



A comparative analysis of the critical success factors affecting local and foreign owned Small-Medium Enterprises in the Ndwedwe area of Kwazulu-Natal

By

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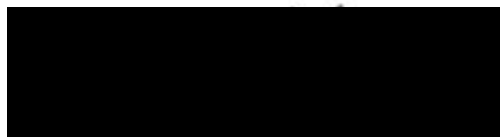
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DECLARATION

I affirm that this research project has been carried out and completed by me, NOKWANDA N. SHANGASE (20805603). It is my original work and has not been plagiarised. Where I have reproduced a publication of which I am author or co-author, I have indicated in detail in one part of this thesis in order to show that the publication was actually written by me under the supervision of Prof. W.T. Chinyamurindi. All the consulted sources have been properly acknowledged.

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Date

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- Most importantly, to the Almighty God.

DEDICATION

I would like to dedicate my work to my hero, Delisile Grace Shangase, my grandmother, MaZimvu P.B. Shangase Wosiyane! Mr. Mdu Nxumalo (may his soul rest in peace), My sisters and brothers, thank you! and all my neighbours who kept asking “when are you finishing?”.

You are a blessing to me.

ABSTRACT

In South Africa, emphasis is being placed on the importance of establishing small and medium sized business enterprises. There is acknowledgement in the extant literature of the value of these enterprises as job creators and useful drivers for economic growth and innovation. Given the growth in small businesses, attention in this study is given on comparing the critical success factors between those businesses that are owned by foreigners and those owned by locals.

Relationships between the two groups have not always been fruitful across the country, yet synergies can be generated to shed light into how both groups cannot only co-exist but operate optimally in managing their businesses. Thus, the aim of this study was to explore (comparatively) the critical success factors between foreign and locally owned small businesses.

A qualitative, exploratory study was conducted using interviews with five (5) foreign owned and five (5) locally owned small business conducted within the Ndwedwe area of Kwazulu-Natal. A thematic analysis approach was used to analyse the data. Upon analysis of the data, three themes emerged as critical success factors affecting local and foreign owned businesses: (1) the underlying motives of starting a business enterprise, (2) the nature of business environment and (3) the necessity of formal or/and informal education in running a business. Interestingly, these themes appeared common in both groups. Furthermore, each of these factors affecting the success of small business was accompanied by poor community infrastructure and the unavailability of support and funding from government, including reimbursement during occurrence of natural disasters.

Existence of sufficiently a strong business enterprise motive based on research findings is vital in any research undertaking. Substantially, an empirical angle to map more than one overriding motive for a business enterprise provides an opportunity to evaluate business success or failure based on the grounded motives. These motives may progressively incorporate the analyses of business environments, use of indigenous business knowledge and consideration of business education (formal and informal). Findings from this study encourage knowledge-sharing and interaction of SMEs in order to improve business enterprise development in Ndwedwe.

The findings of this study also magnify the factors that are deemed critical to the success of small businesses and may be useful in mapping out recommendations on strategies and frameworks that affect either foreign or locally owned business. Based on the findings of this study, a network hub that places emphasis more on interdependence rather than isolated working between foreign and local owned businesses is encouraged. Through collaboration and sharing of experiences, small businesses in South Africa may potentially thrive.

Furthermore, the findings of this study stipulate that SMEs need to have long-term plans and grounded motives on starting businesses. This will not only encourage SMEs to plan but will also develop educational strategies where SMEs can work together and share aptitudes to engage in strategic planning related to entrepreneurial success.

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SYNONYMS

AIDS	- Acquired immunodeficiency syndrome
APP	- Annual Performance Plan
BBBEE	- Broad-Based Black Economic Empowerment
BBEE	- Broad Black Economic Empowerment
BEE	- Black Economic Empowerment
COGTA	- Department of Cooperative Governance and Traditional Affairs
DTI	- Department of Trade and Industry
GDP	- Gross Domestic Product
KPI	- Key Performance Indicator
KSF	- Key Success Factors
KZN	- KwaZulu-Natal
KZN-PGDP	- KwaZulu-Natal Provincial Growth and Development Plan
KZN-PPC	- KwaZulu-Natal Provincial Planning Commission
LED	- Local Economic Development
NDW	- Ndwedwe
NEPAD	- New Partnership for Africa's Development
NIBUS	- National Information Business Upliftment Strategy
PESTEL	- Political, Economic, Social, Technological, Environmental, Legislative
SA	- South Africa
SME	- Small – Medium Enterprise
SWOT	- Strength, Weakness, Opportunity, Threat
UNECE	- United Nations Economic Commission for Europe

