africa's premier business schools now has the black SMME sector as part of its area of study (Enterprise, 2001,57). Students doing the "Support Emerging Enterprises" elective on the MBA programme form groups of two and three and spend approximately eight weeks counseling at least two black SMME's in Cape Town's townships. The students identify areas of weaknesses and consult with the owners and suggest improvements. Secondly the SMME's are discussed in class and these become live case studies. Funders are sought for SMME's with potential, with the objective of helping them to grow and provide employment for more people. In 2000 between R50 000 and R200 000 was invested in each of the 21 companies that were part of the programme. The programme

continued in 2001 and a further 23 SMME's were helped. This elective is among several programmes at the UCT Centre for Entrepreneurship and Innovation. According to the head of the centre, if this trend continues, the SMME sector is set to prosper.

2.7 Requirements For Success

According to Vilakazi (1999), the following requirements are important for success in small business

- Sensitivity to external and internal changes affecting the business
- Ability to react quickly to those changes
- Access to accurate and useful operating and marketing information
- Effective but humane use of human resources
- Acquisition of sufficient investment capital
- Effective handling of government laws, rules and regulations.

An important characteristic of small business enterprises is their vulnerability to technological and environmental changes. Because they are small, such changes have a great effect upon their operations and profitability. Yet small businesses can have an advantage over large businesses, they can react faster to change because they have fewer decision makers.

Gathering accurate and useful information concerning the operations of the business and its markets is extremely important. A business person should be kept informed on a regular and frequent basis, especially on financial and market positions of the business. This information should be analysed and plans developed to improve or maintain position.

The effective use of human resources is important to a small business enterprise, because its owner has a closer and more personal association with his/her employees than in a larger business. The productivity of workers can be greatly improved if they can share

ideas with the owner and if the owner is willing to recognize and reward their contribution.

One of the most difficult problems facing small business owners is obtaining sufficient investment capital. It is also important that sufficient resources remain in the business to provide working capital and provide for growth and contingencies.

Business people need to be able to handle red tape effectively. Legislation relating to employment practices, occupational safety and health and environmental issues adds tremendously to their cost of operation (Vilakazi, 1999).

2.8 **Conclusion**

Deliberations at the World Convention on SMME's (2002) revealed the everyday world of SMME's to be like a classic wedding where there is something old, something new, something white and something blue. What is 'old' is that the major constraints and weaknesses facing SMME's over decades have not radically changed despite various measures taken by various countries. What is 'new' are the opportunities and strengths which have emerged largely as a result of radical improvements in technology, dramatic shifts in world trade trends, upgrading in the general levels of education and a growing awakening to the realization of the tremendous importance that SMME's play in the social and economic agenda worldwide. What might be considered 'white' is the shining example in China, and in particular the regional development in Jiangsu Province in displaying what can be achieved in a short period of time, starting from a low development base. The SMME sector here made a large contribution to the double-digit economic growth, which, continues to this day.

The problems facing SMME's in 2002 are not getting resolved, but on the contrary can be seen to be taking on new forms. The digital divide is found to be widening the gap between SMME's and larger enterprises. The effects of globalisation and the impact of WTO deliberations are having a negative impact on many SMME's. Recommendations

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made at the convention include the creation of business linkages between large and small firms. Such linkages can alleviate the problems of lack of access to market, technology and finance. However these linkages require active participation of government, support agencies and the SMME's themselves (The World Convention on SMEs, 2002, 3-4).

In the following Chapter 3, the research methodology for this study will be presented.

CHAPTER 3
RESEARCH METHODS

Introduction

The previous chapter reviewed the relevant literature on small businesses in order to investigate the problems and constraints facing small businesses in the downtown area of Pietermaritzburg.. The research design for this study was adapted from that of Cooper and Schlindler (2001) and discusses the techniques used to gather data, the kind of sampling that is used, and how time and cost constraints will be dealt with. In this chapter the research design and procedure regarding this investigation will therefore reflect these issues.

3.1. Aims Of The Study

The aims of the study were to undertake an investigation of the following:

(a) To profile businesses in the area of downtown Pietermaritzburg.

(b) To investigate the specific problems and constraints facing small business in downtown Pietermaritzburg.

(c) To look at problems on the basis of type of business and to find common problems associated with different profiles of business.

(d) To make recommendations on how such problems can be addressed from a management point of view.

3.2 **Research Hypotheses**

Consistent with the bulk of evidence in prior literature, the researcher predicts that

- H_0: There would be no internal problems and constraints facing small business in the downtown area of Pietermaritzburg.
- H_1: There would be internal problems and constraints facing small business in the downtown area of Pietermaritzburg.

- H_0: There would be no external problems and constraints facing small business in the downtown area of Pietermaritzburg.
- H_1: There would be external problems and constraints facing small business in the downtown area of Pietermaritzburg.

- H_0: There is no difference in the perceptions between owners, managers and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints.
- H_1: There is a difference in the perceptions between owners, managers and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints.

- H_0: There is no difference in the perception between service and retail businesses with regard to the profile of the business, internal problems and constraints and external problems and constraints.
- H_1: There is a difference in the perception between service and retail businesses with regard to the profile of the business, internal problems and constraints and external problems and constraints.

3.3 Variables And Their Measurement

Discussion of the measurement of each study variable is important as this has implications for the reliability and validity of the results (Soni,1999, 5.17).

3.3.1 Dependent Variables

3.3.1.1 Problems And Constraints

When something is difficult to deal with, it is characterized as a *problem* and when something limits one's choice of action it is termed a *constraint*. The dependant variables were measured in terms of the independent variables, which were selected from the literature review.

3.3.1.2 Independent Variables

The independent variables were broadly divided into internal (those over which the owner/manager had control) and external (those over which the owner/manager had no control).

3.3.1.2.1 Internal Problems And Constraints :

- ❖ Previous business exposure
- ❖ Stock control
- ❖ Credit facilities
- ❖ Credit control
- ❖ Are decisions in the business based on past data?
- ❖ Marketing
- ❖ Recruitment of skilled staff
- ❖ Sourcing of supplies
- ❖ Operating costs
- ❖ Fraud

- ❖ Theft
- ❖ Location

3.3.1.2.2 External Problems And Constraints :

- ❖ Business cycle
- ❖ Interest rates
- ❖ Exchange rates
- ❖ Political factors
- ❖ Legal factors
- ❖ Changes in distribution patterns
- ❖ Social Cultural factors
- ❖ Rentals
- ❖ Crime
- ❖ Access to finance
- ❖ Competition
- ❖ Technology

The external variables were measured in terms of degree of importance using a 6-point itemized rating scale.

1	=	very strong negative impact
2	=	strong negative impact
3	=	weak negative impact
4	=	very weak negative impact
5	=	no negative impact
6	=	not applicable

3.4 <u>Research Design</u>

For the purpose of this study two types of research designs, namely, exploratory and descriptive research designs were used in order to attain the research objectives. Since there is little to none full scale research done on constraints facing small businesses in the South African context, a study exploring this issue seemed relevant.

The immediate purpose of exploration is to develop hypotheses or questions for further research (Cooper & Schlindler, 2001, p. 134). In this study, exploratory research was done by examining available literature on the problems and constraints facing small business using secondary data. The study is also descriptive for it is concerned with the questions of who, what, where, when, and how much (Cooper & Schlindler, 2001, 136).

It is important to add that a further research objective was to look at the problems on the basis of the type of business and to find common problems associated with different profiles of business. A descriptive study has the advantage in that it would satisfy the objective of finding problems common to certain types of businesses as well as looking at problems on the basis of the type of business.

Importantly, with regard to the time dimension, a cross-sectional study was done. Here, the study is carried out once and represents a snapshot of one point in time (Cooper & Schlindler, 2001, 136).

3.4.1 <u>Measuring Instrument</u>

In pursuit of the study, a Business Survey devised by the researcher, was used. These questions were developed around various themes, which could help one better understand the constraints facing small businesses. Fieldwork was carried out using a structured survey with structured responses. The design of the survey was similar to that used by

O' Neill (2001), in a survey to determine the background, reasons for start-up, assistance received, and the specific needs of the business sector in the Western Cape. The supervisor's recommendations and comments were taken into consideration in the design of the present survey. This Questionaire is available in Appendix A.

3.4.1.1 Survey Development

This section outlines the methodology for the development of the Business Survey.

There are 3 parts to the Business Survey, which comprise of question 1: Profile of your business; question 2: Problems and constraints facing your business (internal); and question 3: Problems and constraints facing your business (external).
Questions 1and 2 are made up of a 9 item and 15 item structured question component respectively. These items require a tick next to the relevant response. Some items had a dichotomous response strategy where the respondent indicated yes or no (Dyer, 1995). This ensured that respondents made a decision with regard to their stance concerning the problems and constraints that they were faced with in their small businesses. They therefore, did not have the option of *sitting on the fence* by being neutral and richer data could be gathered.

Question 3 of the survey comprises 12 questions, which require a rating response strategy. It should be added that questions 1,2 and 3 had open-ended items.

3.4.1.2 Development Of The Business Survey Scales

Previously standardized scales for the variables of interest in this study were unavailable, and purpose built scales were therefore constructed *a* priori. In question 3, respondents used a scale based on the Likert-scale to indicate the degree to which they experienced the problems and constraints (external) in their business (Newman, 1997).

Response anchors ranged from <u>very strong negative impact</u> to <u>no negative impact</u>, with the added option of <u>not applicable</u>. Five dimensions of impact were included. Arguably, these differing scaled impacts could be expected to range on a continuum rather than be dichotomous therefore, the Likert-based scale is a much more appropriate way of measuring a response in this question.

3.4.1.3 Reliability And Validity Of The Survey

Cooper and Schlindler (2001), state that there are three major criteria for evaluating a measurement tool, namely, validity; reliability; and practicality.

An attempt was made to achieve content validity by ensuring that the instrument provided adequate coverage of the investigative questions guiding the study. This was possible as an intensive search of the literature covering problems and constraints facing small businesses was made.

In terms of improving the reliability of the questionnaire, four principles outlined by Newman (1997) were followed to increase the reliability:

(1) The researcher clearly conceptualized the constructs,

(2) Precise measurements were used (i.e., the Likert-based scale and the dichotomous strategy),

(3) Multiple indicators should be included (i.e., open-ended and closed-ended questions), and

(4) Pilot tests were employed.

3.4.1.4 Pilot Study

In order to increase the reliability of the study, a pilot study was undertaken by the researcher. Therefore, before the survey could be presented to the research sample, it had to be pre-tested. The survey was pre-tested among ten business people to ensure that it was free from ambiguities and that the conclusions drawn would be reliable.

Following the pre-test, items in the questionaire were modified according to feedback received from the participants in the pilot study. A common problem experienced in the pre-testing of the survey was that respondents required clarity on terms used (Soni,1999,5.16). Certain phrases were clarified after pre-testing. This included the addition of examples to most sub-questions in question 3.

Practicality of the instrument was ensured as instructions on the survey were clear and data collection was done economically.

3.5 Research Sample

In this study the population included all business people located in the area surveyed. This population group consisted of a mixture of females and males.

3.5.1 Sampling Frame

The sampling frame is the list of elements from which the sample is actually drawn (Cooper & Schlindler, 2001, 170). The sampling frame was constructed by systematically recording the names of the businesses in the area surveyed.

3.5.2 Sample Size

A total of 70 surveys were personally administered. Using a sample size of 70 was considered to be sufficient given that the population in the survey comprised 100 businesses. Of the 70 surveys, 60 were completed. The reasons for non-completion included the absence of the owner/ manager or reluctance to participate.

3.6 Procedure

In this section the research procedure concerning the research setting and the selection and recruitment of participants will be discussed.

3.6.1 Research Setting

The setting for the study was the downtown Pietermaritzburg area. Pietermaritzburg is the capital of Kwa-Zulu Natal and is located approximately 80 kilometers from Durban. This setting was chosen due to convenience of location and easier accessibility to the sample population.

3.6.2 Sample Selection

The selection of participants entailed a simple random sampling. The sample was compiled by randomly selecting the first respondent and then systematically selecting every nth name in the sampling frame.

3.6.3 Recruitment Of Participants

The following steps were taken in order to recruit the pre-selected participants.

i. The researcher proceeded to the pre-selected small businesses where the sample population was present.
ii. Verbal consent was gained from the previously selected participants.
iii. The prospective participants then notified the researcher of a convenient time at which the survey could be completed.
iv. The researcher then consulted the participants at the relevant times for the completion of the survey.

3.7 Data Gathering

3.7.1 The Measuring Instrument

The Business Survey was used as planned.

3.7.2 Administration Of Surveys

The following procedure was used to gather the data for this investigation.

i.   The researcher followed-up appointments with the pre-selected participants at their businesses.

ii.   The researcher orientated the participants regarding the purpose of the survey.

iii. The participants were made aware that they could withdraw at any time if the research matter contained questions whose answers caused conflict with him or her.

iv.   The researcher subsequently administered the survey and was present throughout for questions and clarifications.

v.   The administration of the surveys went smoothly and no follow-ups were needed or requested.

3.8 Data Analysis

3.8.1 Quantitative Data Analysis

The study attempted to profile businesses in the area, to ascertain whether there was an association between the dependent variable (problems and constraints) and the independent variables (experience, stock control, fraud, business cycle, etc.). A further objective was to ascertain whether certain problems were unique to certain types of businesses and certain profiles of businesses. The Mann Whitney U test was used to determine whether these associations existed.

The statistical package SPSS was used to analyze the responses obtained from the structured questions.

The results obtained from this investigation will be reported on in the following chapter.

CHAPTER 4
RESULTS

This investigation attempted to identify the problems and constraints facing small business in downtown Pietermarizburg. To these ends, the researcher employed quantitative research methods as outlined in the previous chapter. The results are presented in the format appearing on the Business Survey (Appendix A).

4.1 PROFILE OF YOUR BUSINESS

Question 1.1: Are you the owner, manager or partner?

Figure 4.1

Percentages of owners, managers or partners.

Q1.1
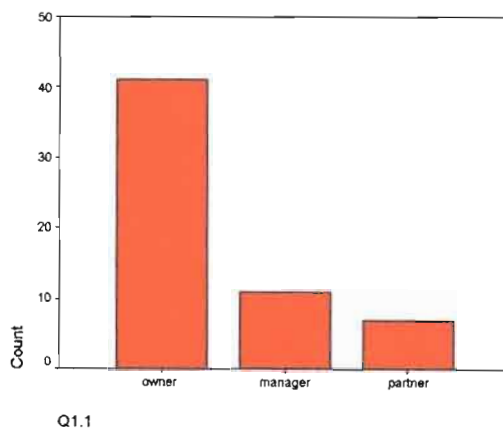
Table 4.1

Percentages of owners, managers or partners.

		Frequency	Percent	Cumulative Percent
Valid	owner	41	69.5	69.5
	manager	11	18.6	88.1
	partner	7	11.9	100.0
	Total	59	100.0	

Almost 70% of respondents were owners.

Question 1.2: Indicate business section.

Figure 4.2

Percentages of service, retail or other sectors.
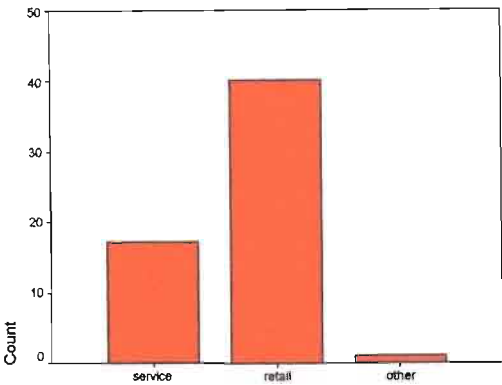
Q1.2

Table 4.2

Percentages of service, retail or other sectors.

		Frequency	Percent	Cumulative Percent
Valid	service	17	28.8	29.3
	retail	40	67.8	98.3
	other	1	1.7	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

67% of the respondents are involved in the retail sector, while one quarter are involved in the service sector.

Question 1.4: Is your business family owned or not?

Figure 4.3

Percentages of family owned businesses.
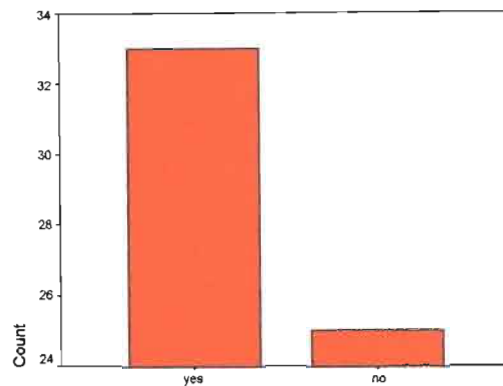
Q1.4

Table 4.3

Percentages of family owned businesses.

		Frequency	Percent	Cumulative Percent
Valid	yes	33	55.9	56.9
	no	25	42.4	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

It appears that the majority of businesses are family owned.

Question 1.5: What is the legal identity of your business?

Figure 4.4

The legal identities of the businesses.
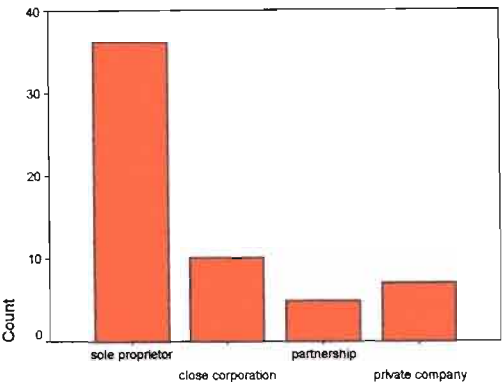
Table 4.4

The legal identities of the businesses.

		Frequency	Percent	Cumulative Percent
Valid	sole proprietor	36	61.0	62.1
	close corporation	10	16.9	79.3
	partnership	5	8.5	87.9
	private company	7	11.9	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

The highest percentages of businesses surveyed (almost two thirds) were sole proprietors.

Question 1.7: If there are co- owners in this business, indicate their gender?

Figure 4.5

Percentages showing gender of co-owners.
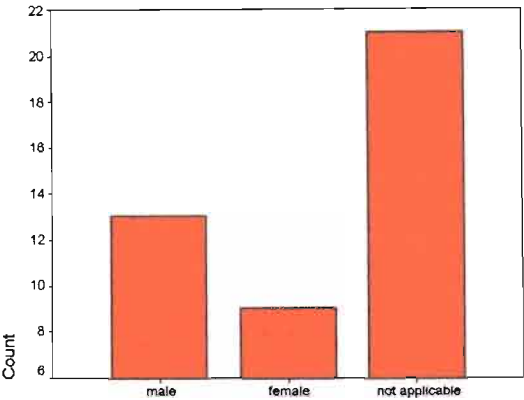
Q1.7

Table 4.5

Percentages showing gender of co-owners.

		Frequency	Percent	Cumulative Percent
Valid	male	13	22.0	30.2
	female	9	15.3	51.2
	not applicable	21	35.6	100.0
	Total	43	72.9	
Missing	System	16	27.1	
Total		59	100.0	

It appears that sole proprietors with co-owners are in the majority and where there are co-owners, they are male.

Question 1.8: What is the age of your business?

Figure 4.6

Age of business shown as percentages.

Q1.8
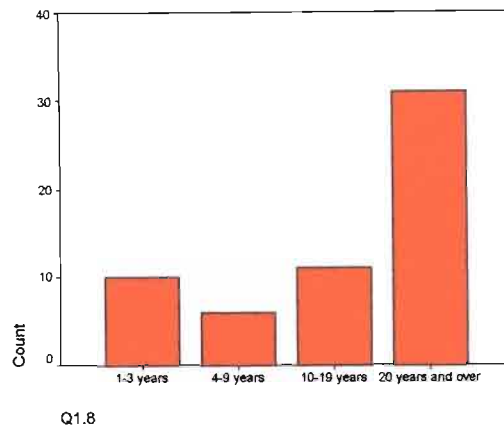
Table 4.6

Age of business shown as percentages.

