

# **Factors that affect the survival, growth and success of small Black Businesses in South Africa**

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## DECLARATION

I, NOZIPHO NDLOVU, declare that:

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To my siblings, Andile, Mthunzi and Kusa, thank you maGatshen'amahle.

To my children Minenhle and Zizwe, thank you for being patient with me in all that I put you through in the pursuit of my dreams.

To my friends and colleagues Norah, Mpho, Mdu and Gugulethu, thank you for cheering me on.

## **DEDICATION**

This study is dedicated to my beloved Moss, who spent his entire career in the small business sector. Your entrepreneurial spirit lives on. Rest in Peace Phoka, you are dearly missed.

## ABSTRACT

The purpose of this research was to assess the factors that affect survival, growth and success of black owned small businesses in South Africa. The study was motivated by the need to understand and implement some of these factors to the survivalist and micro enterprises in South Africa who are struggling to survive beyond the 3-year mark.

A range of literature was reviewed including journals and research papers on the subject of SMMEs, government papers and acts, to help understand the dynamics of the SMME sector in South Africa. Primary data was collected in the form of a questionnaire which was given to twenty (20) black owned SMME owners whose businesses have been in operation beyond 5 years, in order to get their views on the factors which contributed towards their survival and growth.

The 4 key findings of this study are that firstly, small black business owners consider the 4Ps of marketing in making business decisions for maximizing sales revenue. Secondly, without the strategies to handle the five forces identified by Michael Porter, any business would ultimately find itself pushed out of the market and ultimately shut down. Thirdly, whilst induction training for the staff is generally carried out in successful black owned small businesses, ongoing staff training and development is very limited in black owned small businesses. Finally, customised and updated business theories still play a practical role in contributing to the survival, long term growth and success of black owned small businesses.

Some of the recommendations made by this study are that: there is a need for a qualitative definition of small businesses in South Africa, that would translate to updated theories which cater for the different cohorts of small businesses. The study also recommends that there is a need for the transfer of research and development to both black owned SMME staff as well as to survivalist and micro enterprises in order for them to be able to emulate the pockets of excellence from the successful black owned enterprises.

Keywords: Black Owned Small Businesses, Small Business Survival, Small Business Growth, Small Business Success, Marketing Mix, Small Business Competition, Training, Business Theories.

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# **CHAPTER 1: INTRODUCTION TO THE RESEARCH**

## **1.1 INTRODUCTION**

Statistics show that 80% of start-ups in South Africa fail within the first three years of operations (Mafoyane: 2015). The focus of this research was to identify some of the factors which resulted in the survival, growth and success of black owned small businesses for the purposes of taking lessons which can be applied to assist the struggling small businesses to be able to graduate from micro and survivalist businesses to be small successful businesses which can be able to absorb labour and decrease the unemployment rate in line with the National Development Plan (NDP) 2030 objectives. The research also considered factors that adversely affected black owned businesses.

A qualitative approach was used in this study. According to Ghauri and Gronhang (2002), it is generally accepted that for inductive and exploratory research, qualitative methods are most useful as they can lead us to hypothesis building and explanations". A sample of 20 black owned small businesses was chosen from the large population of black owned small businesses in the KwaZulu-Natal, Gauteng, Limpopo and Free State Provinces.

This chapter presents the background to the study, the motivation, problems statement, objectives, and research questions, brief research design and organization of the study before providing concluding remarks.

## **1.2 BACKGROUND**

Small businesses are the engine of growth and development for any economy, generating jobs and income, stimulating competition, they are sources of innovation and they create possibilities for business ventures, (DeKok, Vroonhof, Timmermans, Kwaak, Snijders and Westhof (2011).

Small businesses have been hailed all over the world as the biggest job creation engines, and thus play a huge role in reducing poverty, inequality and unemployment.

Previous reports put the number of SMMEs at 5.6 million in South Africa; of which 3.3 million were survivalist businesses, 1.7 million micro-enterprises and 554,000 small enterprises, (Businessstech: 25 July 2018). It is clear from these figures that survivalist businesses have the greatest slice of the Small Micro and Medium Enterprises (SMME) pie, followed by micro enterprises. The 2016 Bureau of Economic Research Study commissioned by Small Enterprise Development Agency (SEDA) says that 69.7% of total SMMEs in South Africa are black owned. While the formal SMME sector boasts 29.9% of black owned businesses, the informal sector carries a larger portion of 89.9% black businesses. This means the highest percentage of survivalist businesses are black owned businesses. These are businesses that have to take lessons from other small black owned businesses in order to be able to graduate from the survivalist and micro business stage to the small business stage.

One of the objectives of the National Development Plan 2030 is to reduce unemployment rate from 24,9% in June 2012 to 14% by 2020 and 6% by 2030. This objective requires an additional 11 million jobs to raise employment from 13 million to 24 million.

At first glance this figure seems like a pipe dream, however when one considers the reported number of SMMEs at 5.6 million. If each of these SMMEs was to be able to absorb only 2 people from the pool of unemployed, this would amount to 11.2 million jobs, and this figure would make the NDP 2030 objective a reality, in-fact it becomes a desirable target to achieve, and small businesses become the one sector with a potential to bring back the hope of a thriving South African economy.

According to the Small Business Institute's report, (2018) as many as 56% of jobs in South Africa are created by the 1,000 largest employers, including the government. The institute warned that the National Development Plan's goal of small business creating 90% of jobs by 2030 would be stillborn unless this vital segment of our economy is properly understood.

The small business sector thus imposes itself as a relevant and important research area, due to the continued high failure rates of small businesses, and the apparent possible difference that the success of this sector would make to the economy of South Africa.

This study examined some of the factors that contribute to survival and growth of black owned small businesses in South Africa.

### **1.3 MOTIVATION FOR THE RESEARCH**

“It is an established fact that the small business sector is regarded as a fundamental ingredient in the establishment of a modern, progressive and vibrant economy”, (Beaver: 2002:4).

Proclamations abound, on the importance of small businesses for the development of economies and the generation of employment in developing economies, including South Africa. To emphasize the importance of this sector for South Africa, the South African government has established the Department of Small Business Development in recent years, ([www.gov.za](http://www.gov.za)).

Despite these proclamations, business education and many other efforts and initiatives from the government and industry to facilitate the growth of small businesses in South Africa, the failure rate of small businesses remains alarmingly high. According the Businesstech report, the failure rate of small businesses in South Africa is estimated around 70% in the first 2 years, ([www.businesstech.co.za](http://www.businesstech.co.za)).

This high failure rate is an indication that there is something, which is not quite working in the South African SMME sector. The question is, what are the factors which lead to survival, growth and success of black owned small businesses in South Africa?

In addressing this question, it would be important for this research study to survey the small black owned businesses in South Africa which have survived beyond the 5-year mark and find out about the factors which have been critical for their survival and growth and assess how these can then be emulated or used as lessons towards assisting the small businesses which continue to struggle and fail at the 3-year mark and below.

The study is needed in order to determine reasons for success of small businesses and to contribute towards solutions for the much needed survival, growth and success of the small business sector in South Africa.

## **1.4 PROBLEM STATEMENT**

Many South African SMMEs do not grow. According to Oliwale and Garwe (2010), the failure rate of SMMEs in South Africa is amongst the highest in the world and even the best SMMEs often do not survive beyond the first 2 years in business. There is a myriad of research studies which have been undertaken to ascertain the reasons for SMME failure in South Africa, in contrast to a dearth of research studies undertaken to establish the factors that cause the survival and growth of the few successful SMMEs. This study examined the successful black owned SMMEs in South Africa with an intention to highlight the factors that have led to the survival and growth of these business to other black owned SMMEs who are struggling to survive and grow beyond the 2-year mark.

The Finscope (2010) Small Business Survey, indicates a significant gap between white- and black-owned businesses. They reveal that while black people (black African, Coloured, Indian and Chinese South African) run over 80% of the country's businesses, just 2% of black-owned firms have five or more employees. Among white-owned businesses 14% employ five or more people (topempowerment.co.za).

Given the above differences between white owned versus black owned SMMEs in South Africa there is a need to assess the factors that contribute to the survival, growth and success of small black owned businesses in South Africa, so that these factors can be emulated to survivalist and micro enterprise for the purposes of helping them to achieve success and contribute positively to employment and growth of the South African economy. In addition, it was important to determine factors which cause a business to fail.

## **1.5 OBJECTIVES OF THE STUDY**

The overall objective of this study is to determine the factors which contribute to the survival, growth and success of black owned small businesses in South Africa. This would assist with providing recommendations and guidance for survivalist and micro businesses.

The specific objectives of the study are:

- To determine whether black small business owners consider the marketing mix in their enterprises.
- To determine the effects of Porter`s 5 forces on small black owned business in South Africa
- To determine the effects of staff training in the black owned small businesses in South Africa
- To determine the effects of business theories in the context of South African black owned small businesses

The questions to be answered by the research are:

- How effective is the marketing mix to the survival and growth of black owned small businesses in South Africa?
- How effective are Porter`s 5 forces to the survival and growth of black owned small businesses in South Africa?
- How effective is staff training to the survival and growth of black owned small businesses in South Africa?
- How effective are the business theories to the success of black owned businesses in South Africa?

## **1.6 RESEARCH DESIGN AND METHODOLOGY**

This qualitative study was conducted drawing on a sample of 20 respondents who were chosen at random for this study. The interview schedule, which covered the socio-demographic profile, age, gender, type of business, number of employees, years in business and previous training or education, was used for the study. This added value in evaluating the different views according to the socio-demographic profile. The interview schedule was distributed into different provinces in and around South Africa. The respondents were black owned small business owners who have been in business for 5+ years. Respondents were assured of confidentiality and the information given by the respondents will be used

for the purpose of the study only. The respondents were assured that none of the information given by them would be detrimental to them in any way. Signed informed consent was obtained from the respondents before the questionnaire was administered. Some interview schedules were sent via the email and some were distributed personally.

The research analyses were undertaken and are presented using MSWord.

## **1.7 STRUCTURE OF THE STUDY**

Chapter 1 is an introductory chapter, which outlines the study in terms of providing a background and overview of the study. This chapter also provides pertinent information such as the problem statement, overall and specific research objectives, research design and limitations to the study.

Chapter 2 reviews relevant literature. This was organised according to the specific objectives laid down in chapter one. The literature review looks at the overview of the business theories, the small business landscape in South Africa and black owned small businesses in South Africa.

Chapter 3 discusses the research design and methodology and evaluates the reasons for choosing these methods.

Chapter 4 is an in-depth chapter, which discusses how the data collected was analysed.

Chapter 5 reaffirms the overall objectives, specific objectives and the conclusion drawn from the study. This concluding chapter also makes recommendations to the study and offers practical solutions. The chapter also highlights further areas of research.

## **1.8 CONCLUSION**

This chapter highlighted the background to the study, the problem statement, the research objectives, the research design, and the structure of the study. Whilst the high rate of failure for small businesses in South Africa has been documented, there is still a percentage of small businesses who have managed to achieve a certain level of success, including small

black owned businesses. There are obviously certain factors which contribute to the survival, growth and success of small businesses. These factors provide important lessons for survivalist and micro enterprises which can be emulated in order to ensure that the survivalist and micro enterprises graduate into successful small enterprises which are desperately needed for the growth of the South African economy at large.

Chapter two, which follows, contains a survey of suitable, appropriate literature relevant to the title and objectives.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

The previous chapter introduced the study by presenting the background of the study with a view to successfully contextualise the problem. This chapter presents literature aligned to the study. Thus, this literature review begins by outlining the role, performance and challenges of SMMEs across geographies in general and South Africa in particular; this is then followed by a focus on black owned small businesses in South Africa. Other sections covered by the literature review includes business models, Porter's five forces model, the marketing mix model and training and skills development model.

These three theories were chosen because of their proven models, which contribute towards improving business performance and delivering business success. The literature review lastly covers the relationship between business theories and small businesses.

The chapter concludes that, whilst it is important for small business owners to be well versed on business theories, which have worked in the past, it is also equally important for business theories to be updated in order to address the challenges of the present day small business climate.

### **2.2 DEFINING SMMEs**

The term SMMEs, refers to Small Medium and Micro Enterprises. Whilst the acronym is easy to translate, the term itself is not easy to define. This is because there is no universally accepted definition of SMMEs. SMMEs are defined differently by different theorists.

According to The United Kingdom Bolton Committee Report of 1971, the small firm sector is extremely large and remarkably heterogeneous. On any reasonable definition, small firms account numerically for the vast majority of all business enterprises. Their diversity is even more striking than their number. Small firms are present in virtually every industry and the characteristics they share as small firms are sometimes not apparent because of the differences arising from the contrasting conditions of different industries. The 1971 Bolton Report concluded that three main characteristics had to be taken into account, Firstly, in

economic terms; a small firm is one that has a relatively small share of its market. Secondly, an essential characteristic of a small firm is that its owners or part owners manage it in a personalised way. In addition, not through the medium of 'a formalised management structure. Thirdly, it is also independent in the sense that it does not form part-of a larger enterprise and that the owner managers should be free from outside control in making their principal decisions.

“Statistical definitions of small business vary from one country to another... The image of small size also shifts from time to time” (Sawai: 1999:36), supported by Jain and Gandhi (2016). According to the authors, the terminology for small business is equally haphazard. Whereas the term ‘small business’ is widely used, small often extends to ‘small and medium sized’. By the same token, ‘business’ is frequently substituted for by ‘company’, ‘concern’, enterprise, firm, or even industry depending on the preference of the author.

Curran and Blackburn (2001), assert that there is no single, uniformly acceptable, definition, official or otherwise, of a small firm. Whilst researchers and policy makers prefer quantitative definitions based on numbers employed at the firm, these definitions are often semi-arbitrary and have their disadvantages, including statistical manipulation of numbers and that employment measures are likely to be very sector dependent. “Overall, therefore, ‘employee’ as a unit of size measure for defining the small firm has limitations and needs to be used with some care”, Curran and Blackburn (2001:10) supported by Jain and Gandhi (2016).

According to the South African Small Business Act 102 of 1996 "small business" means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy mentioned in column I of the Schedule and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule. "Small business organisation" means any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of or representing small business concerns, and includes

any federation consisting wholly or partly of such association and also any branch of such organisation.

In practice, SMMEs in South Africa are defined in a number of different ways, generally with reference to either the number of employees or to turnover bands (or a combination of both, as in the National Small Business Act 1996, which also allows for variations according to industry sector). The Act's categories aren't used consistently by state agencies or by private sector data-bases and research studies, making comparisons difficult and unreliable. For statistical purposes, it would make a great deal of sense for the various data-gathering bodies in the public and private sectors to arrive at – and use – agreed categories covering the SMME sector. The definition of SMMEs by size is necessary, but it is not sufficient for an understanding of a sector where the realities are not only complex, but also dynamic. (SBP - Small Business Project, 2009). The National Small Business Act 102 of 1996 provides the following schedule as a guide to a definition of small businesses in South Africa.

**Table 2.1. Definition of SMMEs  
SCHEDULE**

(See definition of "small business" in section 1)

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
		<i>Less than:</i>	<i>Less than:</i>	<i>Less than:</i>
<b>Agriculture</b>	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Mining and Quarrying</b>	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Manufacturing</b>	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Electricity, Gas and Water</b>	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Construction</b>	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Retail and Motor Trade and Repair Services</b>	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Wholesale Trade,</b>	Medium	100	R50.00 m	R 8.00 m
<b>Commercial Agents and Allied Services</b>	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Catering, Accommodation and other Trade</b>	Medium	100	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Transport, Storage and Communications</b>	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Finance and Business Services</b>	Medium	100	R20.00 m	R 4.00 m
	Small	50	R10.00 m	R 2.00 m
	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Community, Social and Personal Services</b>	Medium	100	R10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

Source: National Small Business Act 102 of 1996

The South African Department of Trade and Industry (DTI) offers a qualitative classification of small businesses.

- Survivalist enterprises – This category of small business is driven by a necessity to survive, rather than the identification of an opportunity or gap in the market for that particular product or service. The survivalist entrepreneurs are often unemployed and have to get into the economic sector with virtually no business skills training in order to survive.
- Micro enterprises - classified as small businesses often involving the owner, some family members and at most, one to five employees. This sector is usually informal and not registered in terms of business licences. Most of them have a limited capital base and only rudimentary technical or business skills among their operators.
- Very Small Enterprises – this category refers to self-employed persons and enterprises employing a limited number of employees who operate in the formal market and have access to modern technology.
- Small Enterprises – this category constitutes the bulk of the established businesses, with the employment ranging from between five to fifty employees. These enterprises are usually managed by the owner. Small Businesses are likely to operate from a business site and are formally registered in terms of formal business registration requirements.
- Medium enterprises. This category is still viewed as owner or manager controlled. Although the shareholding or control base is usually more complex. The employment of 200 employees and capital assets of about five million rands excluding property are often seen as the upper limit.