CHAPTER 1

INTRODUCTION TO RESEARCH PROBLEM

1.0 INTRODUCTION

There is a broad consensus that despite their size, Small-Medium-sized Enterprises (SMEs) produce more jobs than large enterprises and are an essential driver for growth and innovation (Abdulnasir, 2015:1; Cant, Erdis & Niekerk, 2015:1; Obasan, 2014:165; Regasa, 2014:279; Teng, Sajid, & Bhatia, 2011:64). Thus, innovative ideas are developed by an individual(s) who start-up and own Small businesses, and those individual(s) in most studies are addressed as entrepreneurs or small business managers (Birley 2004). Entrepreneurship can be classified into five classes (Antonites, De Beer, Cant & Jacobs, 2007:4). These classes include informal, small, medium, large, and macro-enterprises whereby each has its own specific characteristics with specific needs and features (Erasmus, Strydom & Rudansky-Kloppers, 2013:3).

The definition of the five classes of enterprises differs whereby SMEs are defined as a business that employs not more than 250 employees specifically in South Africa (SA) (Government Gazette of the Republic of South Africa 2003). The definition of SMEs differs from each country according to the number of employees or value of assets (Teng *et al.*, 2011). Such enterprises are generally privately owned and operated on the basis of sole proprietorships, corporations or partnerships. The legal definition of a small-medium scale enterprise varies also by industry and country as suggested by Collett, Pandit and Saarikko (2014). SMEs are also said to be responsible for driving innovation and competition in many economic sectors (Richards, 2014).

Table 1.1: Schedule of size standards for the definition of SMEs in South Africa

Type of firm	Employees	Turnover	Balance sheet
Small	1-49	Maximum R13m	Maximum R5m
Medium	51-250	Maximum R51m	Maximum R19m

Source: (Government Gazette of the Republic of South Africa 2003)

The National Small Business Act of South Africa of 1996, as amended in 2003, describes an SME as “a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or

subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards and can be classified as a SME by satisfying the criteria mentioned in the schedule of size standards” (Government Gazette of the Republic of South Africa 2003:26).

SMEs that are not necessarily entrepreneurial businesses enterprise can form 97.5% (77% informal sector) of all business in SA. SMEs generate 57% of the Gross Domestic Product (GDP), contribute 43% of the total value of salaries and wages paid in SA and employ 56% of all the former private sector employees. The National Development Plan envisages that 90% of all new jobs created by 2030 will come from SMEs (Department of Small Business Development 2014). Hence, statistics show that SMEs are important to be sustained and looked after by the SA Government (Erasmus *et al.*, 2013:52). With the larger contribution of SMEs on the development of the market economy, the stimulation of entrepreneurial skills, flexibility and the quick adoption of changing market demand and supply situation assists in generating employment and diversifying economic activities. According to Birley (2004), SMEs are formed and run by entrepreneurs.

Significantly, entrepreneurs identify an opportunity, create and grow successful business - that ability is a basic skill of a person who is an entrepreneur (Antonites *et al.*, 2007:2). It is important to note that creating a SME does not always mean it will grow and be successful or achieve anything new or different. Antonites *et al.* (2007:2) highlight that not everyone who has an idea and starts a small business is, in reality, an entrepreneur. Further, some SMEs do not grow and as a result, this deters creation of new opportunities and the contribution of SMEs to the economy of South Africa (Antonites *et al.* 2007).

Antonites *et al.* (2007: 15-19) highlight important aspects to consider as managing skills to avoid business failure which entail planning a business before it is established:

- i. General management skills and the use of advisers;
- ii. Customer service;
- iii. Knowledge of competitors;
- iv. Market orientation;
- v. The importance of quality products or services;
- vi. Accounting for your own purposes;
- vii. Insight into expenditure, income, profit and loss, and

viii. The ability to use income wisely.

Antonites *et al.* (2007: 11) further explain that entrepreneurs are intimidated by difficult situations and need to be able to make immediate decisions, but they also have to exercise patience until a task has been completed and goal reached. According to Nkosi, Bounds and Thomas (2013:2), entrepreneurs require certain skills to start, manage and develop their businesses, namely, management, marketing, customer service, conceptual and financial skills. Cant *et al.* (2015:4) stipulate that the lack of financial skills and marketing skills by SMEs impede the success and development of their businesses.

Apart from skills, Oduyoye, Adebola and Binuyo (2013:15) opined that infrastructure which encompasses facilities such as communications, transportation and roads are essential in enhancing the growth of businesses, large or small, in any economy. Oduyoye *et al.* (2013:20) conclude by emphasising the importance of infrastructure like power supply, good roads, water and security because many small businesses have collapsed as a result of the discernible neglect of the vital support from the government for rural communities.