		Frequency	Percent	Cumulative Percent
Valid	1-3 years	10	16.9	17.2
	4-9 years	6	10.2	27.6
	10-19 years	11	18.6	46.6
	20 years and over	31	52.5	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

More than half of the businesses surveyed were 20 years and older, with close to 20% between 10-19 years old.

4.2 PROBLEMS AND CONSTRAINTS FACING YOUR BUSINESS: INTERNAL FACTORS

Question 2.1: Did you have previous business experience or industry exposure?

Figure 4.7

Percentages showing business experience.
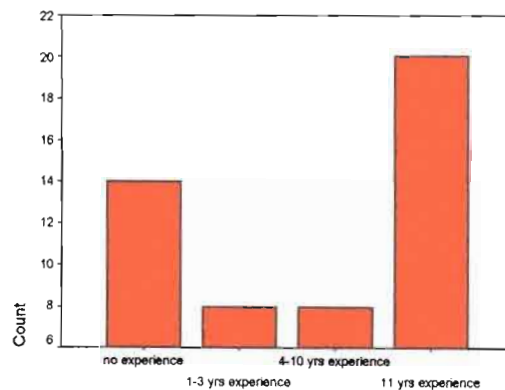
Q2.1

Table 4.7

Percentages showing business experience.

		Frequency	Percent	Cumulative Percent
Valid	no experience	14	23.7	28.0
	1-3 yrs experience	8	13.6	44.0
	4-10 yrs experience	8	13.6	60.0
	11 yrs experience	20	33.9	100.0
	Total	50	84.7	
Missing	System	9	15.3	
Total		59	100.0	

Approximately one quarter of the respondents in the study indicated that they did not have previous industry experience. This could be a potential problem as one of the primary causes of SMME failures can be attributed to management incompetence. Insufficient business experience and industry exposure are one of the causes of failure that manifest as a result of management incompetence.

Retail businesses according to Moolman (1996), run the greatest risk of failure during the first three to five years. However it has emerged from the study that 72% of the businesses in this sample exist for a period of longer than 10 years.

Question 2.2: Do you have a stock control system in place?

Figure 4.8

Percentages of businesses that have a stock control system in place.

Q2.2
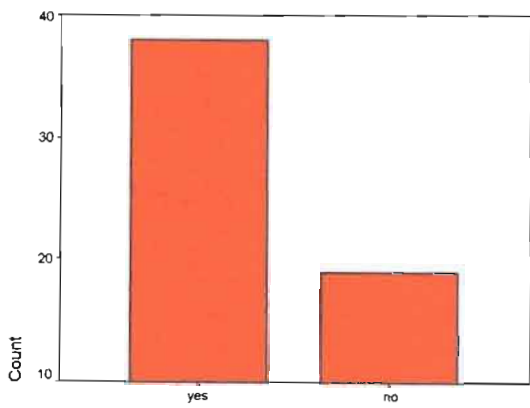
Table 4.8

Percentages of businesses that have a stock control system in place.

		Frequency	Percent	Cumulative Percent
Valid	yes	38	64.4	66.7
	no	19	32.2	100.0
	Total	57	96.6	
Missing	System	2	3.4	
Total		59	100.0	

51

Approximately one third of the respondents do not have a stock control system in place. By not having a stock control system in place these businesses are disadvantaged as the owner will not know when pilferage (by employees or customers) has taken place. Further primary attention will not be given to the fastest moving most profitable lines(Hodgetts & Kuratko, 1998).

Question 2.3a: Does your business offer credit facilities?

Figure 4.9

Percentages of businesses that offer credit facilities.

Q2.3A
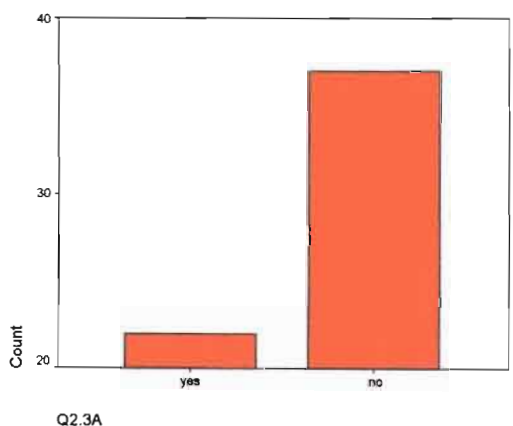
Table 4.9

Percentages of businesses that offer credit facilities.

		Frequency	Percent	Cumulative Percent
Valid	yes	22	37.3	37.3
	no	37	62.7	100.0
	Total	59	100.0	

Approximately two thirds of the businesses do not offer credit, thereby depriving themselves of customers, which would increase their existing pool. On the other hand this may be a risk averse way of doing business.

Question 2.3b: If yes, do you have a credit control system in place?

Figure 4.10

Percentages of businesses that have a credit control system in place.
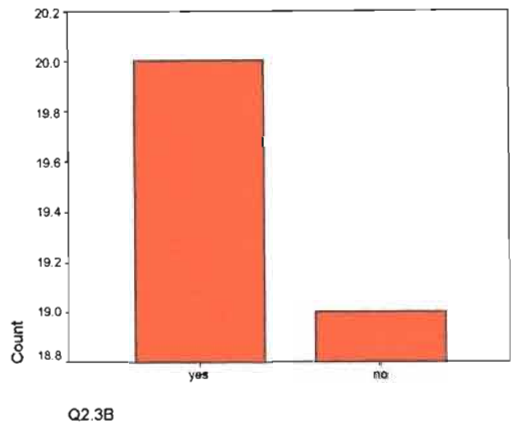
Table 4.10

Percentages of businesses that have a credit control system in place.

		Frequency	Percent	Cumulative Percent
Valid	yes	20	33.9	51.3
	no	19	32.2	100.0
	Total	39	66.1	
Missing	System	20	33.9	
Total		59	100.0	

Although the results appear to be on par, one third of the businesses could have problems with accounts receivable. Without a credit control system in place, businesses will be unable to reach their goals and detect deviations from actual performance, and thus corrective action cannot be taken (Du Tooi & Kroon, 1996).

Question 2.4: Is sales data important in guiding decisions in your business?

Figure 4.11

Percentages of businesses whose decisions are guided by past sales.

Q2.4
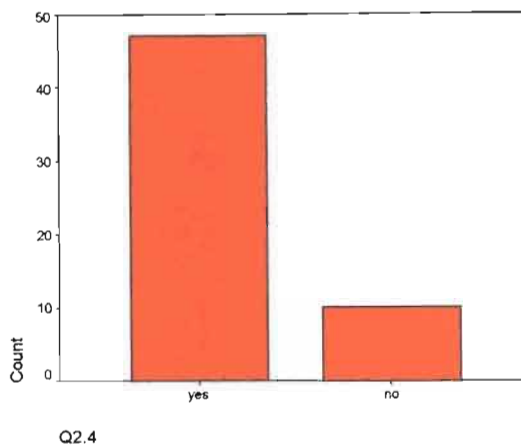
Table 4.11

Percentages of businesses whose decisions are guided by past sales.

		Frequency	Percent	Cumulative Percent
Valid	yes	47	79.7	82.5
	no	10	16.9	100.0
	Total	57	96.6	
Missing	System	2	3.4	
Total		59	100.0	

Almost 17% of respondents do not think that sales data is important in guiding decisions in the business. Although this may not be a significant percentage, management information and regular feedback on business activities and performances act as a basis for evaluation and decision making (Moolman,1996; Du Tooi & Kroon, 1996).

Question 2.5: Does data from past purchases help in guiding purchase decisions in your business?

Figure 4.12

Percentages of businesses whose purchase decisions are guided by data from past purchases.

Q2.5
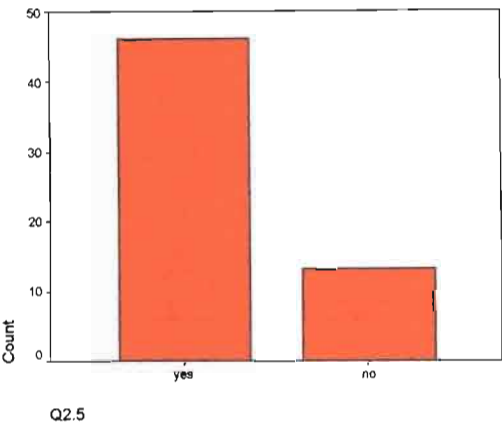
Table 4.12

Percentages of businesses whose purchase decisions are guided by data from past purchases.

		Frequency	Percent	Cumulative Percent
Valid	yes	46	78.0	78.0
	no	13	22.0	100.0
	Total	59	100.0	

Once again, although not a significant percentage (22%), management information is lacking in these businesses. It would appear that decision-making in these businesses is based on instinct and personal judgment rather than on fact. This problem would manifest as management incompetence, which is the primary cause of SMME failure (Moolman, 1996; Rwigema &Karunga, 1999; Hodgetts and Kuratko, 1998).

55

Question 2.6: Is marketing important in your business

Figure 4.13

Percentages of businesses that consider marketing important.

Q2.6
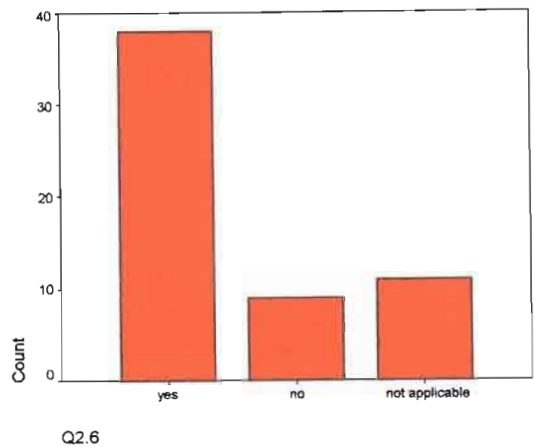
Table 4.13

Percentages of businesses that consider marketing important.

		Frequency	Percent	Cumulative Percent
Valid	yes	38	64.4	65.5
	no	9	15.3	81.0
	not applicable	11	18.6	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

Marketing should be important in any business yet a sizeable percentage (15.3%) said that marketing was not important in their businesses.

According to Hodgetts & Kuratko (1998, 459), for the modern small business owner, the question is no longer *if* advertising should be done, but how much should be done.

56

Question 2.7: Do marketing constraints facing your business include the following?

Figure 4.14

Percentages of businesses constrained by lack of marketing resources.
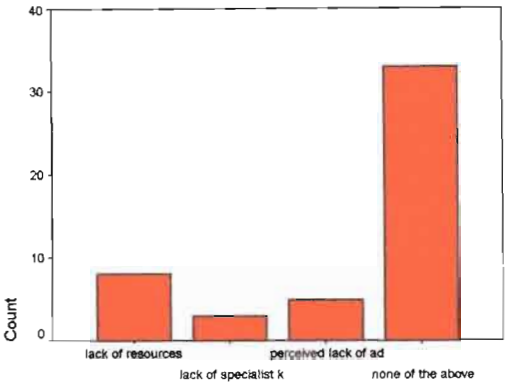
Q2.7

Table 4.14

Percentages of businesses constrained by lack of marketing resources.

		Frequency	Percent	Cumulative Percent
Valid	lack of resources	8	13.6	16.3
	lack of specialist knowledge	3	5.1	22.4
	perceived lack of advertising impact	5	8.5	32.7
	none of the above	33	55.9	100.0
	Total	49	83.1	
Missing	System	10	16.9	
Total		59	100.0	

It would appear that more than 10% have a problem due to a lack of resources. The resources in question may be a limitation on finance, marketing knowledge or time (Carson,1995).

Question 2.8: Do you experience problems in recruiting skilled staff?

Figure 4.15

Percentages of businesses experiencing problems in recruiting staff.

Q2.8
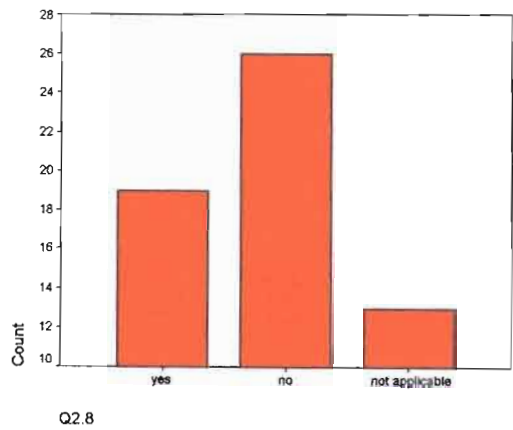
Table 4.15

Percentages of businesses experiencing problems in recruiting staff.

		Frequency	Percent	Cumulative Percent
Valid	yes	19	32.2	32.8
	no	26	44.1	77.6
	not applicable	13	22.0	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

One third of the respondents appear to have problems with recruiting skilled staff. The area surveyed is close to labour markets so proximity to labour markets is not a

problem. SMME's however are unable to offer the same benefits, security and promotion opportunities as large businesses. As a result a large proportion of the work force is not interested in a career in the SMME sector (Moolman, 1996).

Question 2.9: Do you experience problems with the sourcing of supplies?

Figure 4.16

Percentages of businesses experiencing problems with the sourcing of suppliers.
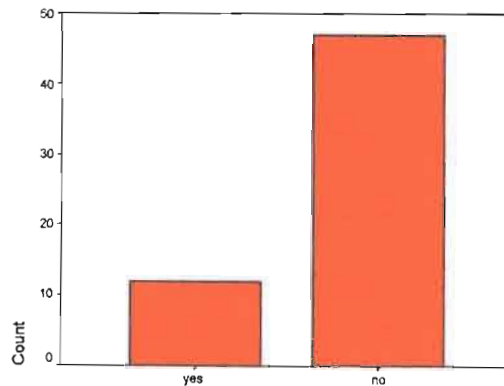
Q2.9

Table 4.16

Percentages of businesses experiencing problems with the sourcing of suppliers.

		Frequency	Percent	Cumulative Percent
Valid	yes	12	20.3	20.3
	no	47	79.7	100.0
	Total	59	100.0	

Small business people often complain that they are denied the opportunity to purchase goods at the same price as large businesses (White Paper, 1995). Almost 80% of respondents however do not have a problem with the sourcing of supplies. A sizeable percentage (20%), do however experience a problem with the sourcing of supplies.

Question 2.10: How would you rate operating costs (rent, lights and water) in your business?

Figure 4.17

Operating costs as rated by respondents.

Q2.10
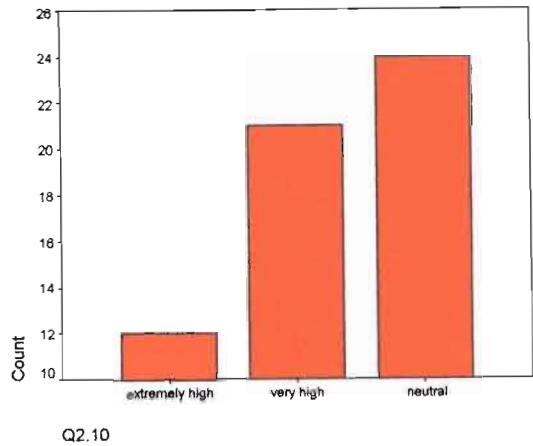
Table 4.17

Operating costs as rated by respondents.

		Frequency	Percent	Cumulative Percent
Valid	extremely high	12	20.3	21.1
	very high	21	35.6	57.9
	neutral	24	40.7	100.0
	Total	57	96.6	
Missing	System	2	3.4	
Total		59	100.0	

More than half the respondents rate operating costs on the high side. This can be attributed to high rentals; overheads, for example, lights and water,; telephone expenses and staff salaries. Important to note is that 40.7% of the respondents remained neutral, thus it may be hypothesized that they may own their premises and not employ many staff or employ family members.

Question 2.11: Is fraud a problem in your business?

Figure 4.18

Percentages of businesses constrained by fraud.
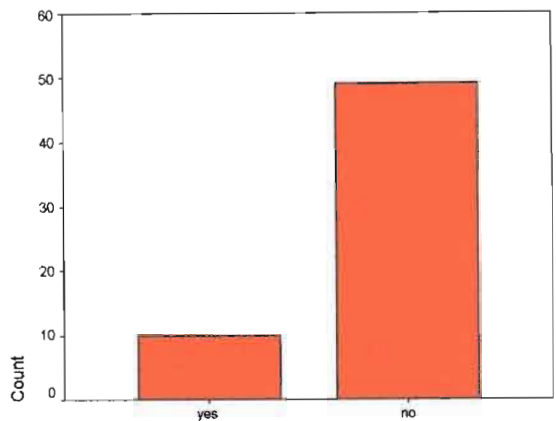
Q2.11

Table 4.18

Percentages of businesses constrained by fraud.

		Frequency	Percent	Cumulative Percent
Valid	yes	10	16.9	16.9
	no	49	83.1	100.0
	Total	59	100.0	

The majority of respondents (83%) don't seem to have a problem with fraud. This may be due to the fact that the majority of respondents own the businesses and personally attend to important issues such as financial control. An example of this may be that owners or family members handle the till. Almost 17% however do appear to have a problem with fraud. Figures released by the FBI (Hodgetts & Kuratko, 1995, 666), reveal that in 1990, $100 million was lost to computer fraud and $7 billion was lost in credit card and cheque fraud.

Question 2.12: Is theft a problem in your business?

Figure 4.19

Percentages of businesses constrained by theft.

Q2.12
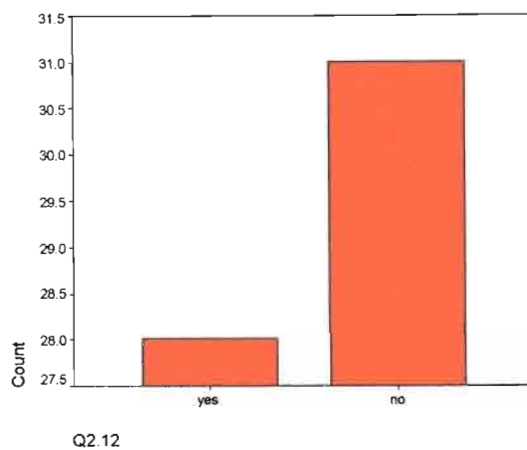
Table 4.19

Percentages of businesses constrained by theft.

		Frequency	Percent	Cumulative Percent
Valid	yes	28	47.5	47.5
	no	31	52.5	100.0
	Total	59	100.0	

Theft appears to be a problem in the businesses surveyed (48%). Experts in crime prevention report that 30% of employees steal from their employers and internal theft has been increasing steadily for the past 20 years (Hodgetts & Kuratko, 1995).

Question 2.13: Is location a constraint in your business?

Figure 4.20

Percentages of businesses constrained by location.

Q2.13
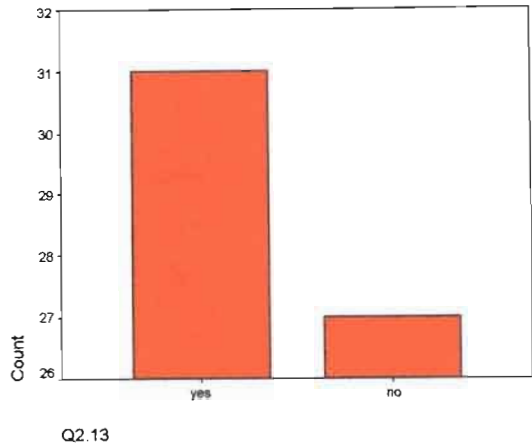
Table 4.20

Percentages of businesses constrained by location.

		Frequency	Percent	Cumulative Percent
Valid	yes	31	52.5	53.4
	no	27	45.8	100.0
	Total	58	98.3	
Missing	System	1	1.7	
Total		59	100.0	

Location appears to be a major concern with over half of the respondents agreeing that it is. The location of small business is a factor, which affects its performance (Storey, 1994), since the bulk of sales of small firms are to highly localized markets. Some types of small businesses require a large number of customers and it would appear that customers may not be going to downtown Pietermaritzburg for some reason.