This study was based on this qualitative definition of Small Business as indicated by the DTI.

At this juncture it is also prudent to mention that the terms entrepreneurship and SMMEs are almost always used interchangeably by different researchers and theorists, although it has been argued that there is a clear distinction between entrepreneurship and small business.

However, this study is under the assumption that whilst the two terms are not mutually exclusive, they are mutually reinforcing. Even though some research data is based on the two terms used interchangeably, the study is cognisant that the two terms mean different things. The focus of this study is on SMMEs more so than on Entrepreneurship.

### **2.3 ROLE OF SMMES IN ECONOMIC DEVELOPMENT**

Over the last two decades, extensive literature on the importance of small businesses in the economy has consistently shown that the creation of new businesses drives economic prosperity, (Ribeiro-Soriano: 2017). The author further states that new small businesses are critical for economic growth and innovative capacity in many regions, i.e. job creation, economic growth and poverty reduction, small business also play a crucial role in increasing the competition of emerging sectors. This substantiates Sitharam and Hoque (2016) who outline that Small and medium enterprises (SMEs) have an important role to play in the development of the country. A strong SME sector contributes highly to the economy, contributing to the gross domestic product, by reducing the level of unemployment, reduction in poverty levels and promotion of entrepreneurship activity

Ribeiro-Soriano (2017) emphasises that since the 1980s, small business owners and entrepreneurs have been receiving recognition as drivers of economic growth. This view of small businesses as generators of growth has been constant across decades. Beaver (2002:4) shares the same view by asserting that, “It is an established fact that the small business sector is regarded as a fundamental ingredient in the establishment of a modern, progressive and vibrant economy”.

There is no question about the potential of small business to generate economic development in societies. In South Africa, the small business sector has also been deservedly identified to be the potential driver of economic growth.

According to The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa: The stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship

flourishes, (Van der Nest, 2004). The White Paper continues to state that “Throughout the world, one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that – with the appropriate enabling environment – SMMEs in this country can follow these examples and make an indelible mark on this economy.”

There can be no question about the positive contribution of SMMEs to economies around the world. While some countries have realised this contribution, other countries are yet to realise this positive contribution of SMMEs to their economies.

Cho and Moon (2000), identify four reasons for the strategic importance of small business around the world as:

- SMMEs contribute to employment growth at a higher rate than larger firms.
- In an increasingly competitive and sophisticated trading environment, smaller firms are demonstrating flexibility and strength because they underpin innovation and technology transfer.
- In larger economies such as the US, Japan and Germany, SMMEs account for than 60% of GDP.
- In most successful economies over the past decade, small firms have been exporting a higher value of goods than large companies, Cho and Moon (2000), supported by Ribeiro-Soriano (2017).

It follows from the above that the best way to examine the contribution of SMMEs to economies is by assessing the contribution of SMMEs to the GDP, as well as to employment.

The baseline study conducted by the Small Business Institute (SBI) in OECD countries, states that over 95% of enterprises are SME’s, accounting for between 60%-70% of the working population and contributing as much as 60% to GDP.

In South Africa, the SMME Quarterly report for 2018 Q1 states that Employment provided by SMMEs was measured at 6.44 million, including SMME owners, SMME employment was measured at 8.9 million in 2018Q1, down from 10.6 million in 2017Q1. The SMME

share in the total turnover of all enterprises slipped to 40% from 41.7% reported previously (17Q3). Table 2.2 below provides a clear picture of the contribution of SMMEs in South Africa in the first quarter of 2018:

**Table 2.2 Indicator of SMME Contribution**

KEY INDICATORS	2017Q1	2017Q4	2018Q1	q-o-q change	y-o-y change
Number of SMMEs	2 478 877	2 407 440	2 443 163	1.5%	-1.4%
Number of formal SMMEs	725 698	674 065	658 719	-2.3%	-9.2%
Number of informal SMMEs	1 658 522	1 659 287	1 714 233	3.3%	3.4%
Number jobs provided	10 568 701	9 207 641	8 886 015	-3.5%	-15.9%
% operating in trade & accommodation	39.6%	40.7%	39.3%	-1.4% pts	-0.3% pts
% operating in community services	13.0%	14.9%	15.1%	0.2% pts	2.1% pts
% operating in construction	14.8%	13.4%	13.6%	0.2% pts	-1.2% pts
% operating in fin. & business services	12.7%	11.4%	13.3%	1.9% pts	0.7% pts
% black owned formal SMMEs	73.6%	75.3%	74.9%	-0.4% pts	1.2% pts
% contribution of SMEs* to turnover of all enterprises <sup>#</sup>	41.0%	40.0%	40.0%	0% pts	-0.9% pts

\*excluding micro enterprises

<sup>#</sup>excluding agriculture, financial intermediation, insurance and government institutions

<sup>1</sup>The contribution of SMEs to GDP is contested. An estimate could be possible from existing National Accounts data. However, further research, in cooperation and with assistance from Statistics South Africa, is needed.

#### Source SMME Report 2018Q1

These figures are a clear indication that South Africa still lacks behind the OECD countries when it comes to the GDP and employment contribution of the SMME sector because the country has yet to realise the full economic benefits of the SMME sector.

Even so, the South African government still believes in the importance of this sector, to such an extent that in 2014, a new Ministry of Small Business was added in South Africa with a mandate of leading and co-ordinating an integrated approach to the promotion and development of entrepreneurship, small businesses and co-operatives. The South African President Cyril Ramaphosa in his 2019 State of the Nation address, emphasised that “the growth of our economy would be sustained by small businesses as in the case of many countries.”

A comparison of the figures in Table 2.2 above makes it evident that South Africa still has a long way to go towards the realization of the job creating power of SMMEs. These figures also make it easy to understand why the South African government insists on growing the

SMME sector in South Africa if it is to achieve one of the NDP objectives of creating 11 million jobs by 2030.

## **2.4 PERFORMANCE OF SMMEs INTERNATIONALLY**

According to a UK publication “It should be kept in mind that small companies play a significant role in the growth of the economy. First and foremost, they create jobs. In the UK alone, they account for 99.3% of all private sector business at the start of 2016, and 99.9% were small- or medium-sized. Total employment in SMEs however was 15.7 million; 60% of all private sector employment in the UK. In comparison, there are between 25-27 million small businesses in the U.S. that account for 60% to 80% of all U.S. jobs”, [www.market-inspector.co.uk](http://www.market-inspector.co.uk)

The performance of SMEs in the U.K. in terms of their contribution to employment and to the economy is admirable by any country`s standards. However, it would be unfair to use the example of the UK economy as a benchmark for the South African economy, because the two economies are not on the same classification.

The Global Entrepreneurship Monitor (GEM) classification of economies by economic development level is based on the phases set out by the World Economic Forum (WEF) in its Global Competitiveness Report. According to WEF`s classification:

- Factor-driven economies are the least developed. They are dominated by subsistence agriculture and extraction businesses, with a heavy reliance on (unskilled) labour and natural resources;
- Efficiency-driven economies are increasingly competitive, with more-efficient production processes and increased product quality;
- Innovation-driven economies are the most developed. In this phase, businesses are more knowledge-intensive and the service sector expands.

In reviewing performance of SMMEs internationally, it is prudent to be mindful of the classification of the economies being reviewed. This study focuses on efficiency driven economies internationally particularly the BRICS economies, in order to obtain a fair comparison for South Africa.

Vuuren and Alemayehu (2018), assert that Entrepreneurship in efficiency-driven economies remains the major driver of economic growth. If one considers the BRICS countries (Brazil, Russia, India, China, and South Africa) which, with the exception of India, are good representatives of efficiency-driven economies, entrepreneurial activities at small and medium business level are contributing a great deal to employment creation and the GDP. In BRICS economies, small and medium-scale enterprises (SMEs) are the major employers, absorbing 60% of job seekers and contributing 42% towards the GDP, (Hoeppli :2013).

The Global Entrepreneurship Monitor 2018-2019 report, introduced the National Entrepreneurship Context Index (NECI), which summarizes the strength of these combined entrepreneurial framework conditions, based on the 12 factor scores and associated importance of the individual elements.

Table 2.3 below is a ranking of the BRICS economies performance on the 12 factors with the exception of South Africa. The countries were ranked over 54 countries in each element. Qatar came first with position 1 overall and Mozambique came last at position 54 overall.

**Table 2.3: BRICS economies National Entrepreneurship Context Index Ranking**

<b>FACTORS</b>	<b>India (5)</b>	<b>China (11)</b>	<b>Russia (37)</b>	<b>Brazil (48)</b>
Entrepreneurial Finance	4	27	44	17
Government Policies (Support and relevance)	1	17	36	50
Government Policies (Taxes and bureaucracy)	11	14	40	54
Government Entrepreneurship Programs)	6	25	48	45
Entrepreneurship Education at school age	4	19	29	50
Entrepreneurship education at post school age	18	15	31	40
R&D Transfer	5	28	51	35
Commercial and Legal Infrastructure	9	47	25	36
Internal Market Dynamics	7	5	9	15
Internal Market Burdens	6	23	50	44
Physical Infrastructure	22	6	40	46
Cultural and Social Norms	14	8	33	51

**Source: Information used to recreate this table was extracted from the GEM2018-2019 Index Report.**

From the table above India was ranked in position 5, followed by China at position 11, Russia at Position 37 and Brazil at position 48. Qatar which took position one overall came first in 4 factors i.e. government policies (taxes and bureaucracy), entrepreneurship education at school age; entrepreneurship education post school age and Research and Development (R and D) Transfer. India, which performed well amongst the BRICS economies came first in government policies, (support and relevance) and ranked amongst the top 5 for entrepreneurial finance, entrepreneurial education at school age and R and D transfer. The National Entrepreneurship Context Index shows a strong relationship between the country's entrepreneurial performance and Entrepreneurship education at school and post school levels as well as R and D Transfer. Even though South Africa was not included in these results, the rankings of China, Russia and especially Brazil prove that South Africa is not the only country, which is experiencing challenges in the SMME Sector.

## **2.5 PERFORMANCE OF SMMEs IN SOUTH AFRICA**

According to the Global Competitiveness Report by the World Economic Forum (WEF) South Africa has an efficiency-driven economy, compared to factor-driven and innovation driven economies. The country's economy type has an impact on perceptions, societal attitudes and intentions surrounding entrepreneurship. These in turn have a direct link to the failure or success of SMME's in the country as they affect the effective functioning of SMME's within the economy, (FEM Research, n.d.).

The Quarterly SMME survey conducted by SEDA reports that in the third quarter of 2018 the SMME sector provided employment to 10 million people in SA, which is 61% of all jobs (16.5 million) in the country. Of these, only 2.56 million jobs were for the SMME owners themselves, while the balance of 7.5 million jobs (or 75%) were for their employees. Overall, the number of SMME employees (non-owners) grew by 9% over the four quarters up to 2018Q3. The majority of SMME employment (60%) is located in the formal sector.

**Table 2.4: Employment Provided by SMMEs in South Africa**

	2017Q3		2018Q2		2018Q3		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
Formal sector	5 755 761	63.0%	5 638 368	58.8%	6 068 027	60.3%	429 660	7.6%	312 267	5.4%
Informal sector	788 579	8.6%	918 496	9.6%	974 087	9.7%	55 591	6.1%	185 508	23.5%
Agriculture	345 430	3.8%	596 016	6.2%	468 622	4.7%	-127 394	-21.4%	123 193	35.7%
Private households	0	0.0%	0	0.0%	0	0.0%	0	n/a	0	n/a
Provided to others	6 889 769	75.4%	7 152 880	74.6%	7 510 737	74.6%	357 857	5.0%	620 967	9.0%
% Female*		36.9%		37.9%		37.9%		0% pts		1.0%
Employer	795 428	8.7%	831 832	8.7%	887 297	8.8%	55 465	6.7%	91 869	11.5%
Own account worker	1 455 858	15.9%	1 608 927	16.8%	1 669 594	16.6%	60 666	3.8%	213 736	14.7%
<b>Total</b>	<b>9 141 056</b>	<b>100.0%</b>	<b>9 593 640</b>	<b>100.0%</b>	<b>10 067 628</b>	<b>100.0%</b>	<b>473 988</b>	<b>4.9%</b>	<b>926 572</b>	<b>10.1%</b>

Source: QLFS of Stats SA

\* of all people working for private enterprises, of which 81% worked for SMMEs over the last 5 years

The figures from different researchers are more confusing than enlightening where the performance of the Small Business Sector in South Africa is concerned. The above figures from the Stats S.A. Quarterly Labour Survey are very contradictory to the figures presented by FinScope South Africa 2017 Report which states that 1.5 million adults earn an income from SMMEs businesses. Whereas the figures from the Small Business Institute Baseline Study indicate that the South African SMME Sector employed in the region of 3.8 million people in South Africa.

The contradiction in these figures is an indication of the confusion about the number of SMMEs in South Africa based on different reports. This makes it difficult to understand the exact contribution of SMMEs to the GDP in South Africa as well as the contribution of SMMEs to employment in South Africa. As such it becomes difficult to measure the performance of SMMEs in South Africa.

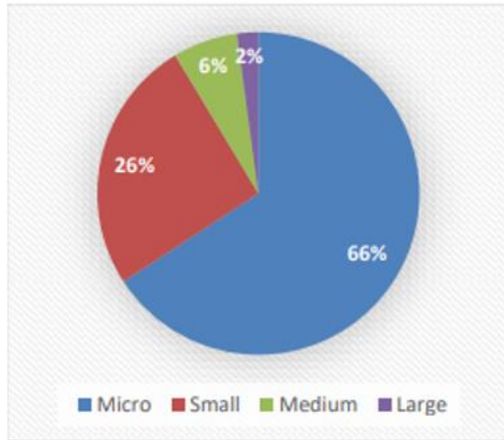
The high South African unemployment rate of 27.5% in the first quarter of 2019 as indicated by Statistics South Africa, is an indication however that the South African SMME sector is not producing as many jobs as it is capable of producing as has been witnessed in other countries where success has been achieved in developing/facilitating SMME growth.

To address this issue of contradictory SMME figures, The Small Business Institute (SBI) in partnership with the Small Business Project (SBP) has been working on South Africa's first, comprehensive baseline study of small businesses in South Africa. As the 'big voice for small business' the SBI's motivation for the study is simple: to galvanise a new compact, based on solid evidence, to fulfil the president's wish to place small business at centre-stage in South African economic recovery and to help build the SME community to play a role in the transformation of our society.

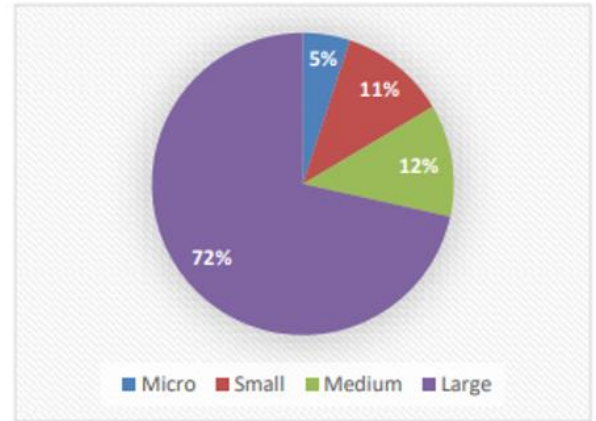
This SBI baseline study has already reported the following high level findings:

- South Africa's formal employing SME segment in the economy is much, much smaller than originally thought, consisting of just over 250 000 businesses – far off the mark of current estimates.
- While formal SMEs contribute nearly 98.5% of the number of formal firms in the economy, they only account for 28% of the jobs. Based on international trends, this should be about 60 to 70%.
- The majority, 56% of jobs in South Africa, come from only 1,000 larger employers, including government – and these jobs are growing at a faster rate than what SMEs are creating.
- Small firms pay more to retain staff than the larger firms (as a percentage of turnover) but are not employing people at a desirable rate.

What is clear from the breakdown of the number of firms and employment by size group and year shown in figures 1 and 2 below is that micro firms are the most numerous and that the count of firms falls as size increases. In 2016 there were 176 333 firms defined as Micro (66% of the total), 68 494 Small firms (26% of the total), and 17 397 Medium ones (6.5% of the total). 5.1% of employment occurs in micro firms, 11% in small firms, and 12% in medium ones. Combined micro, small and medium firms only employed 3,863,104 people or just over 28% of total formal jobs.