4.3 PROBLEMS AND CONSTRAINTS FACING YOUR BUSINESS: EXTERNAL FACTORS

Question 1: The extent to which business cycle impacts on your business?

Figure 4.21

Percentages showing impact of business cycle.
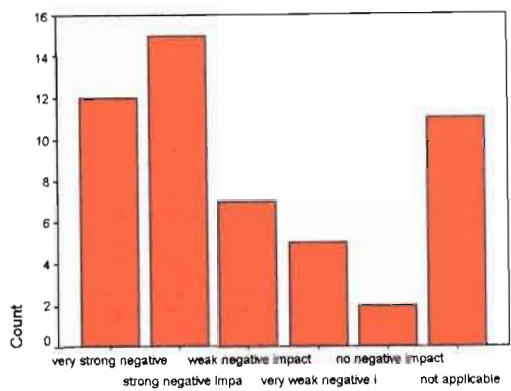
Q3.1.1

Table 4.21

Percentages showing impact of business cycle.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	12	20.3	23.1
	strong negative impact	15	25.4	51.9
	weak negative impact	7	11.9	65.4
	very weak negative impact	5	8.5	75.0
	no negative impact	2	3.4	78.8
	not applicable	11	18.6	100.0
	Total	52	88.1	
Missing	System	7	11.9	
Total		59	100.0	

It appears that the businesses surveyed are impacted by the business cycle, with about 45% experiencing a very strong or a strong negative impact. According to Moolman (1996), every major economic change requires a reaction from the firm in order to maximize potential benefits or to limit negative effects on the firm. During an

64

economic recession. SMME's often experience problems due to their size, which makes them particularly vulnerable to changes in the economic environment.

Question 2:The extent to which interest rates impacts on your business?

Figure 4.22

Percentages showing impact of interest rates.
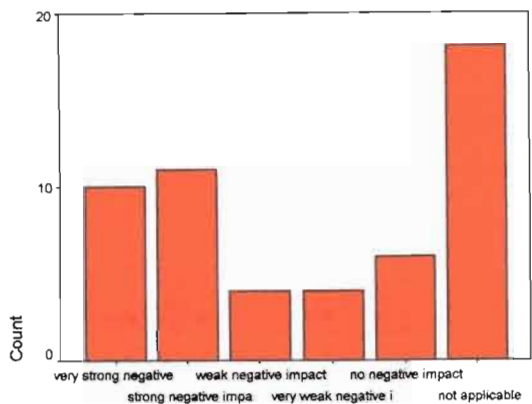
Q312

Table 4.3.2

Percentages showing impact of interest rates.

Q312

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very strong negative imapct	10	16.9	18.9	18.9
	strong negative impact	11	18.6	20.8	39.6
	weak negative impact	4	6.8	7.5	47.2
	very weak negative impact	4	6.8	7.5	54.7
	no negative impact	6	10.2	11.3	66.0
	not applicable	18	30.5	34.0	100.0
	Total	53	89.8	100.0	
Missing	System	6	10.2		
Total		59	100.0		

Interest rates also appear to impact the businesses with approximately 40 % experiencing either a strong negative impact or a very strong negative impact. Inflation and successive periods of recession result in a marked decrease in the real income of the consumer and a general feeling of uncertainty among consumers. During these periods the consumer

becomes increasingly price conscious, seeks cheaper substitutes and does not buy on impulse.(Du Plesses & Kruger 1996, ; Stanton et al 1992).

Relatively high interest rates place a strain on small businesses as it makes the use of debt financing more expensive and places liquidity under pressure.

Question 3: The extent to which exchange rates impacts on your business?

Figure 4.23

Percentages of businesses constrained by exchange rates.
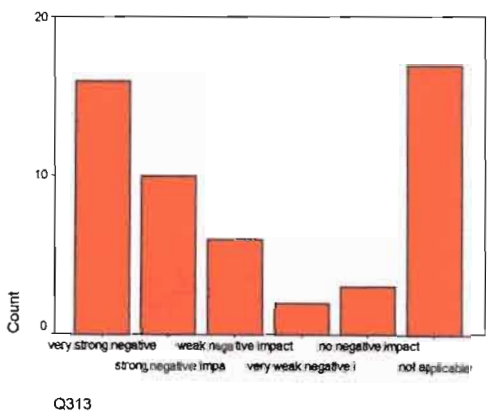
Q313

Table 4.23

Percentages of businesses constrained by exchange rates.

Q313

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very strong negative imapct	16	27.1	29.6	29.6
	strong negative impact	10	16.9	18.5	48.1
	weak negative impact	6	10.2	11.1	59.3
	very weak negative impact	2	3.4	3.7	63.0
	no negative impact	3	5.1	5.6	68.5
	not applicable	17	28.8	31.5	100.0
	Total	54	91.5	100.0	
Missing	System	5	8.5		
Total		59	100.0		

Almost half the businesses surveyed are negatively impacted on by exchange rates. It could be that their products or raw materials are dollar based, hence the negative impact. It could also be that they need to borrow funds to finance business operations.

Question 4: The extent to which political factors impact on your business?

Figure 4.24

Percentages of businesses constrained by political factors.

Q314
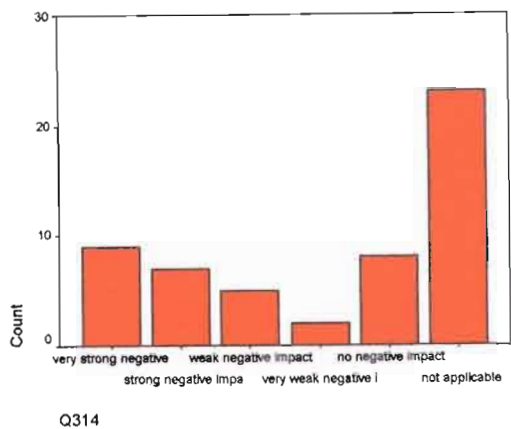
Table 4.24

Percentages of businesses constrained by political factors.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	9	15.3	16.7
	strong negative impact	7	11.9	29.6
	weak negative impact	5	8.5	38.9
	very weak negative impact	2	3.4	42.6
	no negative impact	8	13.6	57.4
	not applicable	23	39.0	100.0
	Total	54	91.5	
Missing	System	5	8.5	
Total		59	100.0	

It appears that the impact of political factors is not as high as that of economic factors like business cycle, interest rates and exchange rates. Approximately a quarter of the respondents felt that they were impacted on very strongly or strongly by political factors.

Question 5: The extent to which legal factors impacts on your business?

Figure 4.25

Percentages of business negatively impacted by legal factors.

Q315
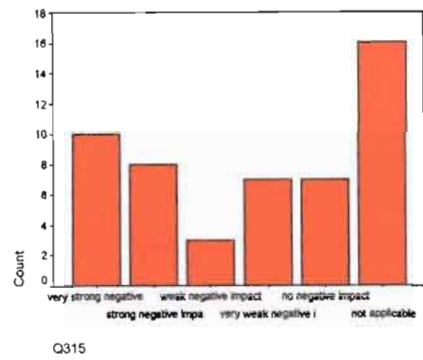
Table 4.25

Percentages of business negatively impacted by legal factors.

LEGAL FACTORS

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	10	16.9	19.6
	strong negative impact	8	13.6	35.3
	weak negative impact	3	5.1	41.2
	very weak negative impact	7	11.9	54.9
	no negative impact	7	11.9	68.6
	not applicable	16	27.1	100.0
	Total	51	86.4	
Missing	System	8	13.6	
Total		59	100.0	

Legal factors, again like political factors do not appear to impact on the businesses as strongly as economic factors.

Question 6: The extent to which changes in distribution patterns impacts on your business?

Figure 4.26

Percentages of businesses negatively impacted by changes in distribution patterns.
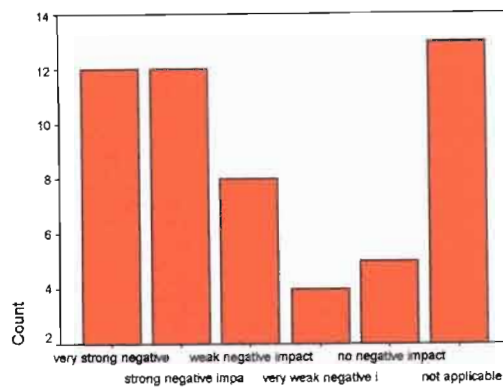
Q316

Table 4.26

Percentages of businesses negatively impacted by changes in distribution patterns.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	12	20.3	22.2
	strong negative impact	12	20.3	44.4
	weak negative impact	8	13.6	59.3
	very weak negative impact	4	6.8	66.7
	no negative impact	5	8.5	75.9
	not applicable	13	22.0	100.0
	Total	54	91.5	
Missing	System	5	8.5	
Total		59	100.0	

Changes in distribution patterns negatively impact on the businesses surveyed with about 40% affirming this. The past two decades has seen dynamic changes in the distribution trade in Pietermaritzburg with the establishment of suburban shopping centers. September 2003 will see the opening of a regional shopping centre in

Pietermaritzburg, which could also further negatively impact small business in downtown Pietermaritzburg.

Question 7: The extent to which changes in social cultural factors impacts on your business?

Figure 4.27

Percentages of businesses impacted on by social cultural factors.

Q317
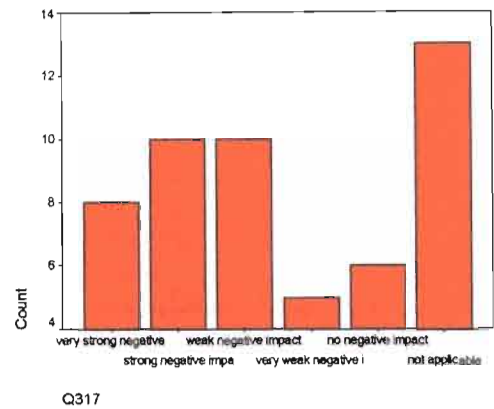
Table 4.27

Percentages of businesses impacted on by social cultural factors.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	8	13.6	15.4
	strong negative impact	10	16.9	34.6
	weak negative impact	10	16.9	53.8
	very weak negative impact	5	8.5	63.5
	no negative impact	6	10.2	75.0
	not applicable	13	22.0	100.0
	Total	52	88.1	
Missing	System	7	11.9	
Total		59	100.0	

It would appear that social cultural factors while having an impact on the business, do not seem to have a profound negative impact.

Question 8: The extent to which rentals impacts on your business?

Figure 4.28

Percentages of businesses constrained by rentals.

Q318
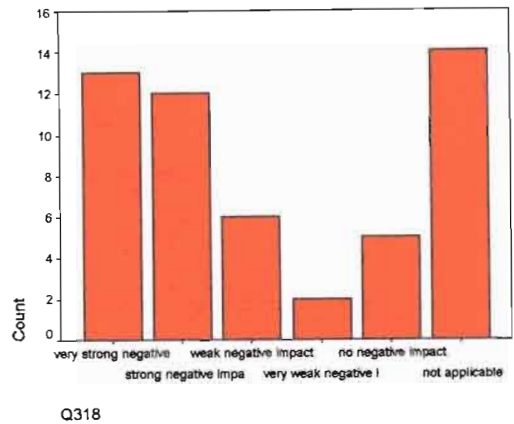
Table 4.28

Percentages of businesses constrained by rentals.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	13	22.0	25.0
	strong negative impact	12	20.3	48.1
	weak negative impact	6	10.2	59.6
	very weak negative impact	2	3.4	63.5
	no negative impact	5	8.5	73.1
	not applicable	14	23.7	100.0
	Total	52	88.1	
Missing	System	7	11.9	
Total		59	100.0	

Rentals do negatively impact the businesses surveyed with 40% of the respondents agreeing that rentals have a very strong to strong negative impact. According to the White Paper (1995), it is often found that SMME's pay a higher rental than that of large business, even if they are in the same building.

71

Question 9: The extent to which crime impacts on your business?

Figure 4.29

Percentages of businesses constrained by crime.

Q319
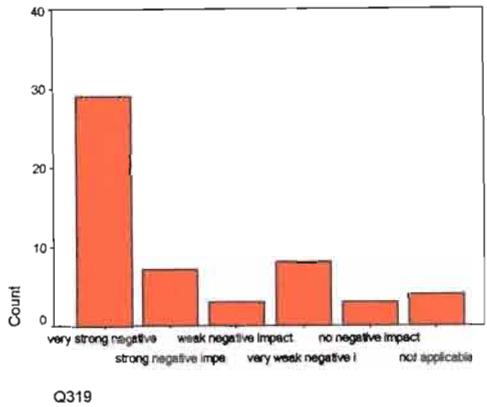
Table 4.29

Percentages of businesses constrained by crime.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	29	49.2	53.7
	strong negative impact	7	11.9	66.7
	weak negative impact	3	5.1	72.2
	very weak negative impact	8	13.6	87.0
	no negative impact	3	5.1	92.6
	not applicable	4	6.8	100.0
	Total	54	91.5	
Missing	System	5	8.5	
Total		59	100.0	

It appears that of all the factors that were considered, crime seems to have the highest impact with over 60% of the respondents experiencing a very strong negative or a strong negative impact.

In South Africa, high crime rates are serious obstacles to small business growth since they increase the risks for small enterprises and often cause major losses of stock and reduced turnover (White Paper, 1995).

Question 10: The extent to which access to finance impacts on your business?

Figure 4.30

Percentages of businesses constrained by access to finance.

Q310
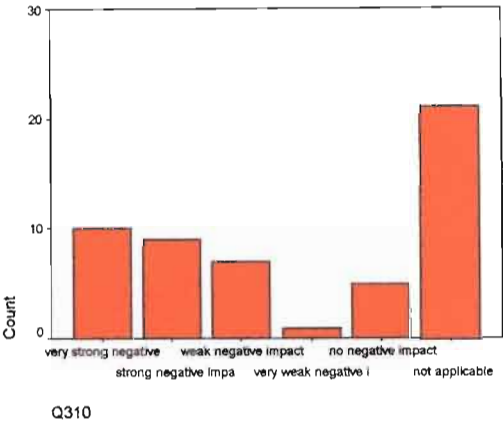
Table 4.30

Percentages of businesses constrained by access to finance.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	10	16.9	18.9
	strong negative impact	9	15.3	35.8
	weak negative impact	7	11.9	49.1
	very weak negative impact	1	1.7	50.9
	no negative impact	5	8.5	60.4
	not applicable	21	35.6	100.0
	Total	53	89.8	
Missing	System	6	10.2	
Total		59	100.0	

About 30% of respondents seem to be negatively impacted upon by access to finance. It is however interesting to note that the question was not applicable to 35% of the respondents. Could it be that a large proportion of businesses do not access outside funding?

Question 11: The extent to which competition from similar businesses impacts on your business?

Figure 4.31

Percentages of businesses constrained by competition.

Q311
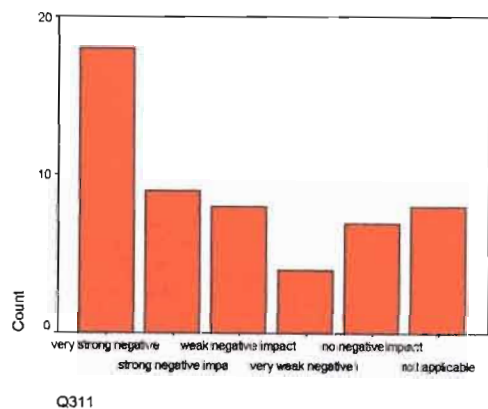
Table 4.31

Percentages of businesses constrained by competition.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	18	30.5	33.3
	strong negative impact	9	15.3	50.0
	weak negative impact	8	13.6	64.8
	very weak negative impact	4	6.8	72.2
	no negative impact	7	11.9	85.2
	not applicable	8	13.6	100.0
	Total	54	91.5	
Missing	System	5	8.5	
Total		59	100.0	

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Over 45% of the respondents do appear to be negatively impacted upon by competition from similar businesses. It could be that businesses are operating in saturated markets. The literature mostly advises small firms not to meet competitors head on, but to concentrate instead on specialized products and products or services with a high degree of value added (Hendry et al 1995 ; Moodie, 1996).

Question 12: The extent to which change in technology impacts on your business?
Figure 4.32

Percentages of businesses impacted on by change in technology.
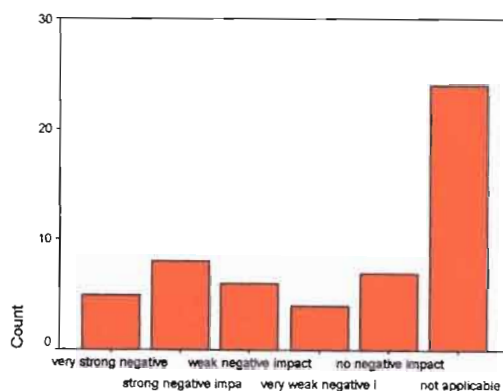
Q3.12

Table 4.32

Percentages of businesses impacted on by change in technology.

		Frequency	Percent	Cumulative Percent
Valid	very strong negative impact	5	8.5	9.3
	strong negative impact	8	13.6	24.1
	weak negative impact	6	10.2	35.2
	very weak negative impact	4	6.8	42.6
	no negative impact	7	11.9	55.6
	not applicable	24	40.7	100.0
	Total	54	91.5	
Missing	System	5	8.5	
Total		59	100.0	

75

Technology change does not appear to have a strong negative impact on the businesses surveyed with only 20% reporting a negative impact. 40% of the respondents however found the question not applicable. According to Du Plessis & Kruger (1996), the small firm may find new technology inaccessible owing to the cost involved or to a lack of knowledge and experience.

4.4 DESCRIPTIVE STATISTICS

Table 4.33

Statistics

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
Q1.1	59	0	1.4237	1.0000	1.00	.69984
Q1.2	58	1	1.7241	2.0000	2.00	.48822
Q1.4	58	1	1.4310	1.0000	1.00	.49955
Q1.5	58	1	1.7069	1.0000	1.00	1.05977
Q1.7	43	16	2.1860	2.0000	3.00	.87982
Q1.8	58	1	3.0862	4.0000	4.00	1.15901
Q2.1	50	9	2.6800	3.0000	4.00	1.26878
Q2.2	57	2	1.3333	1.0000	1.00	.47559
Q2.3A	59	0	1.6271	2.0000	2.00	.48772
Q2.3B	39	20	1.4872	1.0000	1.00	.50637
Q2.4	57	2	1.1754	1.0000	1.00	.38372
Q2.5	59	0	1.2203	1.0000	1.00	.41803
Q2.6	58	1	1.5345	1.0000	1.00	.79946
Q2.7	49	10	3.2857	4.0000	4.00	1.15470
Q2.8	58	1	1.8966	2.0000	2.00	.74197
Q2.9	59	0	1.7966	2.0000	2.00	.40598
Q2.10	57	2	2.2105	2.0000	3.00	.77314
Q2.11	59	0	1.8305	2.0000	2.00	.37841
Q2.12	59	0	1.5254	2.0000	2.00	.50364
Q2.13	58	1	1.4655	1.0000	1.00	.50317
Q3.1.1	52	7	3.0577	2.0000	2.00	1.85148
Q312	53	6	3.7358	4.0000	6.00	2.02058
Q313	54	5	3.3148	3.0000	6.00	2.10860
Q314	54	5	4.1481	5.0000	6.00	2.00384

Q315	51	8	3.8039	4.0000	6.00	1.96997
Q316	54	5	3.3148	3.0000	6.00	1.92132
Q317	52	7	3.5769	3.0000	6.00	1.82946
Q318	52	7	3.3077	3.0000	6.00	2.01503
Q319	54	5	2.2778	1.0000	1.00	1.68698
Q310	53	6	3.8491	4.0000	6.00	2.06058
Q311	54	5	2.9444	2.5000	1.00	1.86746
Q3.12	54	5	4.3333	5.0000	6.00	1.84289

Because of the nature of the data, the descriptive statistic that would be most meaningful to us would have to be the mode. The mode is the most frequent response that the respondents indicated. These results confirm what the bar graphs and frequency tables show us.

4.5 HYPOTHESES TESTING

The following hypotheses were tested using the Mann Whitney U test. The data was non parametric and hence, the use of such a test.

The first set of hypotheses was tested within question 1.1.

H_0: there is no difference in the perceptions between owners and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_1: there is a difference in the perceptions between owners and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints

Table 4.34

Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Q1.2	136.000	164.000	-.145	.885
Q1.4	63.000	91.000	-2.662	.008
Q1.5	53.500	873.500	-3.016	.003
Q1.7	72.500	100.500	-1.262	.207
Q1.8	118.000	938.000	-.712	.476
Q2.1	113.500	141.500	-.199	.842
Q2.2	119.000	140.000	-.153	.878
Q2.3A	86.500	114.500	-1.985	.047
Q2.3B	62.000	83.000	-.892	.373
Q2.4	128.000	156.000	-.378	.705
Q2.5	105.000	133.000	-1.545	.122
Q2.6	127.000	155.000	-.455	.649
Q2.7	81.000	109.000	-1.391	.164
Q2.8	105.500	133.500	-1.108	.268
Q2.9	123.500	151.500	-.905	.366
Q2.10	104.000	965.000	-1.245	.213
Q2.11	120.000	148.000	-1.123	.262
Q2.12	131.500	992.500	-.405	.686
Q2.13	90.000	118.000	-1.735	.083
Q3.1.1	110.500	131.500	-.018	.986
Q312	77.500	98.500	-1.214	.225
Q313	109.000	130.000	-.177	.859
Q314	100.500	121.500	-.485	.628
Q315	74.000	95.000	-1.252	.211
Q316	99.000	120.000	-.524	.600
Q317	96.500	117.500	-.518	.604
Q318	81.500	822.500	-.527	.598

Q319	93.000	114.000	-.787	.431
Q310	67.000	88.000	-1.606	.108
Q311	101.000	842.000	-.455	.649
Q3.12	113.500	134.500	-.018	.986

A p-value of less than $\alpha = 0.05$ will lead us to reject H_0. We reject H_0 for questions 1.4 and 1.5 and conclude that owners and partners differ in these profile questions i.e. family owned businesses and legal identity of the business and we will accept H_0 for the rest of the questions and conclude that there is no difference in the perceptions between owners and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_0: there is no difference in the perceptions between owners and managers with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_1: there is a difference in the perceptions between owners and managers and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints

Table 4.35

Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Q1.2	194.000	1014.000	-.770	.441
Q1.4	159.000	225.000	-1.613	.107
Q1.5	181.000	1001.000	-1.091	.275
Q1.7	82.500	517.500	-.835	.404
Q1.8	196.000	1016.000	-.600	.548
Q2.1	97.500	692.500	-1.736	.083
Q2.2	171.000	226.000	-.988	.323
Q2.3A	215.000	281.000	-.290	.772
Q2.3B	81.000	109.000	-.508	.611
Q2.4	190.000	256.000	-.862	.389
Q2.5	206.000	272.000	-.582	.560
Q2.6	200.500	266.500	-.527	.598
Q2.7	133.000	188.000	-1.004	.315
Q2.8	188.500	1008.500	-.779	.436
Q2.9	176.500	242.500	-1.608	.108
Q2.10	179.500	224.500	-.135	.893
Q2.11	191.500	257.500	-1.219	.223
Q2.12	192.000	1053.000	-.867	.386
Q2.13	210.000	1030.000	-.264	.791
Q3.1.1	148.500	193.500	-.511	.609
Q312	128.000	183.000	-1.530	.126
Q313	147.500	888.500	-1.114	.265
Q314	182.000	923.000	-.214	.831
Q315	161.500	827.500	-.015	.988
Q316	166.000	907.000	-.623	.533
Q317	165.500	868.500	-.028	.977

Q318	156.000	201.000	-.416	.678
Q319	176.500	917.500	-.371	.711
Q310	179.500	234.500	-.151	.880
Q311	163.000	218.000	-.709	.478
Q3.12	167.500	908.500	-.603	.546

A p-value of less than $\alpha = 0.05$ will lead us to reject H_0. We will accept H_0 for the all of the questions and conclude that there is no difference in the perceptions between owners and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_0: there is no difference in the perceptions between partners and managers with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_1: there is a difference in the perceptions between partners and managers with respect to the profile of the business, internal problems and constraints and external problems and constraints

Table 4.36

Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Q1.2	33.500	61.500	-.547	.584
Q1.4	28.000	56.000	-1.471	.141
Q1.5	20.500	86.500	-1.702	.089
Q1.7	11.500	39.500	-1.772	.076
Q1.8	37.500	103.500	-.103	.918
Q2.1	21.000	49.000	-1.237	.216
Q2.2	26.000	81.000	-.577	.564
Q2.3A	25.000	53.000	-1.410	.159
Q2.3B	19.000	40.000	-.338	.735
Q2.4	36.500	102.500	-.332	.740
Q2.5	31.500	59.500	-1.163	.245
Q2.6	38.500	66.500	.000	1.000
Q2.7	32.500	60.500	-.267	.790
Q2.8	23.500	51.500	-1.459	.145
Q2.9	35.500	101.500	-.332	.740
Q2.10	23.000	68.000	-.981	.327
Q2.11	38.000	66.000	-.058	.954
Q2.12	36.000	64.000	-.268	.789
Q2.13	23.000	51.000	-1.660	.097
Q3.1.1	24.000	69.000	-.367	.713
Q312	26.500	81.500	-.399	.690
Q313	22.000	43.000	-.901	.367
Q314	24.000	45.000	-.675	.500
Q315	18.000	39.000	-1.077	.281
Q316	21.000	42.000	-1.013	.311
Q317	21.000	42.000	-.726	.468

Q318	19.000	64.000	-.482	.630
Q319	22.500	43.500	-.905	.366
Q310	16.500	37.500	-1.495	.135
Q311	27.500	82.500	-.284	.777
Q3.12	25.000	46.000	-.570	.569

A p-value of less than $\alpha = 0.05$ will lead us to reject H_0. We will accept H_0 for the all of the questions and conclude that there is no difference in the perceptions between owners and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints.

The second set of hypotheses was tested within question 1.2.

H_0: there is no difference in the perceptions between service and retail businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_1: there is a difference in the perceptions between service and retail businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints

Table 4.37

Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Q1.4	324.500	1144.500	-.315	.753
Q1.5	246.000	399.000	-1.760	.078
Q1.7	177.500	282.500	-.346	.729
Q1.8	259.000	1039.000	-1.428	.153
Q2.1	215.000	320.000	-.550	.582
Q2.2	305.500	441.500	-.148	.882
Q2.3A	332.500	1152.500	-.157	.876

Q2.3B	119.000	164.000	-.286	.775
Q2.4	246.500	1026.500	-1.894	.058
Q2.5	328.000	1148.000	-.296	.767
Q2.6	273.000	1093.000	-1.017	.309
Q2.7	221.000	749.000	-.526	.599
Q2.8	296.000	1116.000	-.469	.639
Q2.9	303.500	1123.500	-.931	.352
Q2.10	282.500	1062.500	-.588	.557
Q2.11	320.500	1140.500	-.538	.590
Q2.12	253.000	1073.000	-1.754	.079
Q2.13	328.500	1108.500	-.062	.951
Q3.1.1	235.500	355.500	-.587	.557
Q312	252.000	372.000	-.383	.702
Q313	247.000	950.000	-.637	.524
Q314	243.000	946.000	-.729	.466
Q315	219.000	814.000	-.799	.424
Q316	263.500	966.500	-.288	.773
Q317	210.000	840.000	-1.131	.258
Q318	212.500	842.500	-1.085	.278
Q319	208.500	874.500	-1.722	.085
Q310	208.000	911.000	-1.119	.263
Q311	252.000	955.000	-.530	.596
Q3.12	264.500	967.500	-.276	.783
Q1.1	331.500	1151.500	-.184	.854

A p-value of less than $\alpha = 0.05$ will lead us to reject H_0. We will accept H_0 for the all of the questions and conclude that there is no difference between the service and retail businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints.

Ho: there is no difference in the perceptions between service and other businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H1: there is a difference in the perceptions between service and other businesses with respect to the profile of the business, internal problems and constrainers and external problems and constraints.

Table 4.38

Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Q1.4	4.500	5.500	-.894	.371
Q1.5	3.000	156.000	-1.457	.145
Q1.7	2.500	3.500	-1.139	.255
Q1.8	4.000	5.000	-1.037	.300
Q2.1	2.500	3.500	-1.101	.271
Q2.2	5.500	6.500	-.645	.519
Q2.3A	3.000	4.000	-1.254	.210
Q2.3B	2.500	3.500	-.816	.414
Q2.4	5.500	6.500	-.645	.519
Q2.5	6.500	7.500	-.535	.593
Q2.6	4.500	5.500	-.809	.419
Q2.7	3.500	4.500	-1.057	.290
Q2.8	2.000	3.000	-1.320	.187
Q2.9	1.000	2.000	-2.236	.025
Q2.10	5.500	6.500	-.554	.580
Q2.11	1.000	2.000	-2.236	.025
Q2.12	2.500	3.500	-1.414	.157
Q2.13	4.500	5.500	-.894	.371
Q3.1.1	5.500	125.500	-.446	.656

Q312	4.000	5.000	-.777	.437
Q313	5.000	6.000	-.561	.575
Q314	2.500	3.500	-1.138	.255
Q315	1.000	2.000	-1.458	.145
Q316	5.500	6.500	-.447	.655
Q317	5.500	6.500	-.448	.654
Q318	4.500	5.500	-.675	.500
Q319	2.500	3.500	-1.163	.245
Q310	2.500	3.500	-1.101	.271
Q311	7.000	127.000	-.111	.912
Q3.12	2.500	3.500	-1.136	.256
Q1.1	1.500	154.500	-1.620	.105

a Not corrected for ties.

b Grouping Variable: Q1.2

A p-value of less than $\alpha = 0.05$ will lead us to reject H_0. We reject H_0 for questions 2.9 and 2.11(problems with the sourcing of supplies and fraud) and conclude that service and other businesses differ in these internal problem and constraint questions. We will accept H_0 for the rest of the questions and conclude there is a difference in the perceptions between service and other businesses and partners with respect to the profile of the business, internal problems and constraints and external problems and constraints

H_0: there is no difference in the perceptions between retail and other businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints.

H_1: there is a difference in the perceptions between retail and other businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints.

Table 4.39

Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Q1.4	11.500	12.500	-.842	.400
Q1.5	13.500	793.500	-.568	.570
Q1.7	3.500	4.500	-1.348	.178
Q1.8	16.000	17.000	-.325	.746
Q2.1	4.000	5.000	-1.360	.174
Q2.2	13.000	14.000	-.694	.488
Q2.3A	7.500	8.500	-1.250	.211
Q2.3B	7.000	8.000	-.966	.334
Q2.4	17.500	18.500	-.333	.739
Q2.5	16.000	17.000	-.492	.622
Q2.6	14.000	15.000	-.634	.526
Q2.7	9.500	10.500	-.796	.426
Q2.8	6.500	7.500	-1.226	.220
Q2.9	4.500	5.500	-1.761	.078
Q2.10	16.000	17.000	-.325	.745
Q2.11	3.500	4.500	-2.031	.042
Q2.12	11.000	12.000	-.885	.376
Q2.13	10.500	11.500	-.905	.366
Q3.1.1	14.500	644.500	-.296	.767
Q312	11.000	12.000	-.680	.496
Q313	15.500	16.500	-.284	.777
Q314	9.500	10.500	-.853	.394
Q315	3.500	4.500	-1.364	.173
Q316	12.000	13.000	-.604	.546
Q317	17.000	18.000	-.049	.961
Q318	14.000	15.000	-.346	.729
Q319	11.500	12.500	-.715	.475

Q310	11.500	12.500	-.659	.510
Q311	14.500	717.500	-.375	.708
Q3.12	6.000	7.000	-1.192	.233
Q1.1	1.500	821.500	-1.910	.056

a Not corrected for ties.

b Grouping Variable: Q1.2

A p-value of less than $\alpha = 0.05$ will lead us to reject H_0. We reject H_0 for questions 2.11 (Is fraud a problem in your business?) and conclude that retail and other businesses differ in this internal problem and constraint question. We will accept H_0 for the all of the questions and conclude that there is no difference between the retail and other businesses with respect to the profile of the business, internal problems and constraints and external problems and constraints.

4.6 HYPOTHESES TESTING PROBLEMS:

4.6.1 EXTERNAL PROBLEMS

The one sample t-test was carried out to test the following hypothesis:

H_0: the mean score of the external factors is equal to the mean score of 1 (1 is translated as "very strong negative impact" i.e. the external factors are having a very strong impact on the businesses)

H_1: the mean score of the external factors is not equal to the mean score of 1 (1 is translated as "very strong impact" i.e. the external factors are not having a very strong negative impact on the businesses)

Table 4.40

One-Sample Test

	Test Value = 1		
	t	df	Sig. (2-tailed)

Q3.1.1	8.014	51	.000
Q312	9.857	52	.000
Q313	8.067	53	.000
Q314	11.545	53	.000
Q315	10.165	50	.000
Q316	8.853	53	.000
Q317	10.157	51	.000
Q318	8.258	51	.000
Q319	5.566	53	.000
Q310	10.066	52	.000
Q311	7.651	53	.000
Q3.12	13.292	53	.000

A p-value less than $\alpha = 0.05$ will lead us to reject H_0 and conclude that the mean score of the external factors is not equal to the mean score of 1 (1 is translated as "very strong negative impact" i.e. the external factors are not having a very strong negative impact on the businesses). We will reject H_0 for all of the above factors.

Another Hypothesis was tested

H_0: the mean score of the external factors is equal to the mean score of 2 (2 is translated as "strong negative impact" i.e. the external factors are having a strong impact on the businesses)

H_1: the mean score of the external factors is not equal to the mean score of 2 (2 is translated as "strong negative impact" i.e. the external factors are not having a strong impact on the businesses)

Table 4.41

One-Sample Test

	Test Value = 2		
	t	Df	Sig. (2-tailed)
Q3.1.1	4.119	51	.000
Q312	6.254	52	.000
Q313	4.582	53	.000
Q314	7.878	53	.000
Q315	6.539	50	.000
Q316	5.029	53	.000
Q317	6.216	51	.000
Q318	4.680	51	.000
Q319	1.210	53	.232
Q310	6.533	52	.000
Q311	3.716	53	.000
Q3.12	9.304	53	.000

A p-value less than $\alpha = 0.05$ will lead us to reject H_0 and conclude that the mean score of the external factors is not equal to the mean score of 2 (2 is translated as " strong negative impact" i.e. the external factors are not having a very strong negative impact on the businesses). We will reject H_0 for all of the external factors except the factor of Crime, we conclude that crime is equal to the mean score of 2 (2 is translated as "strong negative impact" i.e. the crime factor is having a strong impact on the businesses)

4.6.2   INTERNAL PROBLEMS

The one sample t-test was carried out to test the following hypothesis:

H_0: the mean score of the internal factors is equal to the mean score of 2 (2 is translated as "no" i.e. the internal factors of questions 2.2, 2.3, 2.4, 2.5, 2.9, 2.11, 2.12, 2.13 are internal problems for the businesses)

H_0: the mean score of the internal factors is not equal to the mean score of 2 (2 is translated as "no" i.e. the internal factors of questions 2.2, 2.3, 2.4, 2.5, 2.9, 2.11, 2.12, 2.13 are no internal problems for the businesses)

Table 4.42

One-Sample Test

| | Test Value = 2 | | |
	t	df	Sig. (2-tailed)
Q2.2	-10.583	56	.000
Q2.3A	-5.873	58	.000
Q2.3B	-6.325	38	.000
Q2.4	-16.223	56	.000
Q2.5	-14.326	58	.000
Q2.9	-3.848	58	.000
Q2.11	-3.440	58	.001
Q2.12	-7.238	58	.000
Q2.13	-8.090	57	.000

A p-value less than $\alpha = 0.05$ will lead us to reject H_0 and conclude that the mean score of the internal factors is not equal to the mean score of 2 (2 is translated as "no" i.e. the internal factors of questions 2.2, 2.3, 2.4, 2.5, 2.9, 2.11, 2.12, 2.13 are no problems for the businesses)

There also does not seem to be much difference between the managers, owners and partners with respect to internal and external problems.

4.6.3 PROBLEMS ASSOCIATED WITH DIFFERENT TYPES OF BUSINESSES

4.6.3.1 Internal Problems:

The medical businesses do not (surprisingly) have stock control systems in place

Majority of the businesses do not offer credit facilities.

Operating costs was rated high by clothing businesses and general dealers

Location is an internal problem for general dealers, jewellers, medical and clothing businesses (Refer to Appendix C).

4.6.3.2 External Problems:

Business cycles affect general dealers (strong negative impact)

Exchange rates affect medical businesses

Other businesses are affected by legal factors

Clothing businesses are affected by distribution patterns

Medical businesses are affected by social cultural factors

Crime is especially a problem for clothing, medical general dealers, and jewellers

General dealers, hairdressers and clothing businesses are affected by competition from other businesses

Medical and Clothing businesses are affected by technology changes (Refer to Appendix C).

4.6.4 CONCLUSION

The profile of businesses in downtown Pietermaritzburg is as follows:

- Owners
- Retail businesses
- Family owned
- Sole proprietors
- Male co owners

- Approximately 72% of the Businesses in this sample exist for a period of longer than 10 years

The internal problems faced by the businesses include:

- 24% have the problem of no business experience
- Businesses do not offer credit facilities
- 32% have problems in recruiting skilled staff
- The location is definitely a constraint for the businesses

The external factors do no seem to be having serious/very strong negative impacts, however the common external problems faced by these businesses include:

- business cycle
- exchange rates
- changes in distribution patterns
- social cultural factors(not too serious)
- rentals
- crime
- competition from other businesses

There does not seem to be much difference between retail, service and other businesses with respect to internal and external problems. There also does not seem to be much difference between the managers, owners and partners with respect to internal and external problems.

4.7 RELIABILITY

Cronbachs Alpha

Cronbach's alpha was also calculated as part of the reliability test to assess how valid the results were and will we get similar results to generalize if we increased the sample size. A value of 0.7 or higher is a very good value that can lead us to say that we will get the same results if we carried out this survey with a larger sample of students. The Cronbach's alpha was calculated for all the questions:

****** Method 1 (space saver) will be used for this analysis ******

Table 4.43

RELIABILITY ANAYSIS - SCALE (ALPHA)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
Q1.1	72.4000	445.9714	-.1804	.8983
Q1.2	72.2000	440.3143	-.0303	.8953
Q1.4	72.7333	445.2095	-.2683	.8967
Q1.5	72.2667	447.6381	-.1861	.9000
Q1.7	72.0000	431.0000	.2005	.8939
Q1.8	71.1333	453.1238	-.2939	.9017
Q2.1	71.4000	414.2571	.4169	.8908
Q2.2	72.6667	437.6667	.0943	.8944
Q2.3A	72.5333	426.5524	.6144	.8908
Q2.3B	72.4667	429.6952	.4743	.8918
Q2.4	72.9333	433.3524	.4401	.8927
Q2.5	72.9333	440.0667	-.0181	.8949
Q2.6	72.5333	423.5524	.4568	.8909
Q2.7	70.7333	418.0667	.4851	.8900
Q2.8	72.1333	433.8381	.1637	.8941
Q2.9	72.4000	441.2571	-.0767	.8955
Q2.10	72.0667	440.6381	-.0403	.8964
Q2.11	72.4000	429.5429	.5015	.8917
Q2.12	72.6000	431.1143	.3984	.8923
Q2.13	72.5333	430.4095	.4316	.8921
Q3.1.1	71.0667	368.2095	.8487	.8795
Q312	70.2667	364.4952	.7844	.8813

Q313	71.0000	363.7143	.8868	.8782
Q314	70.2667	379.0667	.6394	.8859
Q315	71.2000	370.8857	.8465	.8798
Q316	71.2000	385.3143	.7617	.8828
Q317	70.8667	378.2667	.8443	.8806
Q318	71.1333	371.5524	.7676	.8819
Q319	71.9333	397.2095	.5773	.8874
Q310	70.8667	387.4095	.5782	.8876
Q311	71.2667	421.9238	.2730	.8936
Q3.12	69.9333	375.4952	.8334	.8805

Reliability Coefficients

N of Cases = 15.0   N of Items = 32

Alpha =   .8936

The overall alpha in this case is 0.8936, which is high and this is a very good reliability value. Hence we can conclude that this survey with its responses is reliable.