**Figure 2.1 Proportion of firms by size classification**  
Source: Small Business Institute Baseline Study.



**Figure 2.2 Proportion of employment by size classification**  
Source: Small Business Institute Baseline Study.

This research is based on the performance of Small Business as indicated by the figures from the Small Business Institute Baseline study because this study was conducted as a corrective measure to the discrepancy in Small Business Sector Research in South Africa. Until South Africa has reliable information sources on Small Business Sector, the sector would continue to be illusive to policy makers and strategy developers, which would result in ineffective policies and strategies to move the sector forward towards achieving the goals of the National Development Plan.

## **2.6 GROWTH RELATED CHALLENGES FACING SMMEs IN SOUTH AFRICA**

The 2016 Bureau of Economic Research report identifies the following challenges faced by SMMEs in South Africa:

- Access to finance and credit
- Poor Infrastructure
- Low levels of Research and development
- Onerous labour laws
- An inadequately educated workforce
- Inefficient government bureaucracy
- High Levels of Crime

➤ Lack of Access to Markets

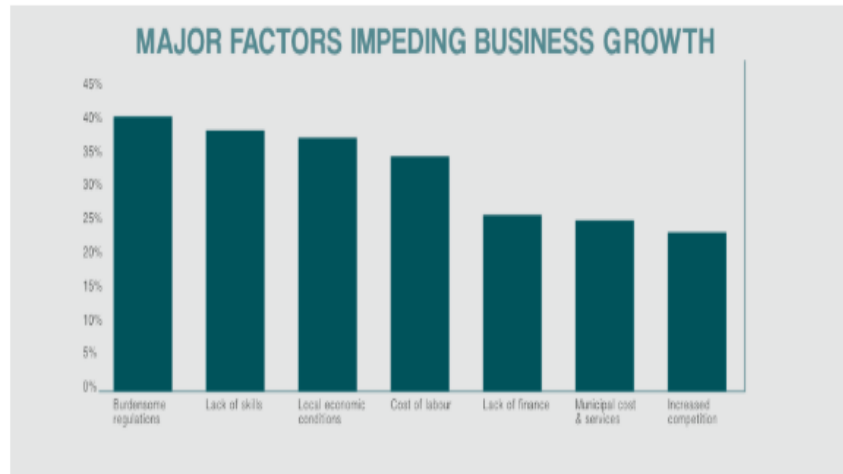
The Bureau of Market Research on the other hand classifies challenges faced by informal SMMEs into four categories:

- Problems related to Markets and Competitors i.e. too many competitors, low profits. Large sales or income variations, insufficient sales or income, customers don't pay debts
- Problems related to Capacity; i.e. lack of funds and credit, poor access to training, lack of tools and machinery, lack of repair services
- Problems related to infrastructure; i.e. cost of electricity /water and phones, storage problems, inadequate space, expensive rent, poor access to electricity/ water and telephones, cost of public transport
- Problems related to institutional and personal variables; i.e. lack of own transport/ own delivery, poor access to small business support centres, theft, licencing issues and lack of information on new techniques, Tustin (2001), supported by Legodi and Kanjere (2015).

These challenges are in line with the business growth impediments identified by Topco Research as illustrated below.

## What impedes business growth?

- Burdensome regulations
- Lack of skills
- Local economic conditions
- Cost of labour
- Lack of finance
- Municipal cost & services
- Increased competition



**Figure 2.3: Challenges impeding business growth in S.A.**

Source: [www.topco.co.za](http://www.topco.co.za)

There are many similarities when it comes to growth related challenges for SMMEs in South Africa and in other countries. What is important is to identify that even though most firms will go through most of these challenges, the challenges are not all experienced at the same time. These challenges are experienced by firms at different stages on the business life-cycle.

To illustrate this point, the framework below is an adapted version of the Harvard Business Review' Model of the Five Stages of Business Growth and is a useful start to understand the phases that a start-up goes through to grow.

**Table 2.5 Stages and Challenges of Business Growth**

**The Five Stages of Business Growth**

Characteristics/ Stage	1 - Existence	2 - Survival	3 - Success	4 - Take-off	5 - Maturity
<b>Key description</b>	This is start-up. The focus is to move from idea to implementation. Owner does everything from idea to capital source to energy. Supervision, if any, is direct. Formal planning largely absent. Failure typically due to inability to attract customers despite excellent product plans.	As the business moves past start-up, cash flow remains critical – it is all about survival and generating cash for growth. Unless unsatisfied with marginal returns, businesses can stay in this mode (corner family shop – Mom and Pop). Management remains focused on the status quo and delegation is not considered. Little or no effort is put into innovation and can lead to stagnation and ultimate failure.	At this point in the cycle, the shift to professionalising the business without strangling the initiative and innovation is essential. Financial management and organization development issues become increasingly relevant and urgent. Management style becomes a fundamental determinant of likely growth to take-off stage. It is where many entrepreneurs become unstuck. Either the shift needs to take place or the business must pass on to others so the entrepreneur can begin a new venture.	If you opt to grow, the need to learn to 'let go' and effective delegation becomes increasingly relevant. Effective management practices and employee development critical. Ability to manage change both internally and to accommodate external change becomes a key determinant. It can no longer be 'business as before' - this is a pivotal time... Recognizing own limitations is crucial. Success has a dangerous way of leading to complacency and this recognition is critical for appropriate and effective expansion.	Effective utilisation and management of increasing financial resources becomes a key focus area for a maturing company. Equally important is the development of an aligned and engaging company culture. The need for simultaneous focus and agility need to be achieved. Professionalisation without stifling innovation and customer response becomes ever more critical
<b>Diagram representation</b>					
<b>Key business Focus Areas</b>	<ul style="list-style-type: none"> <li>Idea potential</li> <li>Cash availability</li> <li>Market access</li> <li>Customer base</li> <li>Survival</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation</li> <li>Specific delegation</li> <li>Skills enhancement</li> <li>Customer feedback</li> <li>Initial innovation</li> <li>Business plans</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow</li> <li>Broader delegation</li> <li>Skills development</li> <li>Performance management</li> <li>Market analysis</li> <li>Financial gearing</li> </ul>	<ul style="list-style-type: none"> <li>Cash management</li> <li>Management competency</li> <li>Performance systems</li> <li>Broad policy and procedures</li> <li>Revision of 'historical heroes'</li> <li>Company resilience</li> <li>Change management</li> </ul>	<ul style="list-style-type: none"> <li>Financial and cash management</li> <li>Ongoing management competency</li> <li>Performance systems improvement</li> <li>Create company icons</li> <li>Manage change proactively</li> <li>Collaboration horizontally across company</li> </ul>
<b>Organisational focus</b>	<ul style="list-style-type: none"> <li>Define and attract customer base</li> </ul>	<ul style="list-style-type: none"> <li>Staff selection</li> <li>Customer input and reaction</li> <li>Basic system development</li> <li>Broad policy formulation</li> </ul>	<ul style="list-style-type: none"> <li>Team development</li> <li>Enhanced system development</li> <li>Feedback real time</li> </ul>	<ul style="list-style-type: none"> <li>Team alignment and maintenance</li> <li>System review and optimisation</li> <li>Improved feedback and reaction</li> </ul>	<ul style="list-style-type: none"> <li>Team review and ongoing alignment</li> <li>Implement succession planning</li> <li>Regular review of culture yard sticks and feedback</li> </ul>
<b>Individual/Leadership focus</b>	<ul style="list-style-type: none"> <li>Jack-of-all trades</li> <li>None or direct supervision</li> <li>Find customers willing to spend money on product or service</li> <li>Reward and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Minimal supervision</li> <li>Ability to express ideas</li> <li>Develop and communicate a vision</li> <li>Engage and empower through minimal delegation</li> <li>Reward and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Personal insights</li> <li>Situational leadership</li> <li>Company culture</li> <li>Skills analysis and improvement</li> <li>Employee engagement skills</li> <li>Reward and recognition</li> <li>Do deeds match statements of intent?</li> </ul>	<ul style="list-style-type: none"> <li>Personal enhancement</li> <li>Levels of leadership skills development</li> <li>Succession planning</li> <li>On-the-level communications</li> <li>360 reviews for performance enhancement</li> <li>Reward and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Personal enhancement</li> <li>Levels of leadership skills development ongoing</li> <li>On-the-level communication culture</li> <li>360 reviews for performance enhancement ongoing</li> <li>Reward and recognition</li> </ul>

Source: [www.acceleratecapetown.com](http://www.acceleratecapetown.com)

The above model recognises that all businesses from conceptualisation to start up, and through to success, follow relatively similar paths. Though start-ups may vary in their offering, the industries in which they operate, the management culture, and skills levels, they all experience similar growth pains and processes.

Based on these different findings, what becomes clear is that growth related challenges in SMMEs are both internal and external based. Some of these challenges are within the control of the business owners however other challenges are outside the control of the business owners.

## 2.7 BLACK OWNED SMMEs IN SOUTH AFRICA

According to Preisdorfer, Bitz and Bezuidenhout (2012), the future of the South African economy depends on enhancing the black population’s involvement in entrepreneurship. However, improving these businesses remains a major challenge facing the South African economy (Rogerson 2013), and the development of these businesses has been characterised by slow growth, (Nyazema 2013).

Black owned SMMEs in South Africa accounted for 75.1% of the total number of South African SMMEs in 2018 quarter 3, according to Stats S.A. Quarterly Labour Force Survey, giving black owned SMMEs the largest pie of the SMME sector by population group, as evidenced by Table 2.5 below.

**Table 2.6: SMME Owners by Population Group**

Race	2017Q3		2018Q2		2018Q3		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
Indian/Asian	82 672	3.7%	103 372	4.2%	92 180	3.6%	-11 193	-10.8%	9 507	11.5%
Coloured	81 377	3.6%	108 462	4.4%	112 498	4.4%	4 036	3.7%	31 120	38.2%
White	373 647	16.6%	403 011	16.5%	431 632	16.9%	28 621	7.1%	57 985	15.5%
Black	1 713 590	76.1%	1 825 915	74.8%	1 920 582	75.1%	94 667	5.2%	206 993	12.1%
Total	2 251 286	100.0%	2 440 760	100.0%	2 556 891	100.0%	116 132	4.8%	305 605	13.6%

Source: QLFS of Stats SA

Colin Leshou the Small Enterprise Development Agency’s Gauteng Provincial Manager in his interview with Engineering News, (2017) is quoted saying that “Around 92% of microenterprises and 82% of the small businesses are black owned, 75% of microenterprises are informal businesses and 87.3% of small businesses are formal businesses”.

The figures on table 2.5, are a contrast to the figures presented by other research studies, e.g. According to the 2016 Bureau for Economic Research report (BER 2016 report) the

percentage of black owned SMMEs in South Africa was at 69.7% in 2016. Once again, there is a huge discrepancy in the statistics of small business owners in S.A.

Be that as it may, it still remains evident that black owned SMMEs dominate the SMME sector in South Africa. What is also important to note is that a large percentage of black owned SMMEs are to be found within the survivalist and the micro enterprises which form part of the informal sector (with the BER 2016 report figure of 89.9%). Considering that the majority of the South African population is black, it follows that the need to grow and develop successful black owned businesses is more urgent in the black population.

Beyond the general factors affecting the survival and growth of SMMEs, there are still specific issues with regard to sociological, institutional, geopolitical and sociocultural issues which black owned businesses are faced with at a unique level. It is therefore important for researchers and policy makers to suggest policies which are able to address the problems faced by black owned SMMEs beyond problems faced by other SMMEs.

Furthermore, black owner–managers are often not sufficiently educated to be entrepreneurs, (Ndedi: 2013). Given their background, black small business owner–managers might not have had the same educational and training opportunities as small business owner–managers from other racial backgrounds, (Nkosi, Bounds and Goldman: 2013), which could negatively impact the development of their businesses. In addition, the black community has a low participation rate in entrepreneurial activities compared to other racial groups (Nkosi, et al., 2013).

The views of this study are that, the fact that the South African black owned businesses have a different entrepreneurial experience to white owned businesses cannot be ignored, and therefore the two need to be addressed through separate customized interventions.

## **2.8 BUSINESS THEORIES**

“A theory is often complex and controversial. In addition, a theory can be misused and overused. A theory, like medicine, is most effective when it is appropriately used. Applying

a theory without considering its weaknesses is like taking medicine without knowing its side-effects”, (Cho and Moon:2000:vii).

According to the authors, some people view academic theories as impractical and useless, and make strategic decisions based on their personal ideas. In fact, these personal ideas are their personal theories. These decisions may lead to disastrous consequences if they are based on personal theories that are not fully tested by scholars. In contrast, good academic theories have been discussed and tested by scholars. Strategies should be formulated based on the good academic theories, rather than on unproven personal theories. A good theory is a shortcut to understanding the complete real world.

There is certainly no shortage of business theories. Libraries have no shortage of books on business theories and models, however, there are still businesses who do not refer to theories in their everyday management and execution of strategy (in cases where strategies exist).

Policies are formed on the basis of theories, it goes without saying that, misinterpretations or even discrepancies in theory may lead to incorrect policies which do not address the critical issues it is formulated to address. It is equally important to examine the extent to which trusted theories accommodate the climate of the day, or else we run the risk of basing policies on theories which are out of touch with present day realities.

According to Drucker (1994) supported by Starbuck (2003), every organization, whether a business or not, has a theory of the business. Indeed, a valid theory that is clear, consistent, and focused is extraordinarily powerful. He further asserts that a theory of the business has three parts. First, there are assumptions about the environment of the organization: society and its structure, the market, the customer and technology. Second there are assumptions about the specific mission of the organization and third there are assumptions about the core competencies needed to accomplish the organization’s mission. The assumptions about environment define what an organization is paid for. The assumptions about mission define what an organization considers to be meaningful results; in other words, they point to how it envisions itself making a difference in the economy and in the society at large. Finally, the assumptions about core competencies define where an organization must excel in order to maintain leadership.

Drucker (1994) concludes that when a theory shows the first signs of becoming obsolete, it is time to start thinking again, to ask again which assumptions about the environment, mission, and core competencies reflect reality most accurately—with the clear premise that our historically transmitted assumptions, those with which all of us grew up, no longer suffice.

“The root cause of most organisation crises is not that things are being done poorly. It is not even that the wrong things are being done. Indeed, in most cases, the *right* things are being done—but fruitlessly. What accounts for this apparent paradox? The assumptions on which the organization has been built and is being run no longer fit reality. These are the assumptions that shape any organization’s behaviour, dictate its decisions about what to do and what not to do, and define what the organization considers meaningful results. These assumptions are about markets. They are about identifying customers and competitors, their values and behaviour. They are about technology and its dynamics, about a company’s strengths and weaknesses. These assumptions are about what a company gets paid for. They are what I call a company’s *theory of the business*”, (Drucker, 1994:125).

### **2.8.1 MICHAEL PORTER’S THEORY OF FIVE FORCES MODEL**

“Michael Porter’s 1979 insights started a revolution in the strategy field and continue to shape business practice and academic thinking today. A Five Forces analysis can help companies assess industry attractiveness, how trends will affect industry competition, which industries a company should compete in—and how companies can position themselves for success”. [www.isc.hbs.edu/](http://www.isc.hbs.edu/)

According to Michael Porter (2008), “Competition is pervasive, whether it involves companies contesting markets, countries coping with globalization, or social organizations responding to societal needs. Every organization needs a strategy in order to deliver superior value to its customers. This is truer today than ever before, as competition has intensified dramatically over the last several decades in almost all domains. It has spread across geography, so that nations must compete to maintain their existing prosperity, much less enhance it”.

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## The Five Forces That Shape Industry Competition

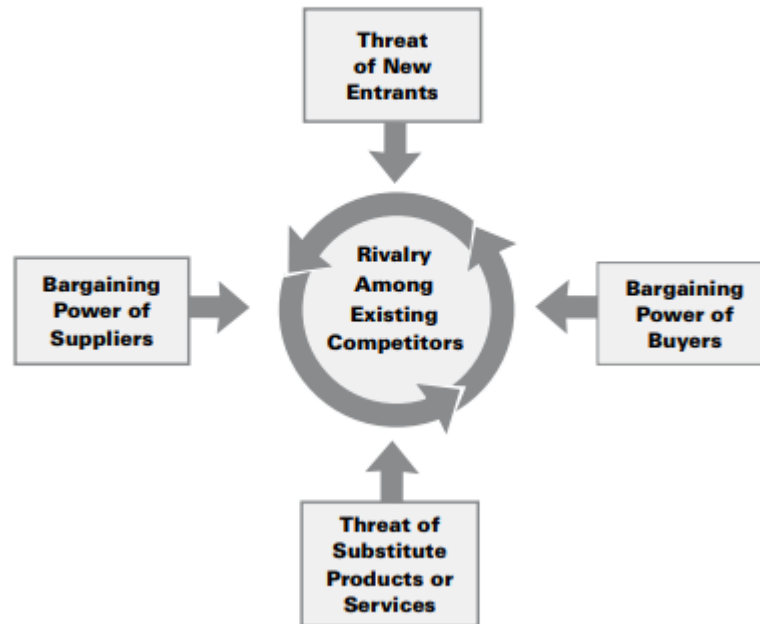


Figure 2.4: Michael Porter's Five Forces Theory

Source: [www.investopedia.com](http://www.investopedia.com)

The five forces are:

- **Supplier power.** An assessment of how easy it is for suppliers to drive up prices. This is driven by the: number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another.
- **Buyer power.** An assessment of how easy it is for buyers to drive prices down. This is driven by the: number of buyers in the market; importance of each individual buyer to the organisation; and cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.