CHAPTER 5

CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS

5.1 Conclusions

The major problems and constraints facing businesses in downtown Pietermaritzburg are as follows:

- Lack of business experience
- Inadequate stock control
- Lack of credit facilities
- Lack of a marketing orientation
- Problems with recruiting skilled staff
- Problems with the sourcing of supplies
- High operating costs
- Location is a problem
- Ineffective management of the business cycle
- Ineffective management of financial risk
- Businesses constrained by changes in distribution patterns
- Businesses negatively impacted by crime
- Businesses constrained by lack of access to finance
- Businesses constrained by competition from similar businesses

5.2 Recommendations

Based on these conclusions a section on appropriate recommendations follows

5.2.1 Recommendation 1 - Acquiring business experience

Although the majority of businesses (34%) had appropriate business experience, 24% did not have any business experience. In order to avert failure it is recommended that the operators of the 24%, which do not have experience, acquire business experience before starting. This recommendation is consistent with the advice of Moolman (1996) and Hassim (2001). In addition it can be recommended that the operators of such businesses enroll for business related programmes offered at a university or another institution e.g. the BMC (Business Management Course) offered by the University of Natal-Pietermaritzburg.

5.2.2 Recommendation 2 - Putting into place a stock control system

Approximately one third of the small businesses surveyed do not have a stock control system in place. Consequently, these businesses are disadvantaged as the advantages associated with inventory control (Hodgetts & Kuratko, 1998), include the following:

- Inventory stock can be balanced in relation to sales
- Primary attention can be given to the fastest moving most profitable lines
- The ideal rate of stock turnover for each item can be determined.

Capital costs in a firm can vary, depending on the financial situation. If a business has an excess of cash and invests this in inventory, then the capital cost is the interest lost by putting the money into inventory instead of investing it elsewhere and earning an interest. On the other hand, when the stock of an item is depleted, and a customer needs it, then a stock out cost is incurred in the form of lost profit or any 'ill will' generated. There is a trade-off between carrying stock to satisfy demand and the costs resulting from stock out. It is often difficult to determine lost profits and the effects of lost customers

(Davis, Aquilano &Chase, 1999). In accordance with Davis, Aquilano & Chase and Hodgetts and Kuratko's advice, it is recommended that those businesses that do not have a stock control system in place make a concerted effort in getting one in place, as the benefits are extensive.

5.2.3 Recommendation 3 – Offering credit facilities

Approximately two thirds of the businesses do not offer credit facilities. Although this may be a risk averse way of doing business, it is possible that businesses may be disadvantaged by this practise. It is recommended that the respondents investigate the possibility of offering credit facilities to customers by using outside factoring agents like Consumer Credit and Credit Indemnity. By using these agents, respondents will not be increasing their risk profile, as the risk will be borne by the factoring agents.

In evaluating a credit policy a business should consider the following factors:

- Revenue effects. If a firm grants credit, there will be a delay in revenue collections, as some customers will take advantage of the credit offered and pay later.
- Cost effects. Although the firm may experience delayed revenues, it will still incur the cost of sales immediately.
- The cost of debt. When a firm grants credit, it must arrange to finance the resulting receivables.
- The probability of non-payment. If the firm grants credit, some percentage of credit buyers will not pay. This cannot happen if the firm sells for cash.
- The cash discount. When a business offers a cash discount as part of its credit terms, some customers will choose to pay early to take advantage of the discount (Ross et al, 2001).

5.2.4 Recommendation 4 – Offering credit facilities but also exercising control

The data analysis reveal that one third of the businesses do not have a credit control system in place. If credit control is not well managed in any business,

the possibility for failure exists. Lack of adequate credit control may result in too much of money being tied up in debtors and this will impact negatively on the cash flow of the business. Money has a time value and stringent credit control measures need to be enforced in order to successfully operate a business in the long term.

If a business decides to grant credit to its customers, it must establish procedures for extending credit and collecting outstanding amounts. The following are important components of a credit policy:

- Terms of sale. If a business grants credit to a customer, the terms of sale should specify the credit period, the cash discount and the discount period.

- Credit analysis. In granting credit the business should determine how much effort it would expend trying to distinguish between customers who will pay and those who will not pay.

- Collection Policy. After credit has been granted, the business has the potential problem of collecting the cash when it becomes due, for which it must establish a collection policy (Ross et al, 2001)

It is therefore recommended that those businesses that do not have a credit control system in place take steps to implement one.

5.2.5 Recommendation 5 - Adopting a marketing orientation

It is important that SMME's plan marketing strategies as they will assist them to divide the market into customer segments, will help them to decide which segments to target, what product and service enhancements to offer each segment, what promotional appeals and media to employ, and what prices to charge (Walker, Boyd & Larreche, 1999).

Consequently the benefits of effective marketing would accrue to the 15.3% of businesses surveyed that indicated that marketing was not important in their

businesses. Therefore it is recommended that attention be paid to marketing, as it will assist the businesses to effectively allocate and coordinate their resources and activities in order to accomplish the firm's objectives.

Although the majority indicated that there were no major marketing constraints, about 13% of businesses surveyed claimed that limited resources created problems in promoting their businesses. Given the costly nature of advertising through conventional mediums e.g. newspapers, such businesses could promote themselves through publicity, effective word of mouth communications, better quality products and improved customer service.

5.2.6 Recommendation 6 - Staff Training

About one third of respondents indicated problems with recruiting skilled staff. SMME's in general are unable to offer the same benefits, security and promotion opportunities as large businesses and do encounter problems with recruiting skilled staff. However it could be recommended that the businesses look at ways of implementing programmes to train new staff members to bring them up to speed with the required skills.

5.2.7 Recommendation 7 – Managing sources of supply more effectively

One fifth of respondents indicated that they experience problems with the sourcing of supplies. Perhaps a way around this problem may be through the formation of consortiums whereby a number of small businesses band together and do the buying. This ideology is in accordance with the work of a Swedish academic who recently visited the PMB campus. These co-operatives will increase their bargaining power, and help secure better prices and credit terms.

In addition it would be prudent to build up good lasting relationships with suppliers.

5.2.8 Recommendation 8 – Attempting to reduce operating costs

More than half of respondents rated operating costs on the high side.
In order to meet operating costs successfully it is also recommended that
owners re- visit the three areas that directly impact on their bottom line viz.

- Cost – decreasing costs will directly impact on the firm's bottom line.
- Volume – increasing volume of products sold will increase the firm's
  bottom line
- Price – Increasing price will increase the firm's bottom line (Pearce &
  Robinson, 2000).

5.2.9 Recommendation 9 – Lobbying for support to make the location more accessible to customers

The results of the survey show that location is a major problem with more than
half the respondents attesting to this.

According to The Natal Witness (2001), the CBD is increasingly becoming a
site for unrestricted informal trading. It would appear that this is the case in the
downtown area as well. The authorities are reluctant to hamstring the
enterprise of small entrepreneurs, but the question is whether the CBD can be
left to become a site for unrestricted informal trading. The fact of the matter
according to the editor is that it is the formal licensed business that pays the
rates and keeps the city going. If the big players were to decide that it is no
longer worth their while to remain in the CBD, then the city will certainly be
on the same downward path as Johannesburg, where business has deserted the
old centre, leaving a wasteland behind.

It is recommended that businesses in the area make attempts to persuade local government to improve access to the downtown area through better infrastructure.

Naude and Alberts (2002) report that a 17-kilometre public transportation corridor that will run from Georgetown in the south of Pietermaritzburg through the CBD to Northdale in the north is in the pipeline for the city. This corridor will enable communities in Edendale, Imbali, Georgetown, Machibisa, Woodlands, Northdale and Raisethorpe to be linked through Edendale Road, Longmarket, Pietermaritz, West, East and Church Streets and Old Greytown Road.

According to transport minister S'bu Ndebele this project will improve public access. According to the mayor of Pietermaritzburg, Hloni Zondi, this is a significant investment in the city and is designed to upgrade both commuter and trading facilities.

It is strongly recommended that a concerted and fervent effort be made to pursue this particular avenue.

5.2.10 Recommendation10 - More effective management of business cycles

Over 45% of the businesses surveyed are negatively impacted on by the business cycle. SMME's are particularly vulnerable to changes in the economic environment because of their size.

During periods of recession it is important that the small business make certain adaptations as consumers become increasingly price conscious and impulsive buying is eliminated. On the other hand during periods of economic growth, businesses need to be prepared for increased sales.

It is therefore recommended that businesses draw up a financial plan over the long run, which is usually taken to be the coming two to five years. The financial planning process might require that the firm prepare three alternate plans for the next three years:

- A worst case. This plan would require making relatively pessimistic assumptions about the state of the economy. It would require details concerning cost cutting.

- A normal case. This plan would require making most likely assumptions about the business and the economy.

- A best case. The business would be required to work out a case based on optimistic assumptions. It could involve new products and expansion (Ross et al, 2001).

5.2.11 Recommendation 11 – More cautious management of financial risk

Approximately 40% of businesses experience a strong negative impact or a very strong negative impact by interest rates. Financial risk management is therefore important, as small business will frequently have an undesirable exposure to some type of risk. This is particularly true today because of the increased volatility in key financial variables such as interest rates and exchange rates (Ross et al, 2001).

Debt is a vital source of funding for businesses and interest rates are important in a firm's cost of capital. Until the end of the 1970's, interest rates in South Africa were relatively stable because the Reserve Bank actively managed rates to keep them that way. This goal has since been abandoned, and interest rate volatility has increased sharply. Before 1980, South African firms were able to plan for and predict their future borrowing costs with some confidence. In today's financial world, because of the increased uncertainty surrounding interest rates, this is no longer the case (Ross et al, 2001).

To manage financial risk effectively, owners need to identify the types of price fluctuations that have the greatest impact on the firm. If, interest rates increase

then a firm's borrowing costs will increase. There has been relief since conducting the survey in that interest rates have decreased and has brought relief to many small businesses.

In addition, almost 45% of the businesses surveyed are negatively impacted by exchange rates. Because South Africa is an open economy, where exports and imports form an important portion of total trading activity, exchange rates and exchange rate volatility have also become increasingly important.

After the publication of the De Kock Commission in 1979, the rand was allowed to float against other currencies. Prior to that importers and exporters could predict with relative certainty what exchange rates were likely to be in the future. Today market forces set the world's major exchange rates, and consequently future exchange rates are very difficult to predict with precision (Ross et al, 2001).

The effects of exchange and interest rates are difficult to manage and it is recommended that concerted efforts be made to predict such changes through consultations with economists and management consultants to reduce the impact that they could have on the businesses.

5.2.12 Recommendation 12 – Managing the changes in distribution patterns and their impact

Businesses surveyed indicated that changes in distribution patterns negatively impact on them. According to Joubert (2003), chairman of the SA Council of Retailers, in the sixties there were only 100 000 metres of institutionalised shopping centre space in the country. CBD's were thriving, vibrant places with healthy fragmented ownership of retail space, spread over tens of thousands of landlords. Today, five million square metres of shopping centre space are predominantly controlled by a handful of players. This has all but

killed CBD's across the country. As we move to American type 'mall culture', this development has also created urban decay.

September 2003 saw the opening of a new regional shopping centre in Pietermaritzburg, the Liberty Midlands Mall which would further affect businesses in the downtown area.

The recommendations made under the marketing and location section could also be applicable in this regard.

5.2.13 Recommendation 13 – Negotiating more favourable rentals

Over 40% of respondents are negatively impacted on by high rentals. According to the White Paper (1995), it is often found that SMME's pay a higher rental than that of large businesses, even if they are in the same building.

Even in major shopping malls, small businesses pay rentals of up to R500 a square metre, while major retailers next door pay 'penny rents' of as little as R20 a square metre (Joubert, 2003). Small businesses also endure annual escalations of as much as 15%, way in excess of the consumer price index, while the major established retailers enjoy far smaller annual escalations, in some cases as little as zero.

The SA Council of Retailers believes that this conduct constitutes excessive pricing and price discrimination and kills small business. The small retailer is thus forced to pass their exorbitant cost structure onto the end consumer, fuelling inflation and contributing to the high failure rate of small businesses (Joubert, 2003).

Once again it is recommended that efforts be made to negotiate more affordable rentals. This has been done successfully in many instances.

5.2.14 <u>Recommendation 14 – Better crime management</u>

Of all the factors considered, crime seems to have the highest impact with over 60% of respondents experiencing a very strong negative or a strong negative impact.

Hoosen (2002), states that the Downtown Business Improvement Districts (Bids) Committee is seriously and actively pursuing revitalising of the downtown area and is in the process of engaging all role players. The aims of Bids are to upgrade the city centre and to reduce crime and to attract businesses and shoppers back to the city centre. They directly address issues such as the environment (street lighting), security screens, and streetscape design (investing in a pedestrian friendly environment). American experience has shown that BID's can be extremely successful. They are credited with having attracted business back to the city of Philadelphia.

5.2.15 <u>Recommendation 15 – Finding more effective ways to access finance</u>

About 30% of respondents appear to be negatively impacted by access to finance. Smorfitt (2002) asserts that a major problem in stimulating SMME growth is constrained access to finance. Consequently a solution is required that will allow SMME's easier and simpler access to finance while reducing the risk for the financier.

5.2.16 <u>Recommendation 16 – Better management of competition</u>

Over 45% of respondents indicated being negatively affected by competition from similar businesses. It is recommended that small firms do not meet competitors' head on but instead concentrate on specialised products and services with a high degree of value added (Hendry et al, 1995).

5.3 Problems On The Basis Of Type Of Business

5.3.1 Internal problems:

➤ The medical businesses do not (surprisingly) have stock control systems in place
➤ Majority of the businesses do not offer credit facilities
➤ Operating costs were rated high by clothing businesses and general dealers
➤ Location is a problem for general dealers, jewellers, medical and clothing businesses

5.3.2 External problems

➤ Business cycles affect general dealers (strong negative impact)
➤ Exchange rates affect medical businesses
➤ Other businesses are affected by legal factors
➤ Clothing businesses are affected by distribution patterns
➤ Medical businesses are affected by social cultural factors
➤ Crime is especially a problem for clothing, medical general dealers, and jewellers
➤ General dealers, hairdressers and clothing businesses are affected by competition from other businesses
➤ Medical and Clothing businesses are affected by technology changes

5.4 Problems Associated With The Different Profiles Of Business

There does not seem to be much difference between retail, service and other businesses with respect to internal and external problems
There also does not seem to be much difference between the managers, owners and partners with respect to internal and external problems.

5.5 <u>Limitations of the study</u>

With regard to the limitations of the present study, several difficulties were experienced with the Business Survey. The structured nature of the questions in the Business Survey limited the amount and content of data gathered. For future research, the questions in the Business Survey may be modified to an open – ended format in order for richer and more informative data to be gathered.

In addition, question 3 of the Business Survey presented the respondent with sub – questions to be answered according to a Likert – scale. With regard to the last option on the scale "not applicable", the researcher feels that this option was mostly chosen and may have invariably provided an "escape" to not answering the questions. This option should therefore not be available in future research involving a scale of this type.

Also, some respondents did not understand the concepts in question 3, for example, "business cycle". This could have led to them choosing the "not applicable" option as mentioned above. Although this problem was not encountered in the pilot study, it seemed prevalent in the main study. Therefore the use of concepts should be clarified in future research.

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APPENDIX A

Dear Sir/ Madam

Business Survey – Downtown Pietermaritzburg

In this survey an attempt is being made to investigate the problems and constraints facing small business in the downtown area of Pietermaritzburg.

The survey is being done in partial fulfillment of the requirements towards an MBA. Information will be treated with the strictest confidence.

Yours faithfully
Pranitha Pather

1. PROFILE OF YOUR BUSINESS

1.1 Are you the

Owner	
Manager	
Partner	

1.2 Indicate business sector

Service	
Retail	
Other	

1.2.1 If other, please specify

_____

1.3. Indicate type of business (e.g., general dealer).

_____

1.4 Is your business family owned or not?

Yes	
No	

1.5 What is the legal identity of your business

Sole Proprietor	
Close Corporation	
Partnership	
Private Company	
Other	

1.6 How many co-owners are there in this business?

_____

1.7 If there are co-owners in this business, please indicate their gender.

Male	
Female	
Not applicable	

1.8 What is the age of the business?

1-3 years	
4-9 years	
10-19 years	
20 years and over	

2. PROBLEMS AND CONSTRAINTS FACING YOUR BUSINESS:
INTERNAL PROBLEMS

2.1 Did you have previous business experience or industry exposure?

No experience	
1-3 years of experience	
4-10 years of experience	
11 years and more	

2.2 Do you have a stock control system in place?

Yes	
No	

2.3a Does your business offer credit facilities?

Yes	
No	

2.3b If yes, do you have a credit control system in place?

Yes	
No	

2.4 Is sales data important in guiding decisions in your business?

Yes	
No	

2.5 Does data from past purchases help in guiding purchase decisions in your business?

Yes	
No	

2.6 Is Marketing important in your business?

Yes	
No	
Not applicable	

2.7 Do Marketing constraints facing your business include the following?

Lack of resources e.g., finance, marketing knowledge	
Lack of specialist expertise	
Perceived lack of advertising impact	
None of the above	

2.8 Do you experience problems in recruiting skilled staff?

Yes	
No	
Not applicable	

2.9 Do you experience problems with the sourcing of supplies?

Yes	
No	

2.10 How would you rate operating costs(e.g. rent, lights and water) in your business?

Extremely High	
Very High	
Neutral	
Very Low	
Extremely low	

2.11 Is fraud a problem in your business?

Yes	
No	

2.12 Is theft a problem in your business?

Yes	
No	

2.13 Is location a constraint in your business?

Yes	
No	

2.14 Are there other internal problems being experienced in your business? Please specify.

_____

_____

_____

_____

_____

_____

3. PROBLEMS AND CONSTAINTS FACING YOUR BUSINESS:

EXTERNAL FACTORS

Please indicate with a tick, the extent to which the following factors impact on your business or not.