- **Competitive rivalry.** The main driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness.
- **Threat of substitution.** Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.
- **Threat of new entry.** Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.

While there were and still are merits to this theory to the extent that the theory still dominates a list of business strategies internationally, and the theory created a major hype and following, it has also been criticized by other theories.

Some of the critics to this theory insist that Porter's Five forces model does not change with the changing times to accommodate the modern business realities.

Dälken (2014), argues that due to an increasing significance of Digitalization, Globalization and Deregulation, the industry structure of the 'Old Economy' changed fundamentally. The 'New Economy' is not comparable with the 'Old Economy', which is the basis of the Five Forces model. Moreover, the last decades have shown that Information Technology became more and more important. Nowadays, technology is one of the most important drivers for change and not only important for the implementation of change.

Critics further argue that the industry mind-set is defined as being: 'The set of perceptions, assumptions and expectations in the industry which determine how key players add value and compete with one another', this concept is also implicit in Hamel and Prahalad (1994), supported by Investopedia (2019) who argue that Porter's Forces should not be seen as 'givens' but as open to innovation, challenge and to disruptive competitive behavior. This concept helps one to understand Porter's Five Forces from a psychological viewpoint – indeed it has been suggested by Grundy (2003), that this could be a competitive force

missed by Michael Porter. According to HSBC's Head of Strategy Development Mike Guest: "I think there is something missing here in Porter's five forces, we also need to think about the industry mind-set. In our industry it is probably the most important competitive force".

According to Thyrby (1998), confirmed by (Karagiannopoulos, Georgopoulos & Nikolopoulos, 2005) the Five Forces model of Porter is static and does not take account of time. Thus it is much more difficult to determine markets with higher competition dynamic because they can change very quickly.

Furthermore, making use of the Five Forces framework does not guarantee a competitive advantage that is inviolable and sustained, (Aktouf: 2004). The reason for this lies in the fact that Five Forces framework is a static model, which does not include consistently changes of the competitive environment, (Karagiannopoulos, Georgopoulos and Nikolopoulos (2005). According to Hill and Jones (2008), Four Industry factors are able to justify business performance variations. Those factors can only motivate 20 per cent of the variations in terms of market share, growth and industry profitability, (Grant: 2011). Today's goal is not only to protect against the Five Forces, it becomes more and more important to start collaboration and maintain innovation due to the increasing power of the Internet and other information technologies, (Karagiannopoulos et al., 2005).

In his latest book 'Of Competition', Michael Porter addresses the issues pertinent to the new economy including, the digitization, globalisation and the green economy. On the internet and strategy, Porter argues that 'The five forces would be generally worse, as the Internet made information more freely available (helping buyers and increasing rivalry). The Internet also, potentially reduces long-term barriers to entry.'

## **2.8.2 THE MARKETING MIX MODEL**

"Essentially the marketing concept, tells the small businessman that if he wants to be successful in business, his company must be able to identify the needs and wants of its customers and then adapt its products or services to suit those needs and wants so as to generate customer satisfaction", (Lynas and Dorrian ,1987:56), confirmed by Kotler,

(2000). According to these authors, not only does marketing focus on the needs of the buyer, which is the key to long-term business growth and survival, but it also helps to guide small businesses through a dynamic market-place. One of the ways in which marketing does this is through the marketing mix model.

Traditionally the 'Marketing Mix' is said to consist of four levers of Marketing Control. These levers are:

- product, the bundles of benefits that the customers buy from the firm, be these from 'goods', 'services' or a combination of the two,
- place, for 'market place', i.e. the route to market,
- promotion, i.e. how the 'prospect' (future customer) get to learn about the product and why they should buy the 'product' – and
- price, which produces the profit which is the whole reason for doing marketing in the first place.

The marketing mix management paradigm has dominated marketing thought, research and practice for many years, (Singh: 2012). Kent (1986) refers to the 4Ps of the marketing mix as "the holy quadruple...of the marketing faith...written in tablets of stone". Marketing mix has been extremely influential in informing the development of both marketing theory and practice, (Möller: 2006).

According to Chai Lee Goi (2009), the concept of 4Ps has been criticised as being a production-oriented definition of marketing and not customer-oriented, (Popovic: 2006). It's referred to as a marketing management perspective. Lauterborn (1990), supported by Singh (2012), claims that each of these variables should also be seen from a consumer's perspective. This transformation is accomplished by converting product into customer solution, price into cost to the customer, place into convenience, and promotion into communication, or the 4C's.

Möller (2006) highlighted key criticisms against the Marketing Mix framework:

- The Mix does not consider customer behavior but is internally oriented.
- The Mix regards customers as passive; it does not allow interaction and cannot capture relationships.

- The Mix is void of theoretical content; it works primarily as a simplistic device focusing the attention of management.
- The Mix does not offer help for personification of marketing activities.

A review of another article, “Reviewing the Marketing Mix” (Fakeideas: 2008), found that:

- The Mix does not take into consideration the unique elements of services marketing.
- Product is stated in the singular but most companies do not sell a product in isolation. Marketers sell product lines, or brands, all interconnected in the mind of the consumer
- The Mix does not mention relationship building which has become a major marketing focus, or the experiences that consumers buy.
- The conceptualization of the Mix has implied marketers are the central element. This is not the case. Marketing is meant to be ‘customer-focused management’, (Goi: 2009)

Some of these criticisms against the Marketing Mix have led to other theorists coming up with the additions to the marketing mix. E.g. the 5Ps, the 6PS and the 7Ps. According to Ruskin-Brown (1999), confirmed by Hanlon and Chaffey (2019), the thinking lately is that there should be a previous element of the Marketing Mix which is ‘Strategic’ and this is said to be a combination of:

- ‘Segmentation’ (i.e. dividing our market place into distinct ‘homogenous groups of potential customers’ often referred to as ‘prospects’),
- ‘Targeting’ (i.e. choosing which specific groups of those we have identified in our segmentation – towards which we will focus our business) – and
- ‘Positioning’ (i.e. configuring our total offering of ‘Goods’, ‘Services’, ‘Place’ and ‘Price’ etc. to address the target group’s needs in a way that is attractively different from that offered by our competition).

Thus today we have: P1 = STP or just positioning for short, P2 = Product, P3 = Placement, i.e. the route to market, P4 = Promotion in all its formats, e.g. advertising, P.R. publicity etc., P5 = Price which provides profit as the reward for all the previous effort.

According to the international journal of marketing, the six Ps contain all the four Ps of marketing - product, price, place and promotion. In addition, it contains, two new Ps, namely People and Performance. People include the potential and current customers of the business and how they make their purchase decisions. Market segmentation is also a part of this. It contains the features of market segmentation and the most attractive segments of this market.

In his interview with CKGSB in October 2013, Philip Kotler (dubbed the Father of Marketing) who published the First Edition of Marketing Management in 1967, and revises his book every 3 years to bring in new concepts and theories, insists that the 4Ps model of marketing is still king, even though some theorists have added other Ps (Packaging, people and physical evidence).

Kotler and Keller (2016), offer the modern marketing management four Ps which are: People, Processes, Programs and Performance.

- People reflect both employees and consumers, employees are critical to marketing success because marketing will only be as good as the people inside the organization. Marketers must view consumers as people to understand their lives more broadly and not just as they shop for and consume products and services
- Processes reflects all the creativity, discipline and structure brought to marketing management. Only by instituting the right set of processes to guide activities and programs can a firm engage in mutually beneficial long term relationships.
- Programs reflect all the firm`s consumer directed activities that might not fit as neatly into the old view of marketing. Whether they are online or offline, traditional or not traditional, these activities must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm.
- Performance reflects holistic marketing to capture the range of possible outcome measures that have financial and non-financial implications (profitability as well as brand and customer equity) and implications beyond the company itself (social responsibility, legal, ethical and community related).

Kotler and Keller (2016), conclude by asserting that these new four Ps actually apply to all disciplines within the company and by thinking this way, managers grow more closely aligned with the rest of the company.

What is clear is that even though the marketing mix has been revised and updated by other theorists and researchers, it continues to guide the marketing activities in the business world.

### **2.8.3 EDUCATION, TRAINING AND DEVELOPMENT MODEL**

Training is defined by Buckley and Caple (2004), as a planned and systematic effort to modify or develop knowledge/skill/attitude through learning experience, to achieve effective performance in an activity or range of activities. Its purpose, in the work situation, is to enable an individual to acquire abilities in order that he or she can perform adequately a give task or job. The author defines education on the other hand, as a process and a series of activities which aim at enabling an individual to assimilate and develop knowledge, skills, values and understanding that are not simply related to a narrow field of activity but allow a broad range of problems to be defined, analyzed and solved. “Development refers to the general enhancement and growth of an individual’s skills and abilities through conscious and unconscious learning”, (Buckley and Caple, 2004:6).

“A skilled and well developed workforce is at the heart of global competitiveness. Education, training and development is therefore seen as an important factor in meeting the country’s economic and the employer’s strategic, business and operational goals”, (Coetzee, Botha, Kiley and Truman, 2007:2). Buckley and Caple (2004) assert that there are numerous potential benefits to be gained by individuals and organisations from well-planned and effectively conducted training programmes.

According to Buckley and Caple (2004), Some of the benefits for training for organisation include improved employee work performance and productivity; shorter learning time which could lead to less costly training and employees being ‘on line’ more quickly; decrease in wastage; fewer accidents; less absenteeism; low labour turnover and greater customer or client satisfaction. It follows that in preparing an individual to perform a

specific task more effectively, training can contribute to the organisation achieving its current objectives, and it can also play a longer term strategic role either directly or indirectly.

Grobler, Warnich, Carrell, Elbert and Hatfield (2006), and Cascio (2003), suggest the following ten important reasons why managers develop people:

- To improve employee performance,
- To update employees' skills,
- To avoid managerial, professional and critical or scarce technical skill obsolescence,
- To orient new employees,
- To prepare for promotion and managerial succession,
- To satisfy personal growth needs,
- To solve organisational problems,
- To promote employability and sustainable livelihoods,
- To enhance employability of designated groups and
- To promote and accelerate employment equity.

The importance of training and development in employee and organisational productivity has been extensively researched and proven over time. South Africa is one of the countries that have shown a keen interest in training and development initiatives as a way of improving people, organisational and economic productivity.

The South African Government's National Skills Development Strategy (NSDS), which was launched by the Minister of Labour in February 2001, places a strong emphasis on the establishment of a skills base in order to eradicate poverty and stimulate economic growth.

“For South Africa and its people to become internationally competitive and share in the potential benefits offered by appropriate training, such as increased productivity, higher wages, greater job security and job satisfaction, it is imperative that training to fit the country's needs should be awarded priority. In order to promote productivity, and the creation of a more professional worker in the trade, trainees should be trained for each and every job”, (Martins and Wyk :2004:5).

The South African government enacted the Skills Development Act 97 of 1998 which is designed to increase investment in education and training and to ensure that money is wisely spent. Under the Act businesses are encouraged to spend money on training and are rewarded for their efforts. Training under the new act is seen as an investment in building the skills of individual businesses and of the economy as a whole.

The aim of the act is to provide the best quality training and education and for the standards of training and education to keep on improving. The objectives of the Act will be achieved through different institutions and programmes, such as: The National Skills Authority, Sector Education and Training Authorities (SETAs), Learnerships, Skills Programmes, The Skills Development Planning Unit (and labour centers), The National Skills Fund, The levy/grant system, and Encouraging partnerships between workers, employers and the South African Qualifications Authority (SAQA).

These programmes and institutions have been spearheaded by the South African government as a commitment to the agenda of skills development in South Africa. The custodianship of training and development in South Africa lies within the Setas.

The role of SETAs in skills development is so important that their tasks must be pursued in more detail. Setas manage the task of equipping South Africans with skills. The act defines the functions of SETAs and states that each SETA must:

- Prepare a sector skills plan and implement this through learnerships, encouraging employers to draw up workplace skills plan and pay grants to employers to encourage training
- Approve, register and promote learnerships
- Quality assure training and accredit training providers
- Administer the levy/grant system by paying grants to employers
- Inform the National Skills Authority about their progress; and report to the Director General of the Department of Labour

According to Martins and Van Wyk (2004), large numbers of SMMEs, although registered seem to have little or no knowledge of the government's skills development strategy while others are not registered at all; smaller businesses seem to regard the 7% skills levy as just

an additional tax, without realizing the potential benefits they may accrue from the levy or are not interested in such benefits.

## **2.9 LINKAGE BETWEEN BUSINESS THEORIES AND SMALL BUSINESSES**

According to Nieman (2006), in his book *Small Business Management: A South African Approach* (2006), SMMEs in South Africa have become an important focus for policy makers because:

- The labour-absorptive capacity of the small business sector is higher than that of other size classes
- The average capital cost of a job created in the SMME sector is lower than in the big business sector
- They allow for more competitive markets
- They can adapt more rapidly than larger organisations to changing preferences and trends
- They often use local resources
- They provide opportunities for aspiring entrepreneurs, especially those who are unemployed, under-employed or retrenched
- Workers at the smaller end of the scale often require limited or no skills or training; they learn on the job
- Subcontracting by large enterprises to SMMEs lends fertility to production processes
- They play a vital role in technical and other innovations, (Nieman: 2006).

Olawale and Gawre (2010), state that most South African SMMEs do not grow: Their failure rate of 75% is one of the highest in the world and even the best SMMEs often do not survive beyond the first two years in business. This statement is further confirmed by Mafonyane (2015), who further asserts that 80% of SMMEs in South Africa fail within the first 3 years of operation. The focus of this study is on the marginal percentage of small businesses that succeed. The purpose is to learn about the factors that have contributed to the survival and growth of these small businesses, in order to emulate these factors onto

the micro and survivalist businesses so that they can also grow and graduate to the small business phase.

Whilst the focus of the study is on the survival and growth of small businesses it is also important to be mindful of the factors which affect the growth of small businesses in South Africa, so that the study can present an overall picture and informed opinions. Section 2.6 above listed a number of challenges which affect the growth of small businesses in South Africa.

The main recurrent challenges which are consistent from the different theorists and researchers which affect the growth of small business apart from financial challenges are:

- Lack of Access to markets
- Increasing competition and
- Lack of education, training and development

The theories covered in 2.8 above mainly address the 3 recurrent challenges, below is a linkage and usefulness of these theories to small business in South Africa.

There are many business theories which have been proven to improve productivity and growth in businesses. The Five Forces model is a “useful starting point for strategic analysis even where profit criteria may not apply”, (Johnson, Scholes and Winston, 2008:60). Porter’s Five Forces would still be useful for small businesses to conduct an industry analysis even prior to entering that industry. Dälken (2014) insists that in order to create a strategy it is very important to have enough knowledge about the industry in which the company operates.

According to Michael Porter, industry structure drives competition and profitability, not whether an industry is emerging or mature, high tech or low tech, regulated or unregulated. The Theory of Five forces is still relevant in the South African small business context, especially because this sector cites competition as one of its challenges. The forces listed by Porter are still prevalent in the small business sector in South Africa and have led to the failure of small businesses. It would be important for small businesses to assess the viability

of the business concept model based on Porters Five Forces in order to be sure that the conditions in markets which the business chooses to compete in are in fact favorable. Otherwise the business stands a greater chance of shutting down, within the 2 years if the forces have not been assessed and created a strategy to address them,

The marketing mix theory was preferred for its potential to address the lack of access to markets for small businesses. The best way for a company to increase access to markets is through refining its marketing strategy in order to improve visibility and increase the chances of the business meeting new customers.

Firms who are likely to succeed, engage in more successful marketing than their more vulnerable counterparts, with evidence suggesting that customer satisfaction is one of the essential factors for the success of a company. To achieve the high customer satisfaction, companies must know when and how their customers are satisfied about the products and services (Ahmed and Rahman: 2015).