3.1

No.	External Factors	Very Strong Negative Impact	Strong Negative Impact	Weak Negative Impact	Very Weak Negative Impact	No Negative Impact	Not Applicable
1	Business Cycle (e.g. recession)						
2	Interest Rates (e.g. high interest rates)						
3	Exchange Rates						
4	Political Factors (e.g. government policies)						
5	Legal Factors (e.g., Licenses & Taxes)						
6	Changes in Distribution Patterns (e.g., new shopping centres)						
7	Social Cultural Factors (e.g., changing consumer needs)						
8	Rentals (e.g. rent escalation)						
9	Crime						
10	Access to Finance						
11	Competition from similar Businesses						
12	Technology Change						

3.2 Are there other external problems being experienced in your business? Please specify.

_____

_____

_____

_____   Thank You

3

1. CLUSTERED BAR GRAPHS:
(GROUPED BY OWNER, MANAGER AND PARTNER)
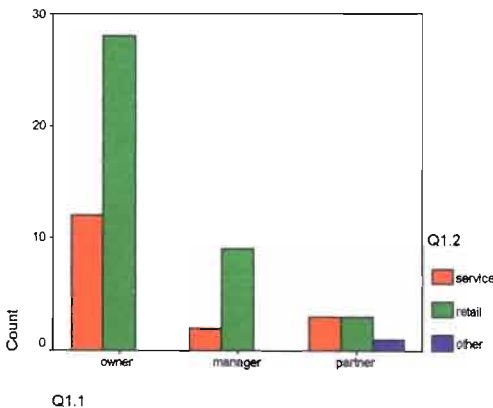
Figure 1

Are you the owner, manager, partner.
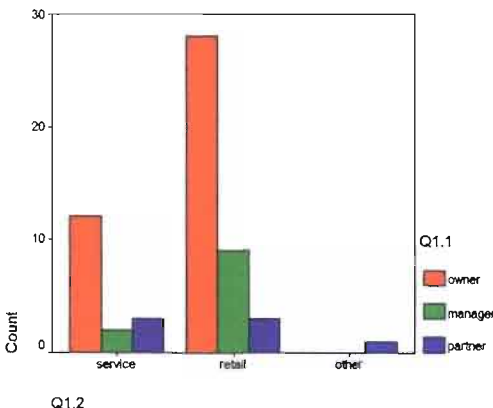

Q1.1

Figure 2

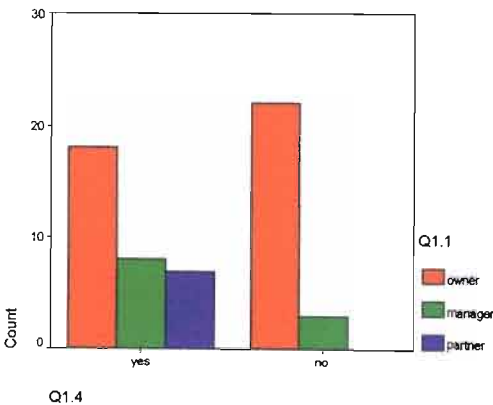Indicate business sector

Q1.2

Figure 3

Is the business family owned

Q1.4

Figure 4

Legal identity of the business

Q1.5
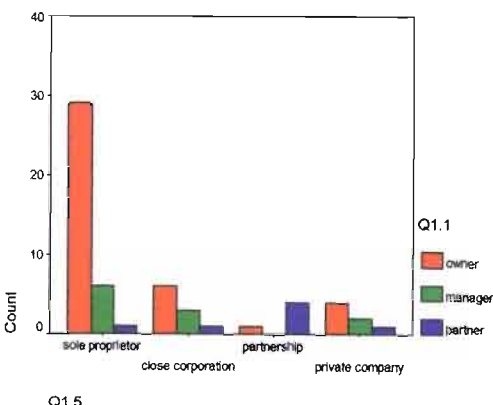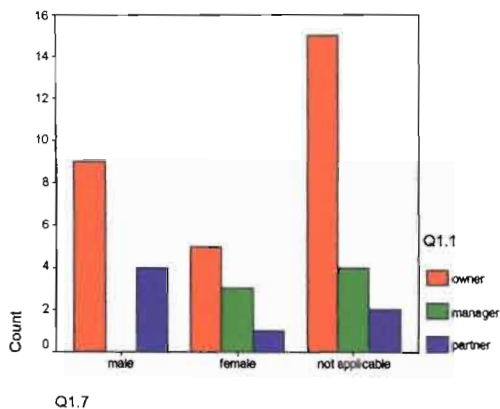
Figure 5

If there are co-owners, indicate gender

Q1.7

Figure 6

Age of the business

Q1.8
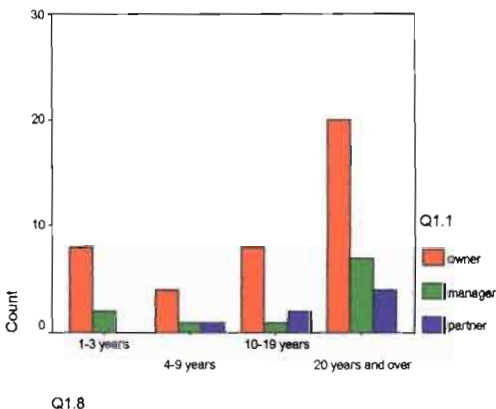
Figure 7

Previous business experience

Q2.1
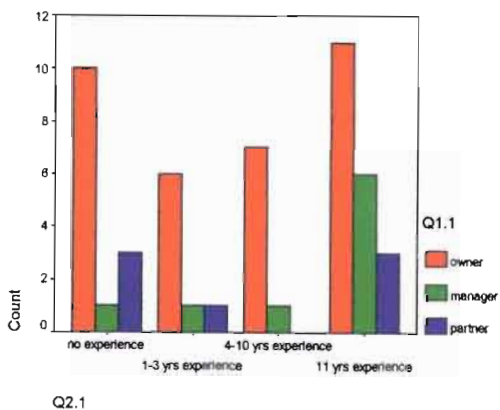
Figure 8

Stock control

Q2.2
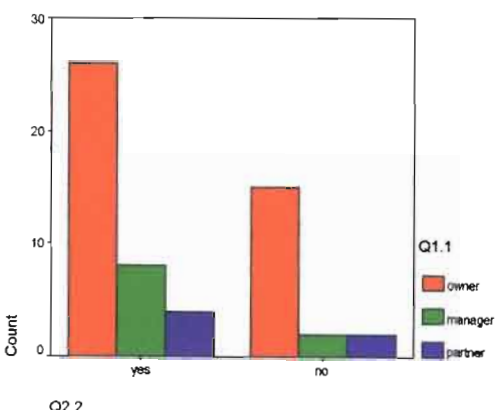
Figure 9

Credit facilities
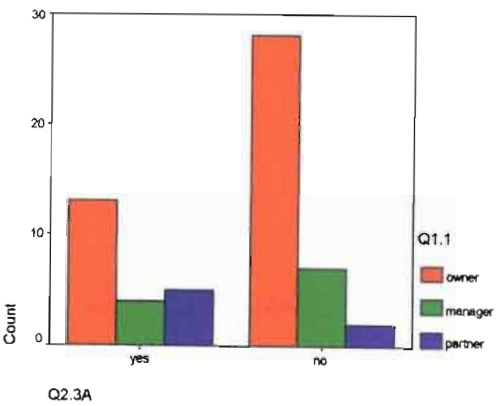

Q2.3A

Figure 10

Credit control system

Q2.3B
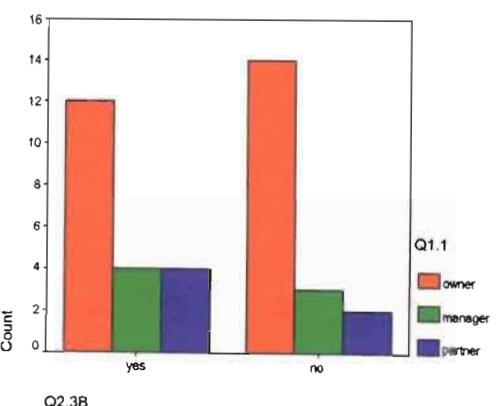
Figure 11

Is sales data important in guiding decisions in your business

Q2.4
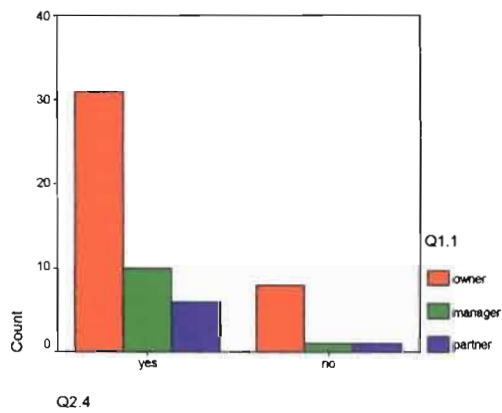
Figure 12

Does data from past purchases guide decisions in your business

Q2.5
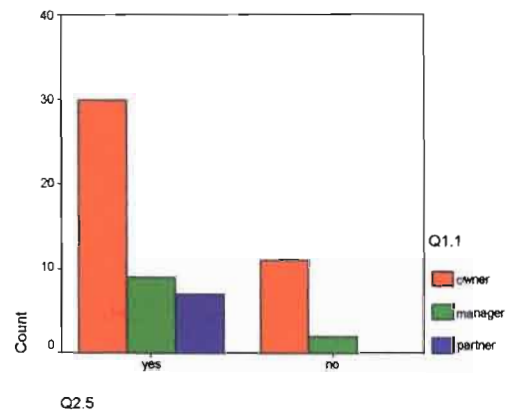
Figure 13

Is marketing important in your business

Q2.6
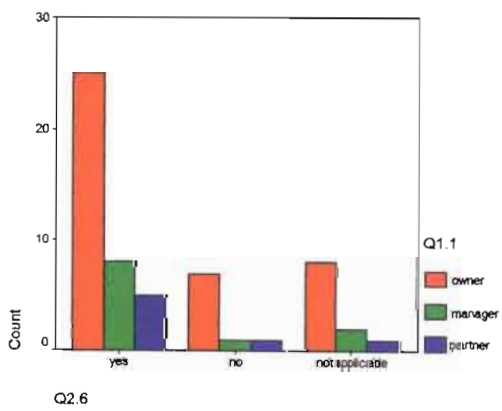
Figure 14

Marketing constraints facing your business

Q2.7
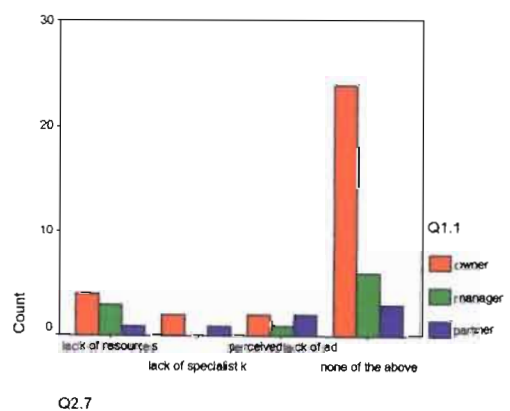
Figure 15

Problems with recruiting skilled staff

Q2.8
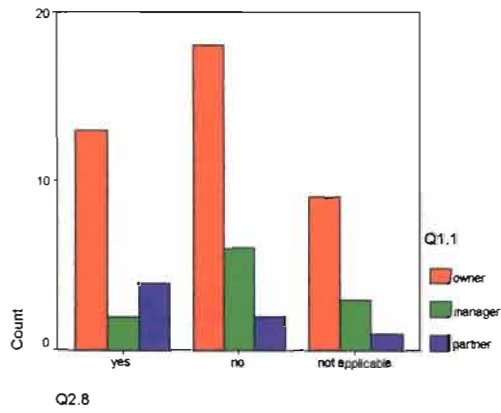
Figure 16

Problems with sourcing of supplies

Q2.9
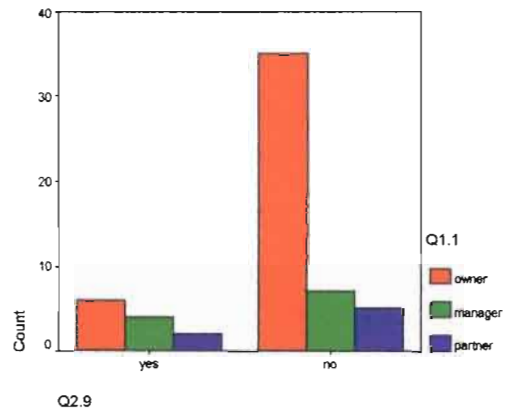
Figure 17

Operating costs

Q2.10

Figure 18

Fraud

Q2.11

Figure 19

Theft

Q2.12
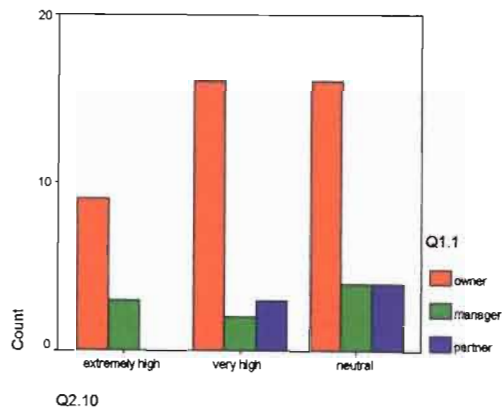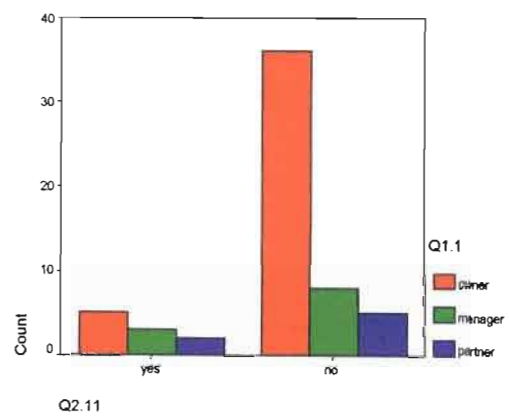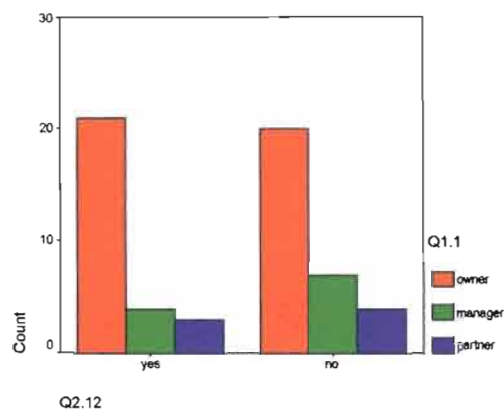
Figure 20

Location

Q2.13
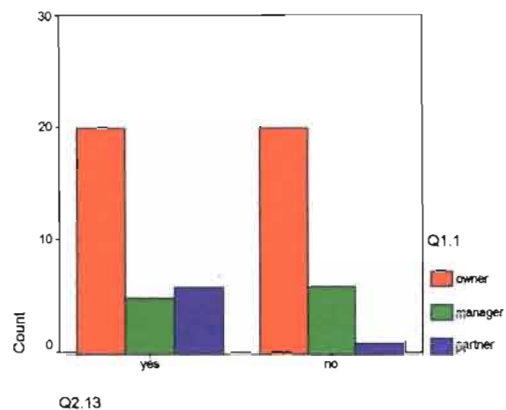
Figure 21

Impact of business cycle

Q3.1.1
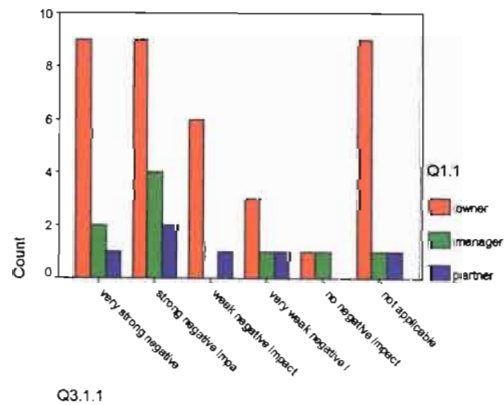
Figure 22

Impact of interest rates

Q1.1
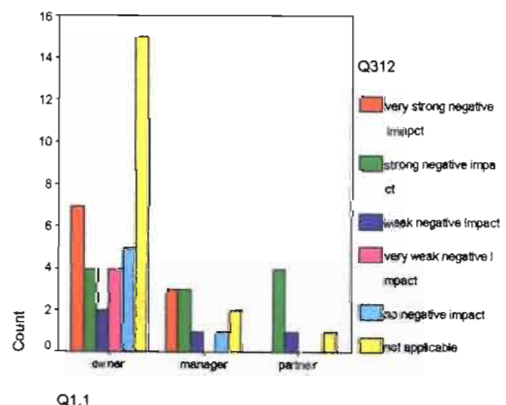
Figure 23

Impact of business cycle
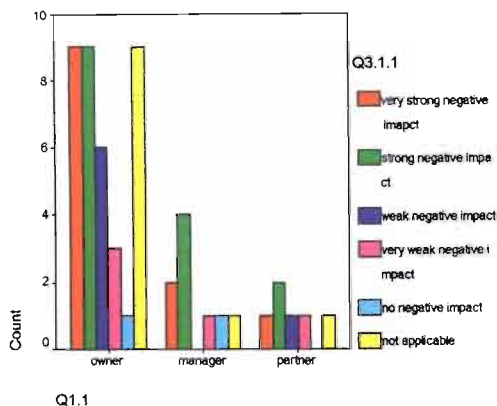
Figure 24

Impact of exchange rates
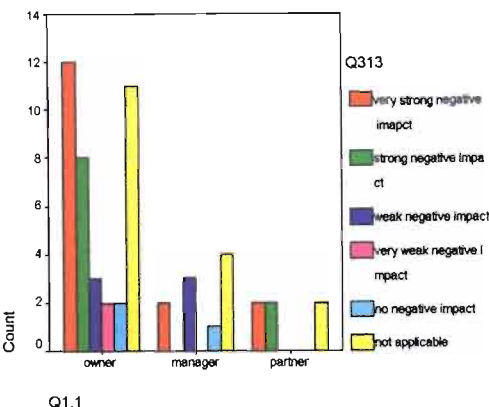
Figure 25

Impact of political factors
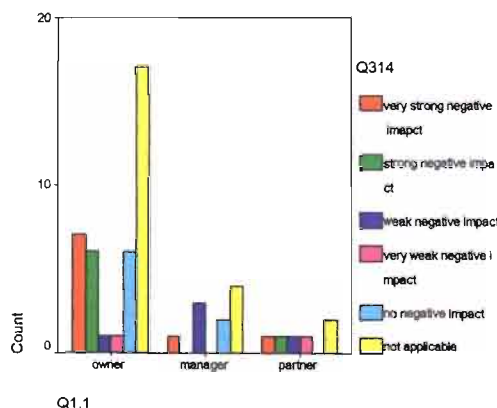
Figure 26

Impact of legal factors
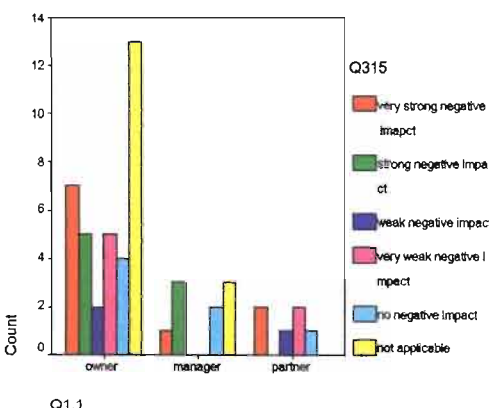
Figure 27

Impact of changes in

Distribution patterns
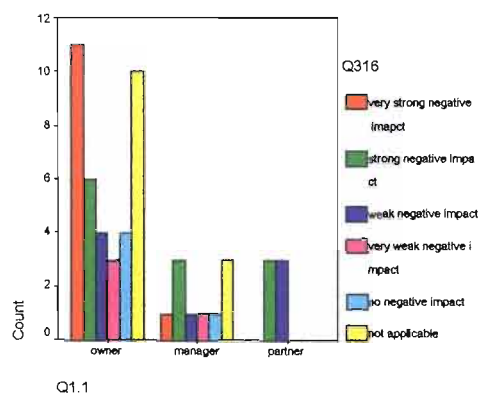
Figure 28

Impact of social cultural factors
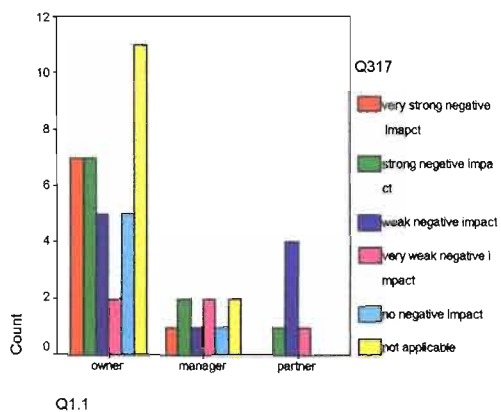
Figure 29