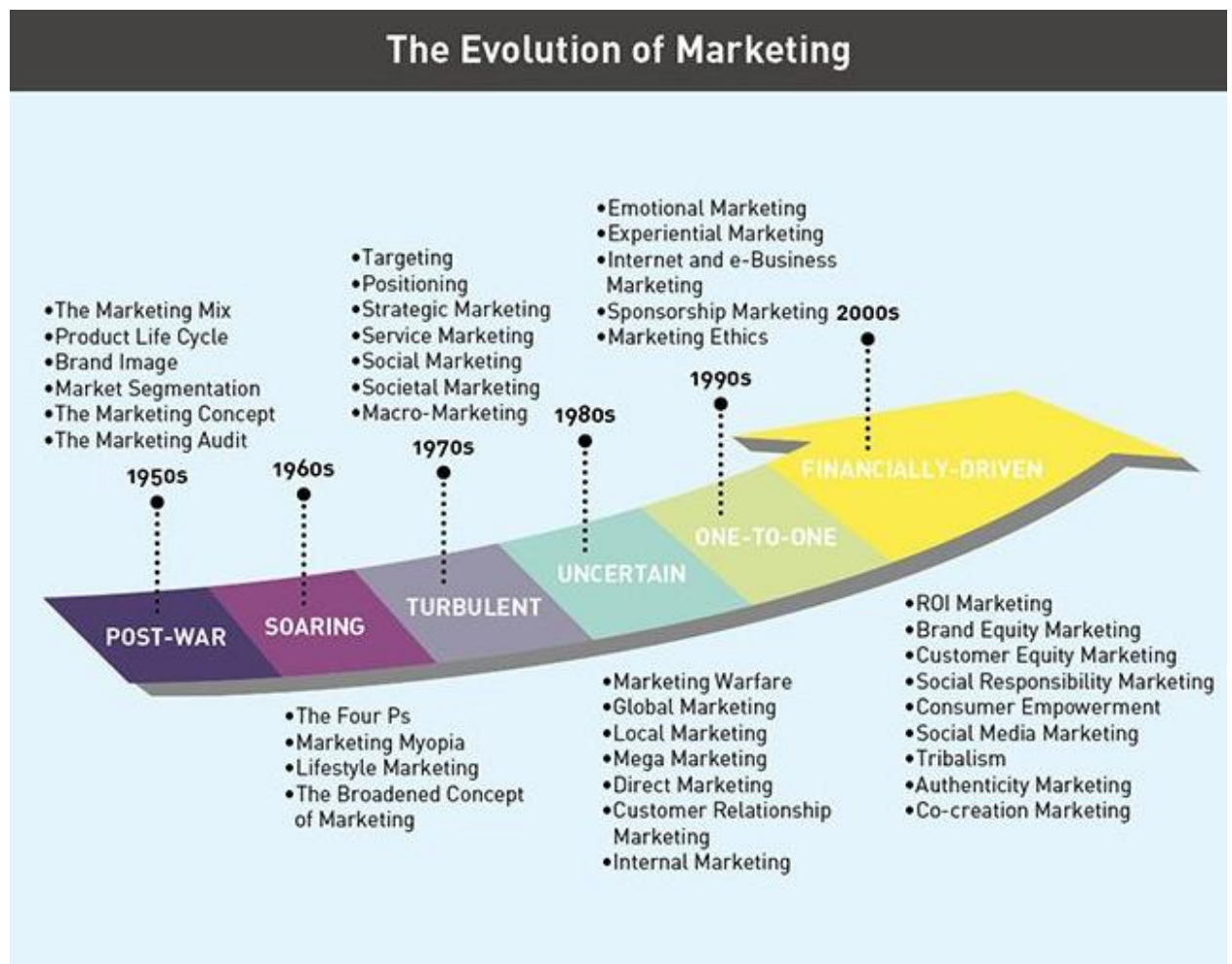
This is why most large businesses have marketing departments which are particularly tasked with the marketing strategy of the firm. Most small businesses on the other hand cannot afford to employ marketing specialists and because of cash flow issues other small businesses do not even have the budget for the marketing function.

One of the primary considerations in addressing SME marketing is the positioning of the SME within a dynamic environment (Murray et al., 2002), which results in SME marketing decisions being taken in a haphazard, non-sequential and unstructured fashion; this leads to informal, spontaneous, reactive and continuously-evolving marketing activities (Gilmore, Carson and Grant: 2001).

The evolution of consumer behavior from the 1900s to the present date forces the evolution of the marketing theory as well. Whilst the strategies to attract and keep consumers may have been excellent in the past, the present day consumer demands new strategies because they behave and make decisions in a completely different manner compared to the oldern day consumer.

In his interview with CKGSB in October 2013, Philip Kotler (dubbed the Father of Marketing) who published the First Edition of Marketing Management in 1967 and revises

his book every 3 years to bring in new concepts and theories, presented the evolution of marketing (Figure 2.5 below).



**Figure 2.5: The Evolution of Marketing.**

Source <http://knowledge.ckgsb.edu.cn>

It is important for small businesses to be well versed on the marketing mix theory as well as on the evolution of marketing in order to be able to formulate relevant marketing strategies which will assist with making them more accessible and provide access to markets.

Education, training and development has also been cited as a critical challenge for small business growth, particularly in South Africa.

According to Rootman (2017), in the context of South Africa, some individuals go into business because of the high unemployment rate facing the country, yet they do not acquire proper skills to operate a business. This is even more prevalent in the case of black-owned small businesses because of the historically disadvantaged background of the black population in South Africa, where some start businesses as a way out of poverty, (Nyazema: 2013). Black-owned businesses also often experience a lack of business management skills because of limited education and training opportunities for the owner-managers, in comparison to small business owner-managers from other racial groups, (Nkosi et al., 2013). Many black people in South Africa were either employed in the public sector or unemployed before the democratic transition that took place in South Africa in 1994, (Ndedi: 2013). This implies that the black community was often not involved in entrepreneurial activities and therefore was not offered the opportunity to develop their business management skills. This is why black business empowerment is one of the priorities of the South African government to promote equality in South African communities, (Horwitz and Jain: 2011). Of the many skills that small business owner-managers need in order to operate their businesses efficiently and effectively, those that are commonly suggested are: technical, marketing, financial and human resource skills, (Bezuidenhout and Nenungwi: 2012, Mutanda, De Beer and Myers: 2014, Nkosi et al., 2013, Thwala and Mvubu: 2008).

The Setas in South Africa are responsible for registering businesses for skills levies amongst other things. This skills levy is payable monthly and used for training purposes. With this initiative it becomes confusing why SMMEs still suffer from a dearth of training skills for both employees and owner managers.

According to Martins and Van Wyk (2004), large numbers of SMMEs, although registered seem to have little or no knowledge of the government's skills development strategy, while others are not registered at all; smaller businesses seem to regard the 7% skills levy as just an additional tax, without realizing the potential benefits they may accrue from the levy or are not interested in such benefits. Some Setas also seem not to have a well-planned strategy in place to encourage especially SMEs to buy into skills development. The authors

suggest few strategies to be revisited in order for as many SMEs as possible to be included in the skills development programmes.

There is no doubt that SMMEs especially micro, very small and small ones, have training problems, which are peculiar to them. Because of the small staff component of these SMMEs, there is less scope to specialize and workers must therefore have a much broader range of skills than in larger organisations. This also applies to the owners of the SMMEs.

According to Nieman (2006), the following are findings, conclusions and recommendations from research papers on training of SMMEs and must be read in the context of the diverse nature of the South African culture:

- The training emphasis in most service providers seems to be more on conventional management training rather than entrepreneurial training;
- Any training programme that addresses the daily running of a business should be adapted to the different cultural groups;
- The training needs of the informal sector (mostly micro enterprises) are very different to those of the formal sector;
- Small business training must be closely related to the small business environment and not based on the management of large enterprises; and
- For training of small business enterprises to be effective, it must be kept simple and allow trainees to participate and discuss business matters of mutual concern.

According to Martins and Van Wyk, (2004) There is consensus among role players in South Africa that micro, small and medium businesses have an important role to play in enhancing economic growth and creating employment and, in order for the country to compete globally, it must have a well skilled and productive workforce.

The authors conclude that small businesses are generators of jobs worldwide and therefore merit special consideration as far as training is concerned.

## 2.10 CONCLUSION

The term ‘SMME’ is in itself a challenge to define amongst business theories. Often the term has been used interchangeably with Entrepreneurship, even though the two terms mean different things. This use of the two terms interchangeably hurts the research of the SMME sector as different researchers end up with noticeably different figures when it comes to SMME statistics.

We do not know the total number of small firms in the economy and as such it is difficult to work out the percentages of firms which grow and survive or the number of small businesses which go out of business each year.

Policy makers need to understand the complexities and dynamics of business growth and recognise that a blanket approach to small business development is not necessarily the best solution of businesses in South Africa.

“Although much is written about small business failure, reliable information about who fails, why and at what rate is hampered by differences in definitions, data sources and methodologies. The myriad studies of business mortality, with their various conceptions of failure and different purposes and research designs speak to the subject with a babble of tongues”, (Lewis, Stanworth and Gibb: 1986:29).

This chapter visited business theories and found that even though these theories are still relevant for small business in South Africa, it is still important for small business owners to be cognisant of the changes in the market, the environment and the consumers, and cater for these changes in application of the theory. “A theory, like medicine, is most effective when it is appropriately used. Applying a theory without considering its weaknesses is like taking a medicine without knowing its side-effects. To develop a critical perspective, small business owners and policy makers first need to understand the theories, they should then study its strengths and weaknesses; and previous research and the need for further study and its strategic implication”, (Cho and Moon: 2000:vii).

Chapter 3 which follows deals with research design and how the research was conducted.



## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

Academics conduct research to investigate research questions that arise out of the existing literature on topics or which may be influenced by developments in business and management generally (Bryman and Bell :2007)

“Business Research can be described as a systematic and organized effort to investigate a specific problem encountered in the work setting that needs a solution. It comprises a series of steps designed and executed, with the goal of finding answers to the issues that are of concern to the manager in the work environment”, Sekaran (2003:5). The common implication of the above statements is that research is undertaken to identify causes of problems and how best to remedy them. The purpose of this chapter is to describe, in detail, the research methodology used to investigate the factors, which impact on the survival and growth of black owned businesses in South Africa. This chapter discusses different research methods and strategies justifies why the chosen methodology was used.

### **3.2 DEFINITION OF BUSINESS RESEARCH**

“Business Research can be described as a systematic and organised effort to investigate a specific problem encountered in the work setting, which needs a solution. It comprises a series of steps that that designed and executed with the goal of finding answers to the issues that are of concern to the manager in the work environment. The entire process by which we attempt to solve problems is called research. Thus research involves a series of well thought out and carefully executed activities that enable the manager to know how organisational problems can be solved or at least considerably minimised”, Sekaran and Bougie (2014).

Research thus encompasses the process of inquiry, investigation, examination, and experimentation. These processes have to be carried out systematically, diligently,

critically, objectively and logically. The expected end results would be a discovery that helps the manager to deal with the problem situation.

### **3.3 TYPES OF RESEARCH**

According to Sekaran and Bougie (2014), the two types of research are – applied and basic research.

Applied research refers to research that has been undertaken to solve a current problem faced by the manager in the work setting, demanding a timely solution. For example, a product may not be selling well and the manager might want to find the reasons for this in order to take corrective action. Whereas, basic research is defined as research undertaken to generate a body of knowledge by trying to comprehend how certain problems that occur in organisations can be solved. “In sum, research done with the intention of applying the results of the findings to solve specific problems being experienced in an organisation is called applied research. Research done chiefly to make a contribution to existing knowledge is called basic, fundamental or pure research”, (Sekaran and Bougie: 2014:35).

Based on the above definitions, this study falls under basic research because the study was undertaken to generate a body of knowledge by trying to comprehend how survival and growth challenges that occur in black owned SMMEs can be solved.

Sekaran and Bougie (2014), state that university professors engage in basic research in an effort to understand and generate more knowledge about various aspects of business, such as how to assess the impact of marketing action, increase productivity of employees in service industries, how to increase the effectiveness of small business, and the like. These findings later become useful for application in business situations. This research was undertaken in an effort to understand the factors which contribute to the survival and growth of black owned SMMEs in order to generate knowledge on how to improve the survival and growth rate of black owned small businesses in South Africa.

## **3.4 QUALITATIVE AND QUANTITATIVE RESEARCH**

Researchers distinguish between two types of research, namely the quantitative and qualitative approaches. (Leedy and Ormrod: 2005) The main features of qualitative and quantitative research are summarised below.

### **3.4.1 Quantitative Research**

Quantitative research is the systematic scientific investigation of quantitative properties in social phenomena and is undertaken to answer questions about relationships between variables in the purpose of explaining, predicting and controlling phenomena. (Leedy and Ormrod: 2005). Collis and Hussey (2003) deem the quantitative research approach to be objective in nature as it focuses on seeking the facts or causes of social phenomena. According to these authors, quantitative research is based on positivistic methodologies used for developing knowledge.

“A quantitative research approach employs strategies for inquiry such as experiments and surveys and collects data using research instruments that yield statistical data”, (Leedy and Ormrod :2005:48). Collins and Hussey (2003), conclude that quantitative research approaches therefore involve collecting and analysing data that can be mathematically and or statistically interpreted and analysed.

### **3.4.2 Qualitative Research**

Leedy and Ormrod (2005), describe qualitative research as a type of research that is used to answer questions about the complex nature of phenomena, with the purpose of describing and understanding such phenomena from the participants’ point of view.

According to Collis and Hussey (2003), a qualitative research approach is used when the researcher needs to gather and analyse detailed data that cannot be mathematically or statistically interpreted and analysed, such as ideas, attitudes or feelings. Creswell (2003),

states that qualitative data is interpretive, as the researcher interpret data and then draws conclusions based on how the data is interpreted.

This study used the qualitative research approach. This approach was chosen because it helps one gather in depth data in order to better understand the problem. This research aimed to come up with recommendations to grow black owned small businesses in South Africa.

Qualitative research was most appropriate for the objectives of this study because the questions were designed to elicit responses on some of the theoretical models around competition, access to markets and skills development, that contribute to survival and growth of black owned small businesses based on the points of view of the participants: The objectives of the study were:

- To determine whether black small business owners consider the marketing mix in their enterprises.
- To determine the effects of Porter`s 5 forces on small black owned business in South Africa.
- To determine the effects of staff training in the black owned small businesses in South Africa.
- To determine the practicality of business theories in the context of South African black owned small businesses.

### **3.5 RESEARCH DESIGN**

Marczyk, DeMatteo and Festinger (2005), describe a research design as an overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem. A number of research designs have been identified by Bougie and Sekaran (2010) and these are:

### **3.5.1 Exploratory research design**

Bougie and Sekaran (2010) describe this design as the one that is carried out when there is a little information available for the current research or no information available about the previous studies that are related to the current study. This study involves too much of the primary data which can be collected through interviews and observation and experimentation.

### **3.5.2. Descriptive research design**

This method is described by Bougie and Sekaran (2010) as the survey method that describes the features of the population under study. This may include features such as sex, age and ethnic group which may be important in obtaining the profile of the respondents before even going further with an interview. Gill and Johnson (2010), add that this design helps in ascertaining the study population and eases the sample calculation which assists in answering the research question.

### **3.5.3 Case study research design**

Thomas (2011), explains that this type of study design investigates one case in detail with the aim of not generalising the results. The investigations are based on a particular study without generalisation.

### **3.5.4 Explanatory/Analytical research design**

Explanatory/Analytical research goes beyond merely describing the characteristics of a phenomenon, it also analyses and explains the why and how of the events. The aim of this type of research is to understand phenomena by discovering and measuring cause and effect relationships (Collis and Hussey, 2003). According to Saunders et al., (2003), the emphasis here is on assessing the problem in order to explain the relationships between variables. In analytical research, theories or hypotheses need to be constructed and formulated in order to account for the forces that cause a certain phenomenon. The most important element of

analytical research is to identify and possibly control variables in the research activities, since it allows for a better explanation of the critical variables or the causal links between the characteristics.

The nature of this study follows an explanatory / analytical research design. The study goes beyond merely describing the characteristics of successful black owned small businesses to analysing and explaining factors, which affect growth, and survival of small black owned businesses.

### **3.6 RESEARCH STRATEGY**

For this study, the qualitative (phenomenological) approach was selected and the following research strategies are available for phenomenological research:

- Interviews
- Focus groups
- Case Study
- Action research
- Grounded theory
- Ethnography

It is imperative to define each strategy in-order to substantiate and motivate the reason for selecting the strategy during this research.

#### **3.6.1 Interviews:**

Interviews can be defined as “a qualitative research technique which involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation” (www.researchmethodology.com :2018).

There are three different formats of interviews: structured, semi-structured and unstructured according to ([www.researchmethodology.com](http://www.researchmethodology.com) : 2018).