Impact of rentals
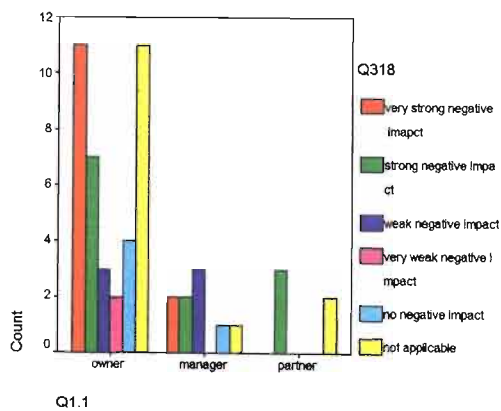
Figure 30

Impact of crime
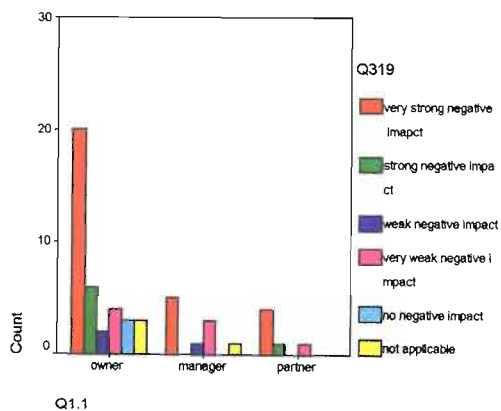
Figure 31

Impact of access to finance
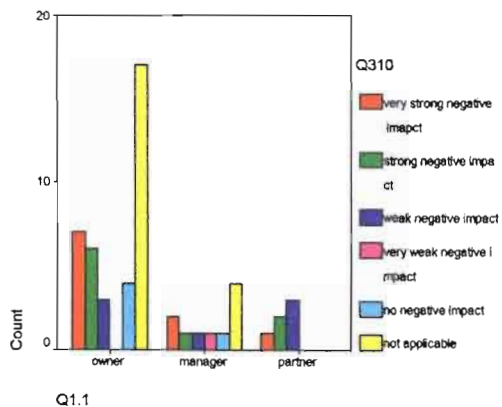
Figure 32

Impact of competition
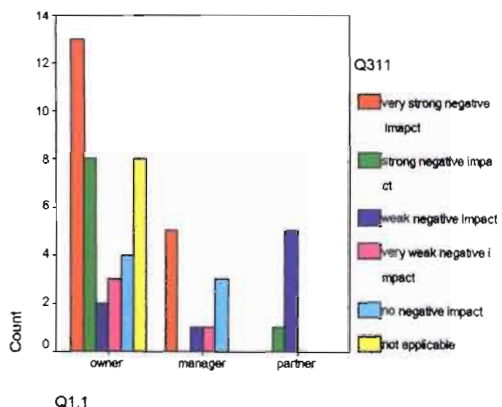
Figure 33

Impact of technology change
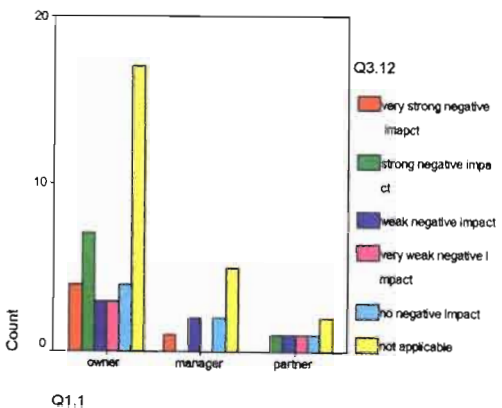
2. CLUSTER BAR GRAPHS:
(GROUPED BY SERVICE, RETAIL AND OTHER BUSINESSES)

Figure 34

Is the business family owned

Q1.4
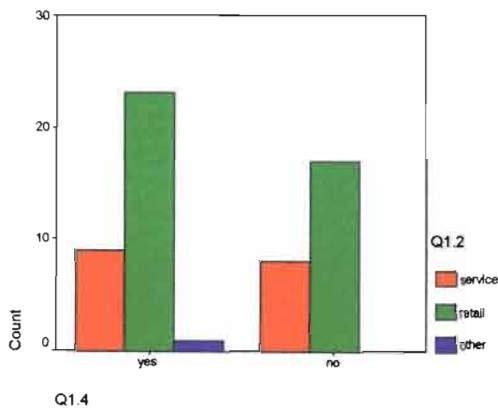
Figure 35

Legal identity

Q1.5
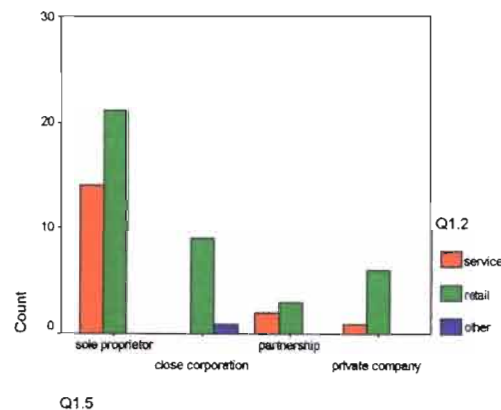
Figure 36

Gender of co- owners

Q1.7
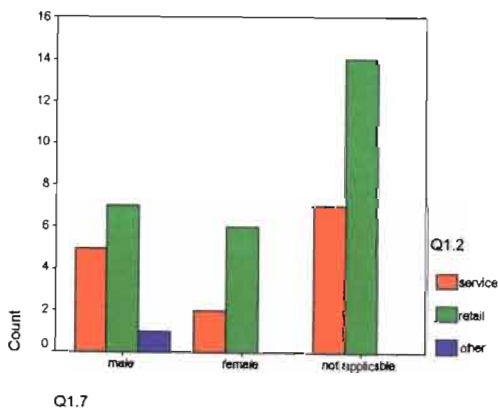
Figure 37

Age of business

Q1.8
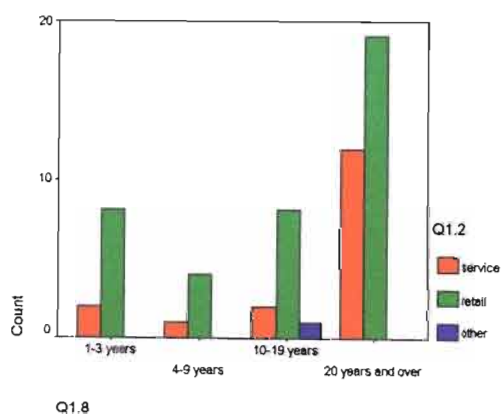
Figure 38

Previous Business Experience

Q2.1
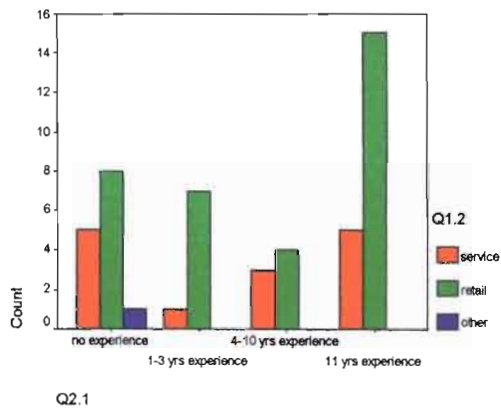
Figure 39

Stock Control System

Q2.2
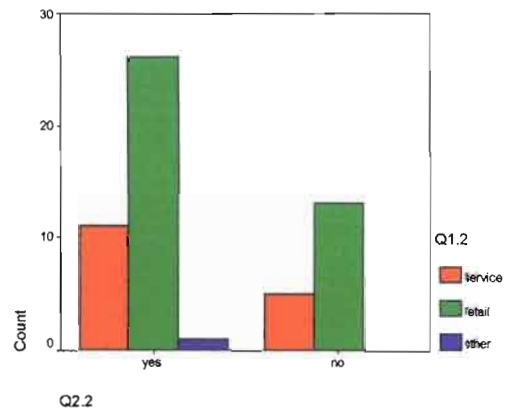
Figure 40

Credit facilities

Q2.3A
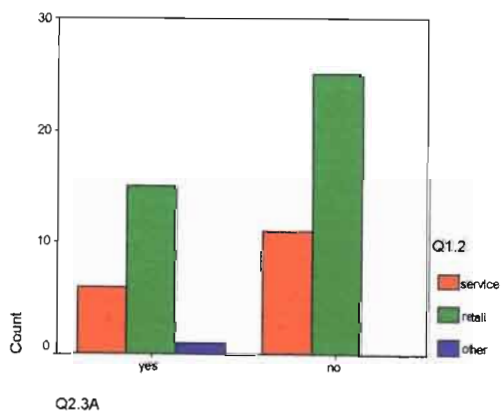
Figure 41

Credit control system

Q2.3B
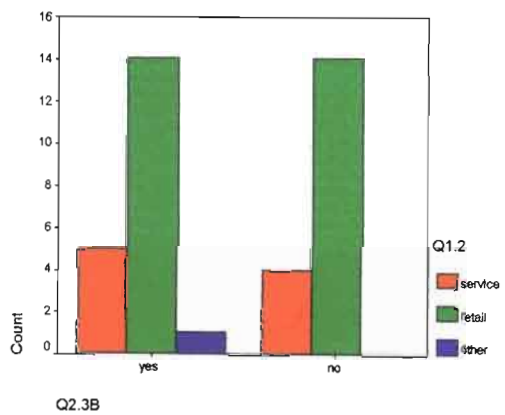
Figure 42

Is sales data important in guiding
business decisions

Q2.4
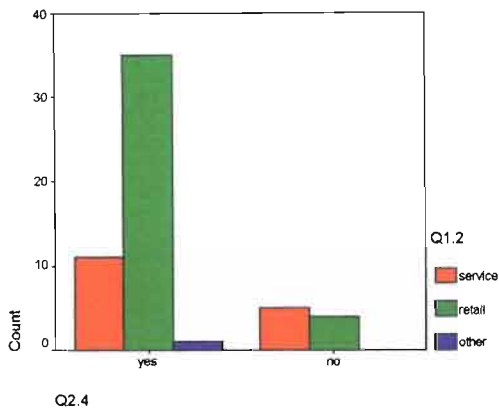
Figure 43

Does data from past purchases
guide purchase decisions

Q2.5
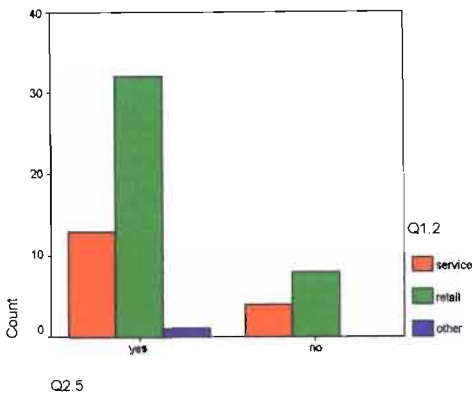
Figure 44

Is marketing important

Q2.6
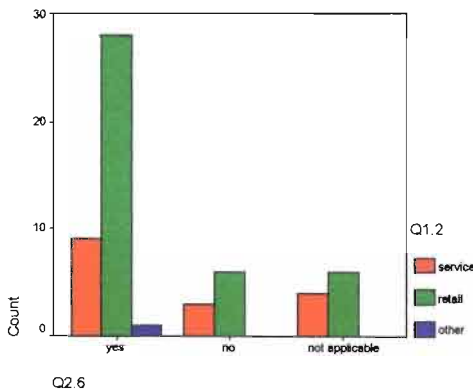
Figure 45

Marketing constraints

Q2.7
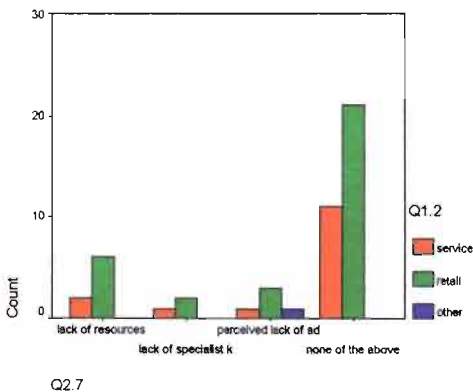
Figure 46

Problems in recruiting skilled staff

Q2.8
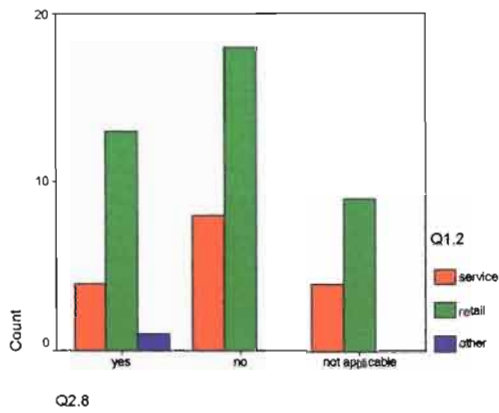
Figure 47

Problem with sourcing of supplies

Q2.9
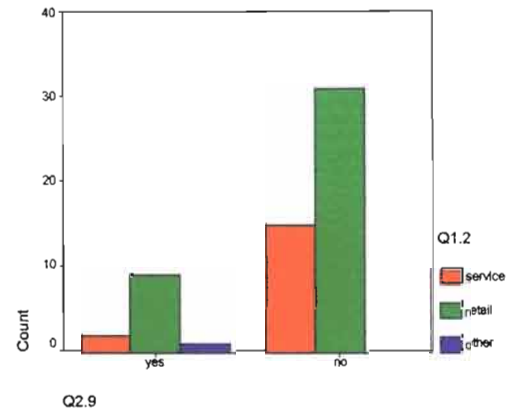
Figure 48

Operating costs

Q2.10

Figure 49

Fraud

Q2.11
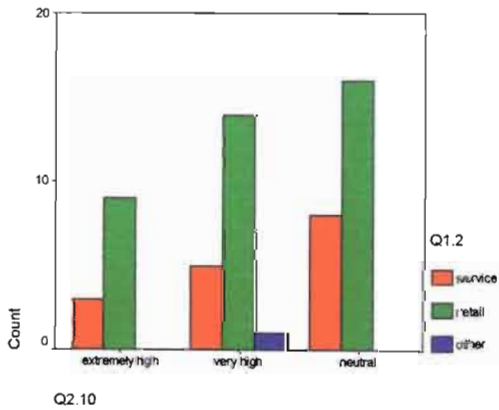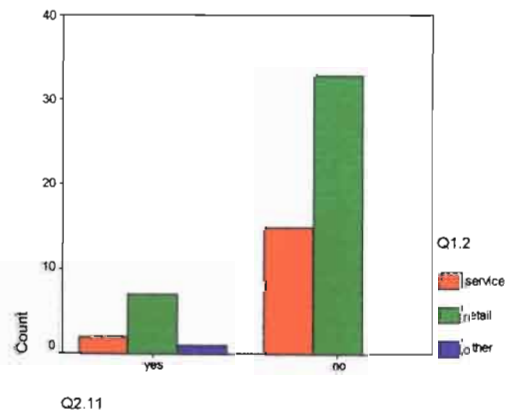
Figure 50

Is theft a problem

Q2.12
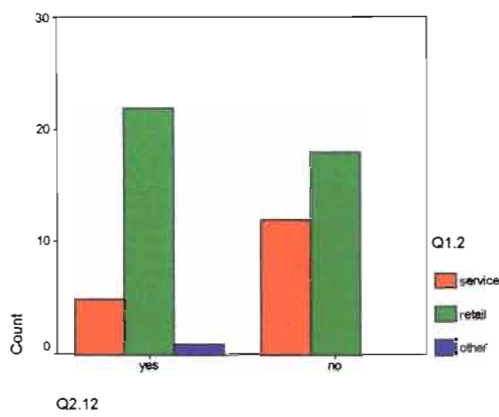
Figure 51

Is location a constraint

Q2.13
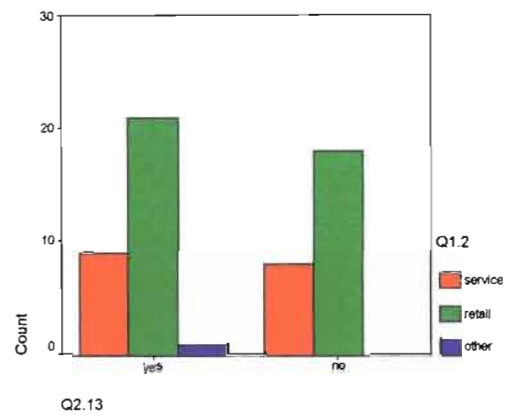
Figure 52

Impact of business cycle

Q1.2
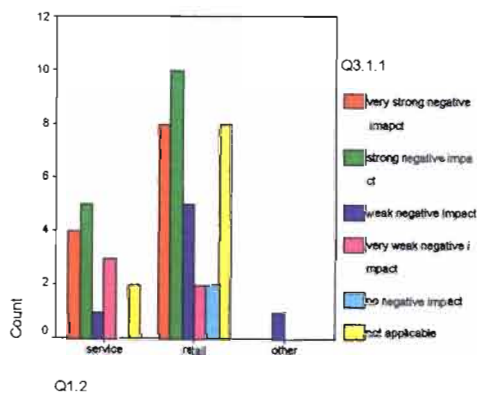
Figure 53

Impact of interest rates

Q1.2
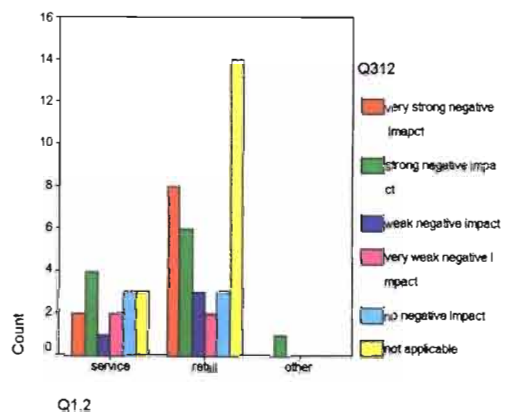
Figure 54

Impact of exchange rates
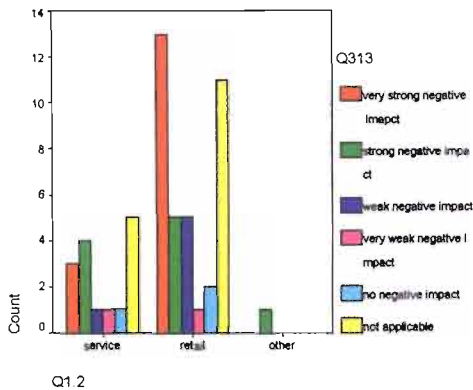
Figure 55

Impact of political factors
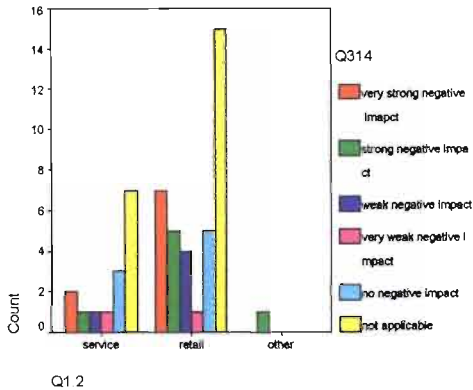
Figure 56

Impact of legal factors
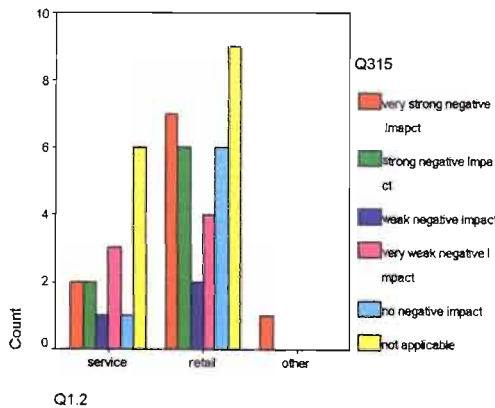
Figure 57

Impact of changes in distribution pattern
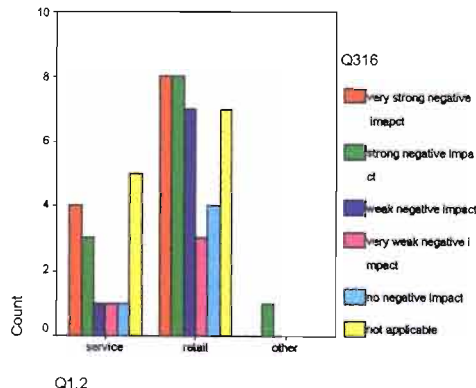
Figure 58