- Structured Interviews are conducted by the researcher utilizing a set of predetermined questions which are put forward to the interviewee by the researcher. Analysing the data extracted from this interview process using predetermined questions is straight forward, due to the researcher having the ability to compare the data “answers” extracted from using the exact same questions.
- Unstructured Interviews are conducted by the researcher using an informal process. In these interviews the researcher has no predetermined questions for the interviewee, which makes the comparison of the collected data very difficult and in some cases bias, due to the different formulations of questions which vary from interview to interview.
- Semi-Structured interviews are interviews which contain aspects of both the structured and unstructured interview process. During a semi-structured interview, the researcher formulates a set of predetermined questions for the interviewee. During this interview process the researcher may ask additional “unstructured” questions for the purpose of clarifying or expanding on certain issues pertaining to the research.

### **3.6.2 Focus Groups**

Focus groups are “group discussions conducted with the participation of 7 to 12 people to capture their experiences and views regarding specific issues closely related to research questions. Focus groups data collection method is most suitable for types of studies where multiple perspectives are needed to be obtained regarding the same problem” ([www.researchmethodology.com](http://www.researchmethodology.com) : 2018).

### **3.6.3 Case Study**

A case study can be discussed and defined as follows “this method of study is especially useful for trying theoretical models by using them in real world situations. A case study is an in depth study of a particular situation rather than a sweeping statistical survey. It is a

method used to narrow down a very broad field of research into one easily researchable topic” ([www.explorables.com](http://www.explorables.com) :2018).

### **3.6.4 Action Research**

Action research can be defined as “an approach in which the action researcher and a client collaborate in the diagnosis of the problem and in the development of a solution based on the diagnosis. One of the main characteristic traits of action research relates to collaboration between the researcher and the member of the organization in order to solve organizational problems” ([www.researchmethodology.com](http://www.researchmethodology.com) : 2018).

### **3.6.5 Grounded Theory**

The purpose of grounded theory “is to develop theory about phenomena of interest. The researcher begins with the raising of generative questions which help to guide the research but are not intended to be either static or confining. As the researcher begins to gather data, core theoretical concepts are identified. Tentative linkages are developed between the theoretical core concepts of data”, ([www.socialresearchmethods.net](http://www.socialresearchmethods.net) : 2018).

### **3.6.6 Ethnography**

Ethnography is an extremely broad area with a great variety of practitioners and methods. “The most common ethnographic approach is participant observation as a part of field research. The ethnographer becomes immersed in the culture as an active participant and records extensive field notes”, ([www.socialresearchmethods.net](http://www.socialresearchmethods.net) : 2018).

### **3.6.7 Research Strategy Selected: Interview Research Strategy**

For this research the qualitative approach was used as a research strategy. The individual interview process was selected as the applicable research strategy for this study. The reason for selecting this research strategy was so that detailed information could be collected from the respondents about the research questions. A further reason was so that there was a direct

control over the data collection process and the ability to clarify certain issues during the interview process, when required. This was a structured interview research strategy as the researcher used predetermined questions for the interview schedule. In designing the questions, for the interview schedule, the researcher followed specific rules as laid down by Bryman and Bell (2003: 267) and these were: -

- Avoid ambiguous terms in questions
- Avoid long questions
- Avoid double barrelled questions
- Avoid very general questions
- Avoid leading questions
- Avoid questions that are asking two questions
- Avoid questions that include negatives

## **3.7 POPULATION AND SAMPLING PROCEDURE**

### **3.7.1 Population**

Population refers to the people, events and products being included in the study. Black Owned small businesses who have been operational for 5 years and above were considered as participants of this research study. No black owned start-up small businesses below the five-year life span were considered. The target population were those that operate in the KwaZulu-Natal, Gauteng, Limpopo and Free State provinces. The specific population target size was difficult to define, as there was no access to reliable records in terms of black owned small business from the 4 provinces and therefore cannot give an exact number on the population considered for this study. This was a small-scale qualitative study and as such population is not as critical as for a quantitative study (Nieuwenhuis, 2016).

### 3.7.2 Sampling Procedure

According to Sekaran (2003), a sample is a subset of the population. It comprises some members selected from the population. Some of the reasons for using a sample rather than collecting data from the entire population are:

- In research investigations involving several hundreds and even thousands of elements, it would be practically impossible to collect data from, or test, or examine every element. Even if it were possible it would be prohibitive in terms of time, cost and other human resources.
- Study of a sample rather than the entire population is also sometimes likely to produce more reliable results. This is mostly because fatigue is reduced and fewer errors will therefore result in collecting data, especially when a large number of elements is involved. There are two types of sampling techniques.
- Probability sampling technique.
- Non-Probability sampling technique.

Probability Sampling is a sampling technique whereby every member of the population has a known probability of being sampled. Probability sampling implies random sampling, because every person in the population has an equal chance of being selected, (McGoldrick, Hyatt and Laflin, 1998; Showak and Parveen, 2017).

Non-Probability Sampling is a sampling technique whereby certain members of the population are chosen because of a judgement on the characteristics of the population and the needs of the survey. Non-probability is not random because not all members have the same chance of being drawn for the survey, (McGoldrick, Hyatt and Laflin, 1998; Showak and Parveen, 2017).

The research was best suited to the use of the non-probability sampling technique. Further to this and under the non-probability sampling technique, the purposive sampling technique was utilized. In the purposive sampling approach “the selection of participants, settings or other sampling units is criterion-based or purposive. The sample units are chosen because

they have particular features or characteristics which will enable detailed exploration and understanding of the central themes and questions which the researcher wishes to study. They may be socio-demographic characteristics, or may relate to specific experiences, behaviours, roles, etc.”, (Richie et al., 2014).

The sampling in this study was confined to specific types of people who could provide the desired information and conform to the criteria set by the study – that being black SMME owners with businesses older than 5 years. This type of sampling design is called purposive sampling. Purposive sampling can be broken down into two major types – judgement sampling and quota sampling. This study used judgement sampling, which involves the choice of subjects who are in the best position to provide the information required.

The title of this study made it necessary to obtain information from a specific target group. The choice of participants was based on certain characteristics that the study sought to investigate, therefore not every member of the population stood an equal chance of being chosen. Certain members were excluded, e.g. unemployed persons, working professionals and unskilled workers. This method is subjective and has limitations.

The sample compared to the entire population was small. According to Sekaran (2003) samples of 20 are sufficient in qualitative research studies. In order to meet the sampling design objectives, this study chose a sample of 20 respondents distributed equally amongst the 4 provinces, the choice of participants was made as objectively as possible.

The interview schedule was developed by the researcher and discussed with the supervisor. Some questions were changed on advise of the supervisor. Open ended questions were used in order to explore issues and gain a deeper insight into the issues being explored.

### **3.8 DATA COLLECTION AND ANALYSIS**

- Following are five key steps that are commonly followed in qualitative data analysis: according to Berg and Lune (2012):

- Become familiar with the data. Researchers need to read and re-read the data, writing down impressions, looking for meaning and determining which pieces of data have value.
- Focus the analysis. In this step, researchers identify key questions that they want to answer through the analysis. One approach would be to focus the analysis on the answers to a particular question or topic, by time period, or by event. Another way to focus the analysis would be to examine the data as it relates to a case, an individual, or a particular group.
- Categorize the data and create a framework. This is often referred to as coding or indexing the data. The researcher starts by identifying themes or patterns that may consist of ideas, concepts, behaviours, interactions, phrases and so forth. A "code" is then assigned to those pieces of data in an effort to label the data and make it easier to organize and retrieve. A coding plan helps to provide a framework that will structure, label and define the data. The framework may be explanatory and is guided by the research question. The framework may also be exploratory in which the analysis is guided by the data that was collected.
- Identify patterns and make connections. The researcher must know how to identify the themes, look for relative importance of responses received, identify relationships between themes or data sets, and attempt to find explanations from the data. QDA software may be helpful in organizing the data, assigning the coding and looking for connections.
- Interpret the data and explain findings. After themes, patterns, connections and relationships are identified, the researcher must attach meaning and significance to the data. It can be helpful in this process to develop lists of key ideas, create diagrams, or use models to explain the findings.

This research study followed these steps in the analysis of the qualitative data collected from Black owned Small business owners. After categorizing the data, the framework created was explanatory as it was guided by the research questions.

### **3.9 PILOT STUDY**

A pilot study was conducted on two participants who form 10% of the respondents for the purposes of ensuring the questionnaire is clear enough for the respondents. There was only one question which needed further clarity and this was rectified for easy understanding of the participants.

### **3.10 ETHICAL CONSIDERATIONS**

The questionnaire was approved by the Ethics committee of the University.

The small business owners were targeted because the information needed required the small business owners who started their particular businesses right from pre-launch stage. Information such as the number of years in business, and the start-up's financial access, was to be supplied by the business founder. Due to the fact that no permission was required to get access to those businesses; they were visited at their premises for the interviews, while other interviews were conducted online. Participants were given an Informed Consent Letter to sign which outlined the intention of the study and also assured them of their confidentiality and anonymity as well as their right of refusal to participate. Voluntary participation was also clarified to the respondents.

In order to ensure confidentiality and anonymity, respondents were informed that that they could voluntarily reveal their names as it was stated on the questionnaire. But their identity would not be revealed to anyone according to University rules governing field work. Nowhere would their identities be used against them. Data would be stored at the University and would only be disposed of in line with the University rules and regulations.

### **3.11 CREDIBILITY AND TRUSTWORTHINESS**

Credibility is the most important aspect in establishing trustworthiness. This is because credibility essentially asks the researcher to clearly link the research study's findings with

reality in order to demonstrate the truth of the research study`s findings, (www.statisticssolutions.com).

According to Nieuwenhuis (2016), the four criteria needed to be considered for qualitative research are: credibility, transferability, dependability and conformability.

### **3.11.1 Credibility**

In order to ensure the research methodology was well established for this study and that findings are noted as being credible and trustworthy, it was confirmed in frequent debriefing sessions with the allocated supervisor where notes were reflected and checked. In addition, researcher bias was avoided by allowing respondents to reply without interference. In turn data was interpreted back to the participants of the study to verify the data gathered, clarify what their intentions were, correct errors and provide additional information if necessary.

### **3.11.2 Transferability**

Transferability ensures that another reader or researcher can duplicate the study. The researcher applied two strategies to ensure the transferability of the study. Firstly, a ‘thick description’ of context was conducted to ensure readers can make their own decisions about transferability. Secondly, careful consideration was given as to who would be an asset to this study. (Nieuwenhuis, 2016).

### **3.11.3 Dependability**

In qualitative research dependability is used in preference to reliability. The research was so designed that respondents could complete their interview schedule un-influenced, as such the research is dependable, (Nieuwenhuis, 2016).

#### **3.11.4 Conformability**

Here the findings of the study were shaped by the participants' subjective perceptions and experiences and not by researcher bias or interest. As such a concerted effort was made to avoid researcher bias and respondents were not interrupted during the interviews.

#### **3.12 LIMITATIONS OF THE STUDY**

There were some limitations encountered in conducting this study. These limitations are discussed below. Ideally it would have been good to interview respondents from all 9 provinces of South Africa, however this could not be achieved due to time and budgetary constraints. As such this study cannot be inferred to the entire South Africa, because the study focused on 4 provinces in particular, i.e. Free State, Gauteng, KwaZulu-Natal and Limpopo. The study can however be used as a pilot study which others could probably replicate on a larger scale in the future.

#### **3.13 CONCLUSION**

This Chapter highlighted and discussed the research methodology which was followed by this study. The chapter discussed types of research, research approaches, research design, and the strategy for the research. The chapter then continued to discuss the sampling procedures used in the research, data collection and analysis as well as Ethical considerations and credibility of the research findings. The following chapter discusses the research findings and presents the analysis of the findings.

## **CHAPTER 4: DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS**

### **4.1 INTRODUCTION**

The previous chapter presented the research design and methodology employed by the study. This chapter presents, analyses and interprets the results of the study.

Data for the study was collected from selected small black owned businesses in South Africa using a questionnaire. A total of twenty (20) small black business owners participated in the study. The study made use of qualitative research methodology. In terms of qualitative data analysis, thematic analysis was adopted for qualitative data using a number of themes that emerged from the data. These themes are further categorised under broader themes emanating from the research questions. Some of the responses are quoted directly in order to provide a comprehensive overview of the respondents' perspectives and opinions, while others had to be simplified for analysis purposes. The presentation of results begins with a description of the sample in terms of the types of businesses, number of employees and the number of years in operation, educational qualifications and previous business experience. This is followed by an interpretation of the response in terms of the following questions:

- How effective is the marketing mix to the survival and growth of black owned small businesses in South Africa?
- How effective are Porter's 5 forces to the survival and growth of black owned small businesses in South Africa?
- How effective is staff training to the survival and growth of black owned small businesses in South Africa?

## 4.2 PRESENTATION AND DISCUSSION OF FINDINGS

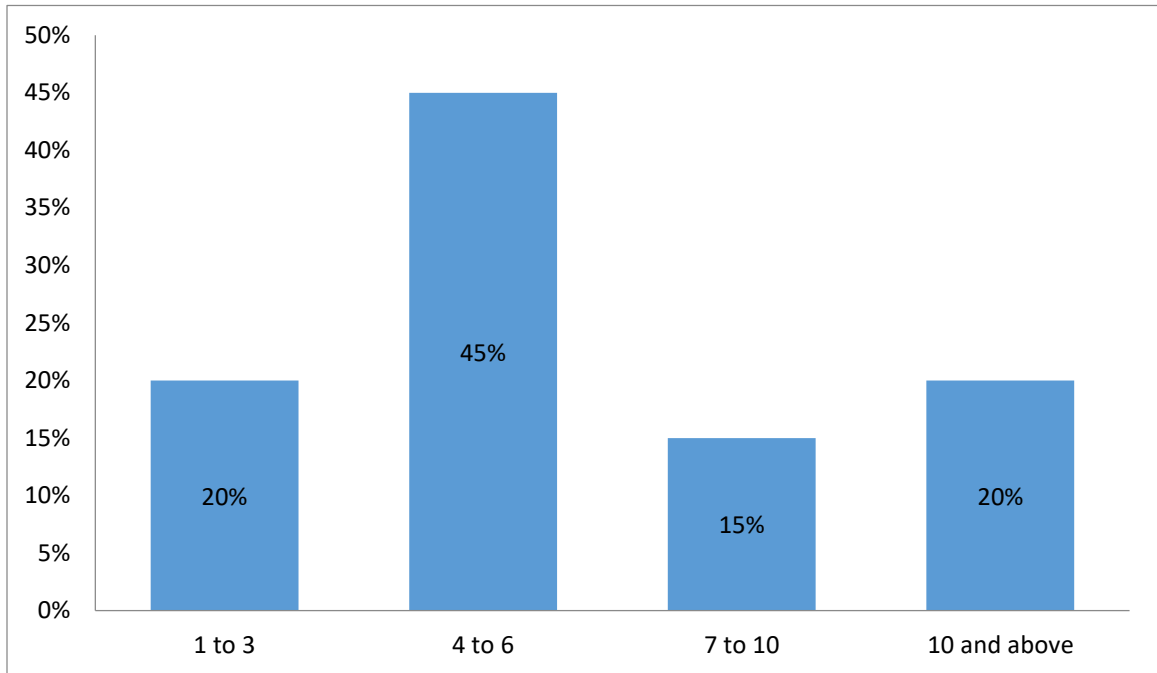
### 4.2.1 Type of Business

The business owners that participated in this study represented many businesses from various sectors. The following are small black owned businesses that took part in this study:

**Table: 4.1 Types of Respondent’s Businesses**

<b>Business Type</b>	<b>Number of Businesses</b>
Transports Logistics	2
Printing	1
Coffin Manufacturing	1
Consulting and Training	6
Events Management	1
Dairy Farming	1
Laundromat Franchise	1
Clothing Manufacturing	3
Bed and Breakfast Lodge	1
Medical Transport Service	1
Liquor Retail Shop	2

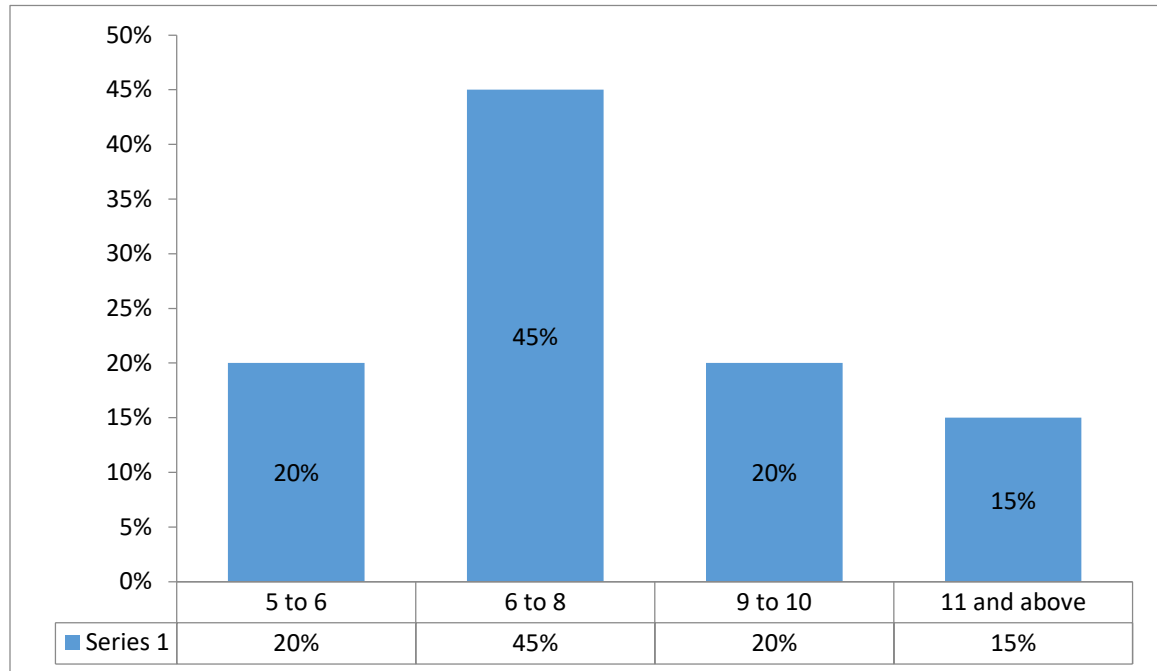
#### 4.2.2 Number of Employees



**Figure 4.1: Number of employees**

The above figure shows that 45% of small black owned businesses have 4 to 6 employees. This range was followed by those businesses with 1 to 3 employees (20%) and 10 and above employees (20%). Lastly, the remaining businesses indicated that they had 7 to 10 employees representing 15% of the study population. These findings indicate that the highest percentage of the small black owned businesses in the sample have 4 to 6 employees, which is concerning as it shows that small business do not employ many people and does not have the capacity to have many employees. On the other hand, this also shows that if 45% of the South African small businesses in the informal sector were to be assisted to grow to the level of employing 5 people on average, there would be a notable decrease in the unemployment rate in South Africa, and the country would be able to realise the benefits of small businesses for economic growth of South Africa.