Impact of social cultural factors
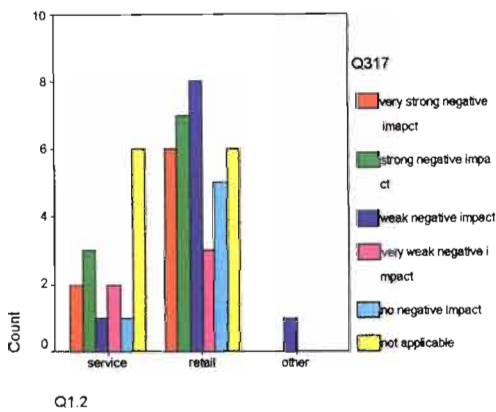
Figure 59

Impact of rentals
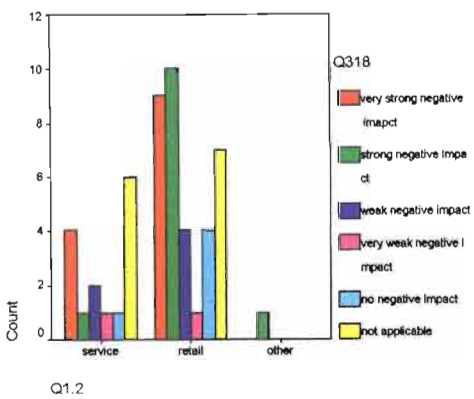
Figure 60

Impact of crime
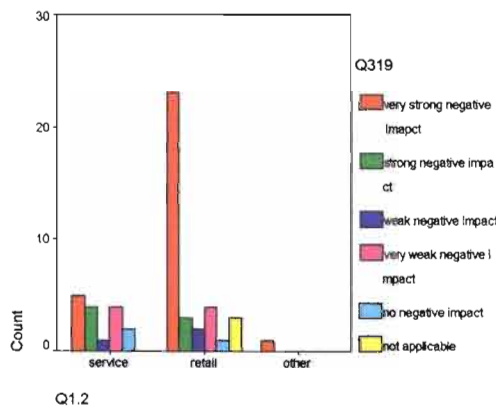
Figure 61

Impact of access to finance
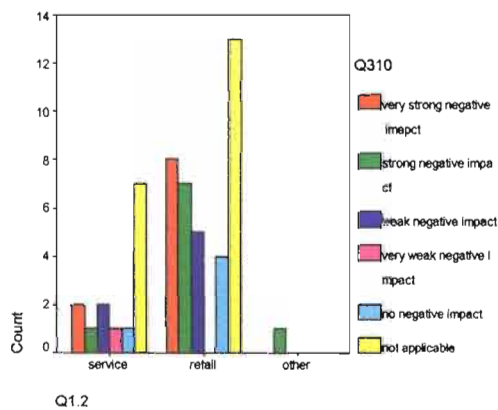
Figure 62

Impact of competition
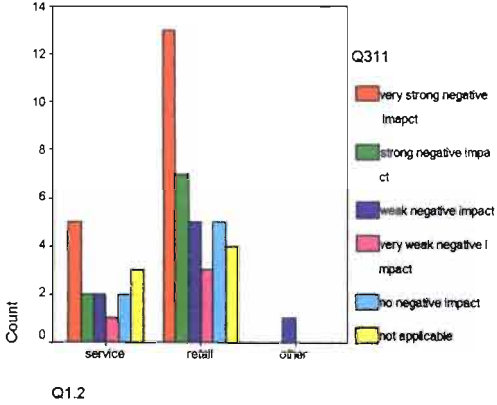
Figure 63

Impact of technology change
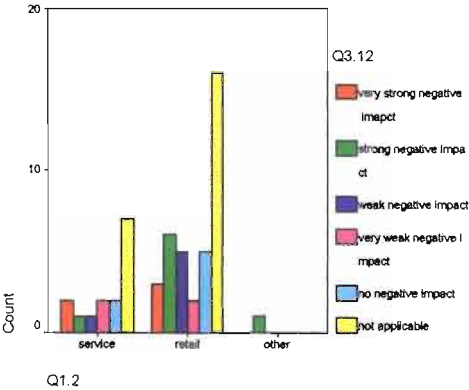
APPENDIX C

1. <u>CLUSTERED TYPE FREQUENCY TABLES:</u>
   <u>(TO IDENTIFY COMMON INTERNAL PROBLEMS)</u>

Question 2.1: Did you have previous business experience or industry exposure?

Count

		Q1.2			Total
		service	retail	other	
Q2.1	no experience	5	8	1	14
	1-3 yrs experience	1	7		8
	4-10 yrs experience	3	4		7
	11 yrs experience	5	15		20
Total		14	34	1	49

Question 2.2: Do you have a stock control system in place

Q2.2 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.2	yes	11	26	1	38
	no	5	13		18
Total		16	39	1	56

Question 2.3a: Does your business offer credit facilities

Q2.3A * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.3A	yes	6	15	1	22
	no	11	25		36
Total		17	40	1	58

Question 2.3b: If yes, do you have a credit control system

Q2.3B * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.3B	yes	5	14	1	20
	no	4	14		18
Total		9	28	1	38

Question 2.4: Is sales data important in guiding decisions in your business?

Q2.4 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.4	yes	11	35	1	47
	no	5	4		9
Total		16	39	1	56

Question 2.5: Does data from the past purchases help in guiding purchase decisions in your business?

Q2.5 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.5	yes	13	32	1	46
	no	4	8		12
Total		17	40	1	58

Question 2.6: Is marketing important in your business?

Q2.6 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.6	yes	9	28	1	38
	no	3	6		9
	not applicable	4	6		10
Total		16	40	1	57

Question 2.7: Do marketing constraints facing your business include the following:

Q2.7 * Q1.2 Cross tabulation
Count

		Q1.2			Total
		service	retail	other	
Q2.7	lack of resources	2	6		8
	lack of specialist knowledge	1	2		3
	perceived lack of advertising impact	1	3	1	5
	none of the above	11	21		32
Total		15	32	1	48

Question 2.8: Do you experience problems in recruiting skilled staff?

Q2.8 * Q1.2 Cross tabulation
Count

		Q1.2			Total
		service	retail	other	
Q2.8	yes	4	13	1	18
	no	8	18		26
	not applicable	4	9		13
Total		16	40	1	57

Question 2.9: Do you experience problems with the sourcing of supplies?

Q2.9 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.9	yes	2	9	1	12
	no	15	31		46
Total		17	40	1	58

Question 2.10: How would you rate operating costs in you business?

Q2.10 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.10	extremely high	3	9		12
	very high	5	14	1	20
	neutral	8	16		24
Total		16	39	1	56

Question 2.11: Is fraud a problem in your business?

Q2.11 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.11	yes	2	7	1	10
	no	15	33		48
Total		17	40	1	58

Question 2.12: Is theft a problem in your business?

Q2.12 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.12	yes	5	22	1	28
	no	12	18		30
Total		17	40	1	58

Question 2.13: Is location a constraint in your business?

Q2.13 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q2.13	yes	9	21	1	31
	no	8	18		26
Total		17	39	1	57

2. CLUSTERED TYPE FREQUENCY TABLES:
(TO IDENTIFY COMMON EXTERNAL PROBLEMS)

a. business cycle

Q3.1.1 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q3.1.1	very strong negative impact	4	8		12
	strong negative impact	5	10		15
	weak negative impact	1	5	1	7
	very weak negative impact	3	2		5
	no negative impact		2		2
	not applicable	2	8		10
Total		15	35	1	51

a. interest rates

Q312 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q312	very strong negative impact	2	8		10
	strong negative impact	4	6	1	11
	weak negative impact	1	3		4
	very weak negative impact	2	2		4
	no negative impact	3	3		6
	not applicable	3	14		17
Total		15	36	1	52

c. exchange rates

Q313 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q313	very strong negative impact	3	13		16
	strong negative impact	4	5	1	10
	weak negative impact	1	5		6
	very weak negative impact	1	1		2
	no negative impact	1	2		3
	not applicable	5	11		16
Total		15	37	1	53

d. political factors

Q314 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q314	very strong negative impact	2	7		9
	strong negative impact	1	5	1	7
	weak negative impact	1	4		5
	very weak negative impact	1	1		2
	no negative impact	3	5		8
	not applicable	7	15		22
Total		15	37	1	53

e. legal factors

Q315 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q315	very strong negative impact	2	7	1	10
	strong negative impact	2	6		8
	weak negative impact	1	2		3
	very weak negative impact	3	4		7
	no negative impact	1	6		7
	not applicable	6	9		15
Total		15	34	1	50

f. changes in distribution patterns

Q316 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q316	very strong negative impact	4	8		12
	strong negative impact	3	8	1	12
	weak negative impact	1	7		8
	very weak negative impact	1	3		4
	no negative impact	1	4		5
	not applicable	5	7		12
Total		15	37	1	53

g. social cultural factors

Q317 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q317	very strong negative impact	2	6		8
	strong negative impact	3	7		10
	weak negative impact	1	8	1	10
	very weak negative impact	2	3		5
	no negative impact	1	5		6
	not applicable	6	6		12
Total		15	35	1	51

h. rentals

Q318 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q318	very strong negative impact	4	9		13
	strong negative impact	1	10	1	12
	weak negative impact	2	4		6
	very weak negative impact	1	1		2
	no negative impact	1	4		5
	not applicable	6	7		13
Total		15	35	1	51

i. crime

Q319 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q319	very strong negative impact	5	23	1	29
	strong negative impact	4	3		7
	weak negative impact	1	2		3
	very weak negative impact	4	4		8
	no negative impact	2	1		3
	not applicable		3		3
Total		16	36	1	53

j. access to finance

Q310 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q310	very strong negative impact	2	8		10
	strong negative impact	1	7	1	9
	weak negative impact	2	5		7
	very weak negative impact	1			1
	no negative impact	1	4		5
	not applicable	7	13		20
Total		14	37	1	52

k. competition from similar business

Q311 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q311	very strong negative impact	5	13		18
	strong negative impact	2	7		9
	weak negative impact	2	5	1	8
	very weak negative impact	1	3		4
	no negative impact	2	5		7
	not applicable	3	4		7
Total		15	37	1	53

l. technology change

Q3.12 * Q1.2 Cross tabulation

Count

		Q1.2			Total
		service	retail	other	
Q3.12	very strong negative impact	2	3		5
	strong negative impact	1	6	1	8
	weak negative impact	1	5		6
	very weak negative impact	2	2		4
	no negative impact	2	5		7
	not applicable	7	16		23
Total		15	37	1	53

3. CLUSTER TYPE FREQUENCY TABLES:
(TO IDENTIFY INTERNAL PROBLEMS COMMON TO THE DIFFERENT TYPES OF BUSINESSES)

a. Did you have previous business experience?

Q2.1 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.1	no experience		1	3	1	1	1		4	3		14
	1-3 yrs experience		1	2	2				1	1	1	8
	4-10 yrs experience	1	1	4						1	1	8
	11 yrs experience		4	9	1	2		2	1		1	20
Total		1	7	18	4	3	1	2	6	5	3	50

b. Do you have a stock control system in place?

Q2.2 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.2	yes	1	6	14	3	3		1	3	4	3	38
	no		2	9	1		1		4	2		19
Total		1	8	23	4	3	1	1	7	6	3	57

c. Does your business offer credit facilities

Q2.3A * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.3A	yes		4	10	1			1	3	2	1	22
	no	1	4	14	3	3	1	1	4	4	2	37
Total		1	8	24	4	3	1	2	7	6	3	59

d. If yes, do you have a credit control system in place?

Q2.3B * Q1.3 Cross tabulation

Count

		Q1.3								Total
		clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q2.3B	yes	4	9	1		1	2	2	1	20
	no	1	9		2	1	2	3	1	19
Total		5	18	1	2	2	4	5	2	39

e. Is sales data important in guiding decisions in your business

Q2.4 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.4	yes	1	7	17	3	3	1	2	6	5	2	47
	no		1	6	1				1	1		10
Total		1	8	23	4	3	1	2	7	6	2	57

f. Does data from past purchases guide purchase decisions in your business?

Q2.5 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.5	yes	1	6	16	4	3	1	2	6	5	2	46
	no		2	8					1	1	1	13
Total		1	8	24	4	3	1	2	7	6	3	59

g. Is marketing important in your business?

Q2.6 * Q1.3 Cross Tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.6	yes	1	7	14	3	2		1	4	4	2	38
	no			4					3	1	1	9
	not applicable		1	5	1	1	1	1		1		11
Total		1	8	23	4	3	1	2	7	6	3	58

h. Do marketing constraints include the following?

Q2.7 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.7	lack of resources		2	2		1		1	1		1	8
	lack of specialist knowledge			1					1	1		3
	perceived lack of advertising impact		1		2					2		5
	none of the above	1	4	16		2	1	1	5	1	2	33
Total		1	7	19	2	3	1	2	7	4	3	49

i. Do you experience problems in recruiting skilled staff?

Q2.8 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.8	yes	1	2	7	2		1		3	2	1	19
	no		5	13	1	1			2	3	1	26
	not applicable		1	4		2		2	2	1	1	13
Total		1	8	24	3	3	1	2	7	6	3	58

j. Do you experience problems with the sourcing of supplies

Q2.9 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.9	yes		1	2	1	1	1	2		3	1	12
	no	1	7	22	3	2			7	3	2	47
Total		1	8	24	4	3	1	2	7	6	3	59

k. How would you rate operating costs?

Q2.10 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.10	extremely high	1	2	3	2	1		1		1	1	12
	very high		3	8	1	1	1	1	2	3	1	21
	neutral		3	12		1			5	2	1	24
Total		1	8	23	3	3	1	2	7	6	3	57

l. Is fraud a problem in your business?

Q2.11 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.11	yes		3	1				1	2	3		10
	no	1	5	23	4	3	1	1	5	3	3	49
Total		1	8	24	4	3	1	2	7	6	3	59

j. Is theft a problem in your business?

Q2.12 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.12	yes	1	4	9	3		1		4	6		28
	no		4	15	1	3		2	3		3	31
Total		1	8	24	4	3	1	2	7	6	3	59

k. Is location a problem in your business?

Q2.13 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q2.13	yes	1	5	13	2	1		2	3	3	1	31
	no		3	10	2	2	1		4	3	2	27
Total		1	8	23	4	3	1	2	7	6	3	58

4. CLUSTERED TYPE FREQUENCY TABLES:
(TO IDENTIFY EXTERNAL PROBLEMS COMMON TO THE DIFFERENT TYPES OF BUSINESSES)

a. Business cycle

Q3.1.1 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q3.1.1	very strong negative imapct	1	1	1	1		1	3	3	1	12
	strong negative impact		2	6	1		1	1	3	1	15
	weak negative impact		3	1		1		1		1	7
	very weak negative impact		1	3		1					5
	no negative impact			2							2
	not applicable		1	8	1	1					11
Total		1	8	21	3	3	2	5	6	3	52

b. Interest rates

Q312 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q312	very strong negative impact		2	2			2	1	2	1	10
	strong negative impact		2	4	1			2	2		11
	weak negative impact		2	1		1					4
	very weak negative impact	1		2				1			4
	no negative impact			2		1		2		1	6
	not applicable		2	11	2	1			1	1	18
Total		1	8	22	3	3	2	6	5	3	53

c. Exchange rates

Q313 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q313	very strong negative imapct	1	2	3	1	1	1	5	2		16
	strong negative impact		3	4					2	1	10
	weak negative impact		1	1	1				2	1	6
	very weak negative impact			1				1			2
	no negative impact			2		1					3
	not applicable		2	11	1	1	1			1	17
Total		1	8	22	3	3	2	6	6	3	54

d. Political factors

Q314 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q314	very strong negative impact		2	2				2	3		9
	strong negative impact	1	1	2				2		1	7
	weak negative impact			1	1	1	1		1		5
	very weak negative impact		1	1							2
	no negative impact		1	3		1		1	1	1	8
	not applicable		3	13	2	1	1	1	1	1	23
Total		1	8	22	3	3	2	6	6	3	54

e. Legal factors

Q315 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q315	very strong negative impact		3	1	1			2	3		10
	strong negative impact	1		1	1		2			3	8
	weak negative impact			1				2			3
	very weak negative impact		1	3		1			2		7
	no negative impact			4		1		1	1		7
	not applicable		2	11	1	1		1			16
Total		1	6	21	3	3	2	6	6	3	51

f. Changes in distribution patterns

Q316 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q316	very strong negative imapct	1	3	3				1	3	1	12
	strong negative impact		3	2	2	1	1	1	1	1	12
	weak negative impact			4		1		1	1	1	8
	very weak negative impact			3		1					4
	no negative impact		1					3	1		5
	not applicable		1	10	1		1				13
Total		1	8	22	3	3	2	6	6	3	54

g. Social Cultural factors

Q317 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q317	very strong negative impact		2	2				1	2	1	8
	strong negative impact			2	1		1	2	3	1	10
	weak negative impact	1	3	2		1		2	1		10
	very weak negative impact			3	1					1	5
	no negative impact			5		1					6
	not applicable		3	8	1	1					13
Total		1	8	22	3	3	1	5	6	3	52

h. Rentals

Q318 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q318	very strong negative impact	1	3	3			1		1	3	1	13
	strong negative impact		1	3	1	1		1	2	2	1	12
	weak negative impact		3		1				1	1		6
	very weak negative impact			2								2
	no negative impact			3					1		1	5
	not applicable		1	9	1	2			1			14
Total		1	8	20	3	3	1	1	6	6	3	52

i. Crime

Q319 * Q1.3 Cross tabulation

Count

		Q1.3										Total
		butcher	clothing	general dealer	jeweler	curtains and linen	shoe repair	hairdresser	medical	other	take away	
Q319	very strong negative impact	1	5	9	1		1	1	4	5	2	29
	strong negative impact			5	1				1			7
	weak negative impact		1	1		1						3
	very weak negative impact		1	3	1	2		1				8
	no negative impact			1					1		1	3
	not applicable		1	3								4
Total		1	8	22	3	3	1	2	6	5	3	54

j. Access to finance

Q310 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q310	very strong negative impact		1	3			1	2	2	1	10
	strong negative impact		2	2	1	1		1	2		9
	weak negative impact		1	2	1			2	1		7
	very weak negative impact		1								1
	no negative impact	1	1	2					1		5
	not applicable		2	12	1	2	1	1		2	21
Total		1	8	21	3	3	2	6	6	3	53

k. Competition from similar businesses

Q311 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q311	very strong negative impact	1	3	5	1		2	2	3	1	18
	strong negative impact			5		1		1	1	1	9
	weak negative impact		1	2	1	1		1	1	1	8
	very weak negative impact		2	1					1		4
	no negative impact		1	5				1			7
	not applicable		1	4	1	1		1			8
Total		1	8	22	3	3	2	6	6	3	54

I. Technology change

Q3.12 * Q1.3 Cross tabulation

Count

		Q1.3									Total
		butcher	clothing	general dealer	jeweler	curtains and linen	hairdresser	medical	other	take away	
Q3.12	very strong negative impact		2	1				1	1		5
	strong negative impact		2	2				2	1	1	8
	weak negative impact	1		1	1	1	1		1		6
	very weak negative impact		1	1					2		4
	no negative impact		1	2	1			1	1	1	7
	not applicable		2	15	1	2	1	2		1	24
Total		1	8	22	3	3	2	6	6	3	54