### 4.2.3 Number of Years in Business



**Figure 4.2: Number of years in business**

The figure above also shows that out of the small black owned business that formed part of the study (45%) have been in operation for 6 to 8 years. As the figure above shows, 20% of the respondents indicated that they have been in business for 5 to 6 years and the other 20% have been operational for 9 to 10 years. In addition, 15% of the respondents indicated that they have been in business for 11 years and above.

### 4.2.4 Education Qualification

Based on the information collected from the survey, 40% of the participants indicated that they have diplomas. This was followed by 30% of those who indicated that they have degrees. A further 20% of the respondents pointed out that they have certificates. The remaining 10% of the respondents indicated that they were the master's degree holders. The existing literature shows that a large percentage of the small black owned businesses are run by their owners who also act as managers of these business entities with basic education.

#### 4.2.5 Previous Business Skills/Experience

The responses indicate that some participants had been employed in management positions prior to starting a business while others had been involved in family businesses. Some of the responses noted were:

“Was a Sales Rep responsible for Sales and Marketing so those skills came in very handy for me”.

“Did not have any business management skills but I grew up working in my parents’ business”.

“Was a General Manager at a Liquor Warehouse and gained a lot of experience”.

“Was selling fruits and vegetables”.

“Did not have any business management skills but I attended a Start and Manage your own business training course”.

“Have always worked on the farm because it is our family business and I learnt a lot about dairy farming”.



Figure 4.3 Word Cloud of Previous Business Skills and Experience

From the above responses, some of the respondents used to work in sales and marketing, which would mean they would have been exposed to marketing and business development, which is an important aspect of running a business. There are also respondents who worked in family businesses previously and this would have provided them with exposure to

business operations. Another respondent who currently runs a dairy farming business used to work at a family farm where he gained technical experience of running a farm. There is also a respondent who had working experience as a General Manager where she gained training in both the operations and management of a business. This implies that successful black owned small businesses owners have previous business exposure attained through working for someone else before establishing their own businesses. In addition, this means that the respondents would have gained experience from their previous jobs before establishing their own businesses.

According to Buckley and Caple (2004), training is a planned and systematic effort to modify or develop knowledge/skill/attitude through learning experience, to achieve effective performance in an activity or range of activities. Based on this definition, these findings indicate that black-owned small business owners have undergone training, which developed their skills in the business world.

The Global Entrepreneurship Monitor Report 2006 cites the lack of experience, skills and knowledge as one of the major obstacles that cause SMME failure. However, it is important to also highlight that experience does not necessarily guarantee the success of a business.

#### **4.2.6 How effective is the Marketing Mix to the Survival and Growth of Black Owned Small Businesses in South Africa?**

This study was carried out to determine the factors which contribute to the survival, growth and success of small businesses. In order to determine the implication of these different factors, one of the objectives was to ascertain whether black small business owners consider marketing mix in their enterprises. The respondents were asked open-ended questions during data collection so as to enable them to fully explain how they implement the marketing mix. The themes were then generated based on the four main elements of the marketing mix, namely; product, place, price and promotion. The following findings were obtained from this study and were used in order to fully express the responses of the participants.

## Product Consideration Within the Marketing Mix

One of the questions asked to the respondents was to understand what they do in their businesses to ensure that they have the right products on the market. Some respondents indicated that they look at competitor product offering while others indicated that they conduct marketing research. Other respondents indicated that they offer products based on client specifications from fixed contracts. Below are some of the direct responses:

“Always check what other competitors offer and try to provide a better service”

“Always look at better and good quality designs, what other competitors offer and try to provide better products”

“Undertake research so as to find out (product) preferences and understand (the requirements of the) market in terms of product offering”.

“Products are made according to customer specifications”.

“Follow fashion trends”.

“Asking the clients what they think about our product”.



**Figure 4.4 Word Cloud of Product Considerations**

These findings make it clear that black owned small business owners consider the needs of their customers in making decisions about their product offerings. This is in line with Kotler (2000), later supported by [www.bxtvisuals.com](http://www.bxtvisuals.com) (2017) who assert that the

marketing concept, tells the small businessman that if he wants to be successful in business, his company must be able to identify the needs and wants of its customers and then adapt its products or services to suit those needs and wants so as to generate customer satisfaction which is the key to long-term business growth and survival. “For your product to be successful, market research needs to be conducted in order to see that there is a market for that product. Victorious products are designed to meet consumer needs, researching the market would help you find these unfulfilled needs,” [www.bxtvisuals.com](http://www.bxtvisuals.com) (2017).

Consumers are spoilt for choice when it comes to product preferences as such, the product choices that businesses make, have major implications for the business. This is why the successful small businesses go all out to ensure that research is conducted from the competition, as well as clients, customers and the market. This is based on the understanding that the product choice which a small business make can make or break the business, because no amount of good marketing can be enough to market a bad product.

### **Promotion Consideration Within the Marketing Mix**

This study also set out to determine how the promotion aspect is implemented. In doing so, open ended questions were also asked where the respondents were given an option to explain how they implement their promotional efforts in the process of managing their businesses. Responses to this questions indicated that while some clients still use traditional media (newspapers, magazines and radio) other clients make use of the internet and social media for their promotions. Further, this study found that there are black owned small businesses who make use of networking, attending conferences, publications and free client workshops. Other respondents were of the view that their promotions were done through positive word-of-mouth as well as brand positioning so as to ensure that the product stands out among the rest. Some of the responses are indicated below.



“.....Booking engines such as Booking.com, Agoda, Chakela, Expedia, travel Ground, own website, Exhibitions”, (Respondent 17).

The era of social network sites emerged over a decade ago. Social network sites refer to a networked communication platform in which participants have uniquely identifiable profiles that consist of user-supplied content, content provided by other users, and/or system-provided data; can publicly articulate connections that can be viewed and traversed by others; and can consume, produce, and/or interact with streams of user-generated content provided by their connections on the site (Ellison & Boyd, 2013). Social network sites have the ability to essentially modify the nature of the social lives of people on a community level as well as on interpersonal level (Hargattai, 2007; Boyd & Ellison, 2007). As a result, social media can be used for socialising and for economic purposes such as marketing.

#### b) Use of Traditional Media

In addition to the use of the internet and other online media, the study also came to the conclusion that the small businesses also make use of brochures, flyers and other form of media. These forms of media were identified to be easily accessible without making use of the internet. The respondents were of the view that in order to promote their products they make use of the sign posts outside their premises, distribution of brochures to the potential sponsors, use of sign boards on the main road as well as using newspaper space. The respondents indicated the following:

“.....I have a signboard and my customers talk a lot about my business which makes a lot of other people to know about it”, (Respondent 8).

“.....I have a big sign board outside my premises”, (Respondent 18).

“.....I work from an industrial park and also I send my brochures to different funeral parlours in my area”, (Respondent 9).

“.....I use sign boards from the main road that lead to our farm”, (Respondent 19).

Some of the respondents were of the view that they make use of the newspapers as a means to implement their promotional mix. The newspapers are there to make sure that they

accommodate the people who have access to them and look for information in these platforms. Some of the respondents indicated that they are actually registered in particular databases such that their products keep on being advertised. The respondents obtained from the survey pertaining to the use of newspapers and other media houses are indicated below.

“.....My laundromat is within a shopping centre so it is well advertised and we also distribute flyers and advertise in the local newspaper”, (Respondent 10).

“.....I am registered on different databases and also community newspapers”, (Respondent 20).

Marketing changed as a result of increase in the number and fragmentation of communication channels. To date, marketing communication is dividing people based on the type of media they mostly use. For example, some marketers use traditional media such as televisions as a central medium of communication, whereas consumers, particularly young to middle-age, increasingly use the internet as source of information (Rosen, 2009; Sankatsing, 2007; Chan & Fang, 2007; Ellison, Steinfield & Lampe, 2007). The use of new media has also brought fundamental changes in traditional word-of-mouth. Thus, the findings indicated above are in line with the existing literature on the use of traditional media in marketing activities or as a way of promoting their products.

#### c) Networking

Further, this study found that promotional mix can be implemented through the use of networking between businesses and the outside world. The respondents who participated in this study came to the conclusion that networking can be done through social media as already explained above, conferences, publications and free client workshops. Other respondents were of the view that promotion can be done through positive word-of-mouth as well as brand positioning so as to ensure that the product stands out among the rest. Some of the responses obtained from this study are presented below:

“...Social media. Speaking at conferences. Writing articles. Running free client workshops. Sharing of free insights with new clients to introduce ourselves. Entering market research competitions” (Respondent 3).

“.....Professional networking and personal inter-action, professional membership; Linkages, collaboration, tie-in’s – “together we can achieve more”, (Respondent 4).

“.....Electronic word of mouth – brand positioning / credibility / being well-known”, (Respondent 11).

Word-of-mouth involves the exchange of information between individuals. The advent of the internet and social networking.

Websites, as indicated in the findings presented above, led to dynamics of traditional word-of-mouth to a digital form known as electronic word-of-mouth or online word-of-mouth. Hennig-Thurau et al., (2004) defined electronic word-of-mouth as any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet. This concept has also been defined as the process where customers or clients provide or search for product-related information through the use of social network sites which include blogs, chat rooms, company-sponsored discussion boards, moblogs (which are sites containing images, movies, digital audio or photographs) and social networking websites. All these ways are used by small businesses as a way of networking in order to grow their business relationships.

The promotional considerations utilised by black owned small businesses as a way of advertising in order to create awareness of their products and services and reach out to their customers, are in line with the theory of Kotler and Keller (2002), who argue that all the firm`s consumer directed activities whether they are online or offline, traditional or not traditional, must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm.

### **Place Consideration Within the Marketing Mix**

Place is also identified as one of the important elements within an organisational marketing mix. The respondents who participated in this study indicated that their businesses are placed strategically for their operations. Due to the existence of different businesses that

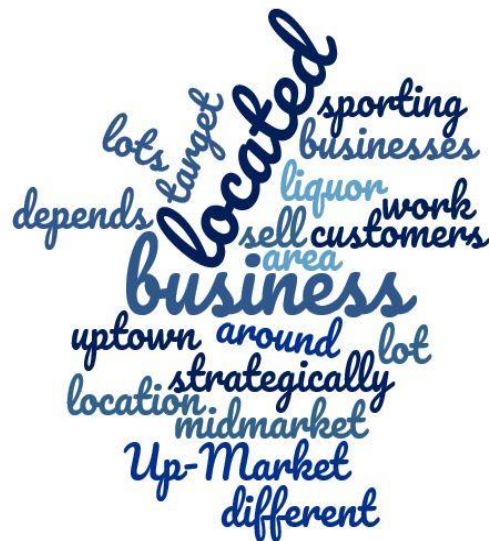
participated in this study, the study found that ‘place’ as an element in the marketing mix tend to differ from one business to the next. Some of the respondents had the following to say:

“My business is located in the mid-market”.

“The location of my business depends on what I am doing. I do a lot of work with different government departments, sporting organizations and municipalities”.

“There are lots of other businesses that sell liquor around my area”.

“My business is strategically located in the midmarket such that I target uptown customers”.



**Figure 4.6 Word Cloud of Place Considerations**

The findings confirm the assertions of Murray et al., (2002) that one of the primary considerations in addressing SME marketing is the positioning of the SME within a dynamic environment. According to Surtawijaya, A. and Soegoto, D. (2020), place factors can be an important consideration for potential buyers because it involves the channels for distribution, which would be used to deliver the product to the buyer on time. Respondents indicated that in their small businesses most of them are strategically located within their targeted markets and customers, this would be one of the reasons why it becomes easier



“...I use various methods which includes cost plus mark-up method and also looking at what my competitors charge”, (Respondent 16).

“...I first calculate my all my costs and expenses then add a mark-up”, (Respondent 8).

“...I calculate all the product input costs then add a mark-up percentage”, (Respondent 18).

“...we use a daily rate plus the costs of running the business on a daily basis plus the 12.5% interest charged on the balance 40% invoice on all our projects”, (Respondent 13).

#### b) Using On-going Market Prices

Some organisations indicated that they look at the on-going market prices so as to charge an average price that is competitive on the market. This is indicated in the following responses:

“...Comparable market research, SWOT analysis, determines your market and provide relevant products/services. Provide professional services, compare market related prices and serve the best quality”, (Respondent 10).

“...I look at market related prices, e.g. what are the charge-out rates of other consultants and trainers”, (Respondent 3).

“...By looking at what others are charging and the considering the costs for running the business e.g. suppliers, labour etc.”, (Respondent 7).

Other respondents indicated that they attended some sort of Costing and Pricing Courses that enable them to understand the actual prices to be charged at any time. The response is indicated below:

“...I attended a Costing and Pricing Course which makes me understand what price to charge for my products”, (Respondent 14).

Another aspect, which can be used as an in-store promotional tool in marketing strategy, is the pricing aspect. Pricing is one of the Four Ps (4Ps) of marketing and; together with product, place and promotion; it can attract the customers and influence their decisions to buy (Cummins, Stone, Gong & Cui, 2017). As an in-store promotional tool, pricing can be introduced in different ways so as to attract the customers. According to Cummins et al.,

(2017), pricing policies such as psychological or price penetration and/or best buys can be used as part of in-store promotions. With regard to psychological pricing, a tag that ends with 90 or 99c, for example R99.90, can be used in order to attract the consumers that a product is in the R90 range, whereas it is in fact close to R100 when rounded off. Nonetheless, the bottom line is to provoke the psychology of the customers or potential buyers such that their eyes will see what their mind is prepared to comprehend, in the words of Robertson Davies. Meanwhile, penetration pricing refers to the system where the new products are sold at a price lower than their actual price so that they penetrate the market. The prices will be inflated if the products have gained dominance in the market. Similar to psychological pricing, penetration-pricing policy also attempts to attract and retain customers.

The above findings on price considerations, prove that black owned small businesses have different approaches to the price element of the marketing mix, this is testament to the theory of Cummins, Stone, Gong and Cui (2017), who believe that: as an in-store promotional tool, pricing can be introduced in different ways so as to attract the customers.

#### **4.2.7 How effective are Porter's Five Forces to the Survival and Growth of Black Owned Small Businesses in South Africa?**

Another objective of this study was to determine the effects of Porter's Five Forces on small black owned business in South Africa. The respondents were also asked in the form of open-ended questions how the five forces affect their business operations. According to the findings obtained, Porter's Five Forces have significant effects on the operation of the small businesses that participated in this study. The findings obtained are presented below:



business organisations enables them to decrease the suppliers' power and locate alternative sources of supplies at a limited cost.

b) Effects of Bargaining Power of Buyers

In addition to the power of the power of suppliers, the study also identified that the buyers also have powers to influence the prices and business activities. Some of the respondents were of the view that customers tend to ask for discounts which is not a good move in the business while others indicated that customers tend to influence the way organisations operate. The findings below were obtained from the survey:

“...Bargaining power of buyers because they have a lot of power that they can even influence the way we operate”, (Respondent 2).

“...Bargaining power of buyers because they always insist on getting discounts”, (Respondent 18).

Review of literature also shows that there are many implications of the bargaining power of suppliers in the organisations. The consumers are always faced with various choices especially in cases where there are many suppliers and substitute goods and services (Porter, 2008). In light of this, it is the onus of the business to ensure that they make use of the available resources to influence consumers' choices and propensity to purchase their products in the face of several suppliers. In doing so, the business can make use of different initiatives to attract customers' attention towards available goods and services.

c) Effects of Rivalry among Existing Competitors

One of the prominent implications of Porter's Five Forces is that of the effect of competition among different competing organisations. The respondents indicated that there tend to be unnecessary competition due to the mere existence of competing organisations. Some indicated that some competitors tend to charge lower prices that will put others off the markets while the remaining respondents indicated that the competition challenges business operation. The responses obtained from the survey are as follows:

“...Rivalry among other dairy farmers is always a challenge because we tend to compete unnecessarily”, (Respondent 16).

“...Rivalry among existing competitors is always a challenge because everyone who wants to make cheaper coffins tend to compromise on the quality”, (Respondent 4).

“...Rivalry among existing competitors is always a challenge especially within the same radius”, (Respondent 14).

Literature reveals that there are five forces of competition faced by small businesses in South Africa. At the centre of Porter’s Five Forces is rivalry among competing firms and this is considered as the most powerful competitive force (David, 2007: 88). To add on to that, Chimucheka (2013: 787) is of the view that “the intensity of rivalry among competing firms tends to increase as the number of competitors increases, as competitors become more equal, as the demand of industry’s commodities declines and as price cutting becomes common. Rivalry among competitors can also increase when customers can easily switch brands, when exit barriers are high and when the fixed costs are high”.

Literature also identifies the implications of the existing competition on the operations of small businesses. The competitive situation in South Africa is characterized by big organisations who mostly use strategies of price cutting, heavy advertisement and promotions, and service quality which is at the expense of small businesses because they do not have enough resources to adopt such strategies (Hellriegel et al., 2008). As a result, due to the intensity of rivalry, small businesses are forced out of business after realizing decline in their profits and poor sales volume, among others.

#### d) Effects of Threats of New Substitutes

Lastly, the study found out that the small businesses are affected by the existence of new substitutes. The substitutes involved include substitute goods and services. The respondents indicated the following:

“...Threat of substitute products and services that comes with a lot of new entrants. There are many so called experts in the business development arena that have not run a business of their own and have no experience and lack professionalism” (Respondent 6).

Porter’s Five Forces also identify other factors such as threat of substitute goods and new entrants as well as buyers and suppliers bargaining power. Hellriegel, (2008: 99) noted that

“...the introduction of substitute products in the market by another firm can affect the demand of already existing commodities that serve the same purpose” and hence; small businesses, due to their size, are not in a position to easily adjust to changes in demand and supply therefore, they have pitfalls in their marketing structures.

According to Michael Porter (2003), industry structure drives competition and profitability, not whether an industry is emerging or mature, high tech or low tech, regulated or unregulated. The above findings are an indication that differently industry structures drive competition and profitability in black owned small businesses in South Africa.

#### **4.2.8 How effective is Staff Training to the survival and growth of Black Owned Small Businesses in South Africa**

The respondents were asked to indicate the impacts of training on their businesses. The study found diverse and multifaceted responses from data collection. The following themes represent the findings obtained from this study on the implication of staff training in small businesses. Respondents indicated the importance they place on staff training as a way improving productivity, skills transfer and for the skills development of staff. What was noteworthy from the responses was that although black owned small businesses train staff when they initially join their organisations in the form of induction and product knowledge, and also when new systems are introduced, the same businesses do not provide ongoing training and development for their staff members, trainings are generally conducted as a once off event.

Some of the responses obtained during data collection are presented in the following section:



**Figure 4.9 Word Cloud of Effects of Training on black-owned SMME**

a) Staff Training Improves Productivity

One of the responses obtained is that training improves the productivity of the workers. Some of the responses obtained during primary data collection are presented in the following section:

“...staff training is important as it yields high productivity in the organisation since the employees will be equipped with the right skills”, (Respondent 4).

“... I believe every organisation should have staff training as it enhances productivity, business owners and management should ensure that employees have the correct skills and knowledge to do their jobs”, (Respondent 7).

“...education, training and development is crucial nowadays in each and every business. Everyone needs to know what needs to be done as it yields high productivity at the end of the day”, (Respondent 14).

“...productivity is achieved each time when a business’s knows how to implement education and training to improve their employee’s skills and knowledge, (Respondent 19).

According to Hellriegel (2008), education and training is important as it improves performance, the employee who receive the necessary training is better able to perform their job and yield better results. Further, a training program allows one to strengthen those

skills that each employee needs to improve. Put differently, a development program brings all employees to a higher level so they all have similar skills and knowledge that will yield high productivity.

b) Staff Training Improves Skills Development within the Businesses

In addition to training improving productivity, one of the responses obtained is that training improves the skills development within the business. Some of the responses obtained during primary data collection are presented in the following section:

“...training programs and workshops at an organisation facilitates transfer of new skills to the employees that will assist them in doing their job more effectively”, (Respondent 13).

“... In my organisation I realised that training is important because it is the best way to give your workers skills that will brings better understanding of what needs to be accomplished each and every day”, (Respondent 15).

“... I have provided new skills to my employees through having Sectorial Education and Training Authority. These various programs are necessary as they equip people with new and relevant knowledge”, (Respondent 19).

Based on the above responses, one can conclude that training is necessary at each and every business as it enhances skills development. Authors such as Gould and Carson (2008) state that trainings are crucial as they address weaknesses among employees, most workers will have some weaknesses in their workplace skills. According to Gould and Carson (2008) a training program allows one to strengthen those skills that each employee needs to improve, a development program brings all employees to a higher level so they all have similar skills and knowledge.

### **4.3 Conclusion**

This chapter presented an analysis of results, discussions and interpretation of findings. The results were analysed in four sections namely; demographic information, whether black small business owners consider the marketing mix in their enterprises, the effects of Porter`s 5 forces on small black owned business and the effects of staff training in the black

owned small businesses in South Africa. The results were all presented in the graphs for easy reading and interpretation and thematic analysis was adopted. The analysis was backed by theoretical and empirical literature so as to see their foundations in organisational performance. The following chapter presents the conclusion and recommendations of this research.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

This study set out to assess the factors that affect the survival, growth, and success of black owned small businesses in South Africa. The study was motivated by a need to emulate the pockets of excellence from successful black owned small businesses and take lessons for survivalist, micro and very small black owned small businesses who are struggling to grow beyond the 3-year mark and fighting for survival in the small business sector.

The findings from the literature review of this study are that there is confusion on the definition of SMMEs throughout the world. Curran and Blackburn (2001), confirm that there is no single, uniformly acceptable, definition of a small firm.

In South Africa, the DTI has offered a qualitative definition of SMMEs by classifying them according to survivalist, micro, very small and small businesses. The findings of this study are that even with this qualitative classification, there is still a huge contradiction in the statistics of small businesses in South Africa, this leads to a discrepancy in research figures of small businesses. The danger in this discrepancy is that it may result in incorrect conclusions being made about the small business sector in South Africa.

### **5.2 OBJECTIVE ONE**

To determine whether black small business owners consider the marketing mix in their enterprises. How effective is the marketing mix to the survival and growth of black owned small businesses in South Africa?

#### **5.2.1 Findings from Literature**

The marketing mix paradigm has dominated marketing thought, research and practice (Singh: 2012), since it was introduced in 1940s. Even though there are notable changes

between the modern day consumer and the consumer from the 1940s when the marketing mix was first introduced, the marketing mix is still relevant for businesses who want to maximise sales turnover. What is clear is that even though the marketing mix has been revised and updated by other theorists and researchers, it continues to guide the marketing activities in the business world.

### **5.2.2 Findings from Research**

The findings from the data analyses indicate that respondents consider the 4Ps of marketing in making marketing and business decisions for maximizing sales revenue. Small Business owners still make decisions on their product or service offerings based on research and competitor analysis. The respondents indicated that their promotions are conducted on Social Media, Internet, traditional media and Word of Mouth. Decisions on place are also very dominant in the marketing plans of black owned small businesses.

### **5.2.3 Conclusion**

The marketing mix has a positive effect on the survival and growth of black owned small businesses. Successful black owned small businesses consider the marketing mix in their businesses and have strategies in place for executing the 4 pillars of the marketing mix.

## **5.3 OBJECTIVE TWO**

To determine the effects of Porter`s Five Forces on small black owned business in South Africa. How effective are Porter`s Five Forces to the survival and growth of black owned small businesses in South Africa?

### **5.3.1 Findings from Literature**

The findings of the literature review indicate that the even though the theory of Five Forces is still relevant in the South African small business context, it also important for the theory

to take into account the changing times in order to determine markets with higher competition dynamics especially in the small business sector where competition has been cited as one of the challenges which can lead to business failure if it not properly strategised.

### **5.3.2 Findings from Research**

All respondents to the study mentioned that they have had to deal with some and in other cases all of the Five Forces in Porters theory. The small business sector is a very competitive sector and the respondents outlined some of the strategies which were formulated to be able to deal with competition in their respective industries. The results of the data analysis also prove that without the strategies to handle the five forces, any business would ultimately find itself pushed out of the market and ultimately shut down.

### **5.3.3 Conclusion**

Porters Five Forces theory has a huge effect on the survival and growth of black owned small businesses in South Africa. The 5 forces listed by Porter are still prevalent in the small business sector in South Africa and have led to the failure of small businesses.

## **5.4 OBJECTIVE THREE**

To determine the effects of staff training in the black owned small businesses in South Africa. How effective is staff training to the survival and growth of black owned small businesses in South Africa?

### **5.4.1 Findings from Literature**

The South African Government's National Skills Development Strategy (NSDS), which was launched by the Minister of Labour in February 2001, places a strong emphasis on the establishment of a skills base in order to eradicate poverty and stimulate economic growth.

“For South Africa and its people to become internationally competitive and share in the potential benefits offered by appropriate training, such as increased productivity, higher wages, greater job security and job satisfaction, it is imperative that training to fit the country’s needs should be awarded priority... In order to promote productivity, and the creation of a more professional worker in the trade, trainees should be trained for each and every job”, (Martins and Wyk: 2004:5).

#### **5.4.2 Findings from Research**

Successful black owned small business owners who participated in the study have all gone through some form of formal education. All business owners who responded indicated that they place a great emphasis and agree with the positive effects on training and development in their organisations. The study also established that successful black owned businesses train their staff when they start at their businesses and also when there are new systems introduced. Of note, from the research was that in most cases, black owned small businesses do not provide ongoing trainings and development of their staff, even though the Setas are well placed to assist them with this function.

#### **5.4.3 Conclusion**

Black owned small businesses in South Africa perceive training to be an important contributor towards performance and productivity of employees and this has an effect on the survival and growth of small businesses.

Training allows one to strengthen those skills that each employee needs to improve. Put differently, a development program brings all employees to a higher level so they all have similar skills and knowledge that will yield high productivity.

## **5.5 OBJECTIVE FOUR**

To determine the practicality of business theories in the context of South African black owned small businesses. How practical are the business theories to the success of black owned businesses in South Africa?

### **5.5.1 Findings from Literature**

Policies are formed on the basis of theories, it goes without saying that, misinterpretations or even discrepancies in theory may lead to incorrect policies which do not address the critical issues it is formulated to address. It is equally important to examine the extent to which trusted theories accommodate the climate of the day, or else we run the risk of basing policies on theories which are out of touch with present day realities. The findings of the literature review indicate whilst tested business theories are important in the survival and growth of black owned small businesses, the review and update of these theories is equally important.

### **5.5.2 Findings from Research**

Research findings indicate that successful black owned small businesses consider business theories and models in the running of their businesses. Business theories are still practical to black owned small businesses however they need to be customised and updated.

### **5.5.3 Conclusion**

The findings of the study are that business decisions which are based on personal theories that are not fully tested by scholars may lead to disastrous consequences. In contrast, good academic theories have been discussed and tested by scholars, have a positive effect on black owned small businesses. Strategies should be formulated based on the good academic theories, rather than on unproven personal theories. A good theory is a shortcut to understanding the complete real world. This study therefore confirms that business theories

are still practical and relevant to black owned small businesses, provided the theories are updated and applied correctly. The research also found that business theories cannot be used a blanket approach to offer solutions for growth and survival for all small businesses. The complex nature of small businesses requires customised theories for the different cohorts of small businesses in South Africa.

## **5.6 RECOMMENDATIONS**

The first recommendation of this study is that survivalist and micro businesses must consider the marketing mix in their businesses and make strategic decision with regards to product, place, promotion and price for the survival and growth of their businesses. The second recommendation of this study is that black owned survivalist and micro enterprises need to familiarise themselves with Porters Five Forces model and come up with strategies to be able to survive competition in their respective industries.

Another recommendation of this study is that black owned small businesses need to take advantage of the Skills Levy grant from the SETAs, and train their employees periodically. It is recommended that survivalist small business owners also attend skills and training programmes and familiarise themselves with effective business theories so that they can better be able to handle the challenges of the small business sector and develop strategies for the survival and growth of their small businesses.

The study recommends that policy makers and research bodies have to agree on a single acceptable definition of small businesses in South Africa, this definition must be both qualitative and quantitative to avoid further confusions. The study further recommends that new literature is needed which clearly distinguishes between Small Businesses and Entrepreneurship.

Similarly, small business theories have to be updated not only to meet the challenges of the day, but also to address the different cohorts of small businesses individually. Another

recommendation of this study is that small business have to be able to work towards increasing efficiency especially because they operate in an efficiency driven economy.

This study also recommends that small businesses be well versed with business theories and models as well as research and development in the area of small business, so that they can best understand research proven strategies to enhance productivity and ensure survival and growth of their small businesses. R and D transfer in small business has to be considered.

The final recommendation of this research study is that it is important for government to realise that the success which they expect to realise from the Small business sector requires a full commitment to the advancement of small businesses in south Africa, it is not enough to merely proclaim small business development in speeches, the government has to create a conducive environment for small businesses and ensure that the small business ecosystem is favourable for the success of small business. In some countries, there are certain industries which are reserved only to be serviced by small business. There are systems and regulations which have to be in place for the support of small businesses.

## **5.7 SUGGESTIONS FOR FURTHER RESEARCH**

Further research on this topic is recommended. It is suggested that further research be conducted on the following issues:

- The critical success factors for small businesses which operate in efficiency driven economies.
- An assessment of differences and similarities between small businesses and entrepreneurship.

## **5.8 CONCLUDING COMMENTS**

The aim of this study was to assess the factors which affect the survival growth and success of black-owned small businesses in South Africa. The study has concluded that updated

business theories have a great impact on small black owned businesses. Applied correctly, theories are able to assist small business owners to come with relevant strategies which are useful for competing successfully in the small business sector. It is also important for small black business owners to capacitate themselves with training and skills development so that they can be able to understand the business environments within which they operate and learn strategies for the survival and growth of their businesses. The researcher has also concluded that the small business sector is a very competitive environment which continues to be affected by Porters Five Forces. The small black owned businesses who survive and grow, do so because they have competition and marketing strategies which help their businesses to be able to compete effectively in their respective competitive environments.

This study will be beneficial to black owned survivalist, micro and very small business owners who wish to see their business survive, grow and succeed beyond the proverbial 3-year mark. The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa states that the stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes, (Van der Nest: 2004).

The findings of this study from the literature review is that even though there has been a notable increase in the number of small businesses in South Africa, it is not the quantity but the quality of small businesses which is important for the realisation of economic growth.

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26 June 2019

Ms Nozipho Sibusiswe Ndlovu (951056448)  
Graduate School of Business & Leadership  
Westville Campus

Dear Ms Ndlovu,

Protocol reference number: HSS/0515/019M

Project title: Factors that affect the survival, growth and success of Small Black Businesses in South Africa

**Approval Notification – Expedited Application**

In response to your application received on 25 April 2019, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 1 year from the date of issue. Thereafter Recertification must be applied for on an annual basis.

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

Yours faithfully

Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Mr Alec Bozas  
cc Acting Academic Leader Research: Dr Emmanuel Mutambara  
cc School Administrator: Ms Zarina Bullyraj