Entrepreneurs work closely with other people, assist and enhance one another's success potential because working as a team brings in collaboration of expertise. Therefore, SME owners need to realise that they cannot be successful in isolation, as Ms Lindiwe Zulu (Minister of Small Business Development) said that South African small business owners need to work together with foreign business owners to share ideas how they succeed in the business industry so they can generate good ideas, develop and implement them together (Wilkinson, 2015). Lastly, entrepreneurs are realistic and accept that disappointments are inevitable and are not discouraged when these occur, hence they learn from their set-backs and failures (Antonites *et al.* 2007).

Entrepreneurial activity (defined, as behaviour concentrating on opportunities) may occur in both small and large businesses but also outside the business world (Stevenson & Gumpert, 1991; Low, 2001; Davidsson, 2004). On the other hand, small businesses can be a vehicle for entrepreneurs introducing new products and processes that change the industry as well as for people who simply run and own a business for a living (Wennekers & Thurik 1999; Erasmus *et al.* 2013:53).

This study explored issues of “success and failure” in relation to small-medium sized enterprises in the Ndwedwe area of KwaZulu-Natal, South Africa. The study looked into relevant societal economical needs related to SMEs that can improve the economy for SA by running successful SMEs and managing failure attributes.

1.1 BACKGROUND TO THE STUDY

Ndwedwe lies parallel with and approximately 20 km inland from the KwaZulu-Natal coast. This rural area consists mainly of Black communities whose livelihood depends on subsistence farming, small businesses and social grants. Ndwedwe is located in relatively close proximity to major urban and economic developments, but the area has remained substantially under-developed, disadvantaged and poor. External access and internal linkages are substantially limited to east-west roads, while north-south links are few and of poor quality.

At Ndwedwe, small businesses that are operating within the communities support owners to feed their families and even create job opportunities for the community members, hence ‘self-employed and employers’. A number of authors state that SMEs have a crucial contribution in almost all economies, particularly in developing countries with major unemployment and income distribution challenges (Nkosi *et al.* 2013; Olawele & Garwe, 2010; Ojiako, Chipulu, Marshall & Baboolall, 2014:2).

Kongolo (2010), cited in Cant and Wiid (2013), states that SMEs account for roughly 91% of the formal business entities, thus contributing between 51% and 57% to the GDP and 56% of employment in South Africa. However, it has been a noticeable trend that many small business within South Africa do not make it past the growth stage with failure rates as high as 63% (Roberts 2010). Like any other business entity, SMEs are exposed to various macro-environmental variables; however, some of the main issues faced by SMEs include marketing, management, social, human resources and financial related matters. Thorough market research is needed to ensure that there is adequate demand for the products or services (marketing) being offered by emerging SMEs.

The capital of SMEs makes it difficult to do thorough market research, especially for SMEs in Ndwedwe. The mission of starting small businesses in this area is to generate profit for a better living, not necessarily looking at a long-term plan. Regarding foreign small business owners, their mission is to grow in business and make a large profit that they send back home (to families in their homelands) and continue growing their businesses around the townships and cities in SA (Wilkinson, 2015; Mail & Guardian Africa, 2015).

Deliberation around variables such as marketing, management, safety and financials is important because these variables relate with Antonites *et al.*'s (2007) theory of important aspects and characteristics of a successful entrepreneur to start-up and run successful SMEs. These variables relate to findings that SMEs likely have direct losses due to theft and indirect losses due to security costs, both reducing profits and averting funds that could have been invested into the business (Ganster, 2007:34; Phillip, n.d; Okpara & Wynn, 2007: 28-30). Findings which specify wrong pricing strategies being implemented and a low demand for products reveal major concerns, followed by “the location of the business” and knowledge of target market (Ganster, 2007:46; Okpara & Wynn, 2007: 29). Particular South Africans who are small business owners censure the foreign owned businesses for their capability to consider pricing decisions carefully in order to beat competition as well as to achieve lucrative profit margins (Karimi, 2015; Winsor, 2015).

Some business administration indicators such as planning a business, emotional intelligence, communication skills, customer relations and risk management (Rononga & Phuenngam, 2009:6; MBA Research and Curriculum Centre and DECA, 2012:20-22) can be an important variable to assess. One might say emotional intelligence in Black SMEs is the problem, while others argue that communication skills and planning affect SMEs success in SA. The Department of Trade & Industry (2013:6) states that the majority of Black South Africans were confined to homeland areas which were poorest in terms of living conditions (emotional intelligence), infrastructure and business opportunities and lacking a dynamic business infrastructure and environment (customer relations and risk management) and education (planning a business and communication skills). Zulu (2014) cited in Zwane (2014:8) explains other factor causing failure in South African SMEs as that local business owners were marginalised and offered poor education and a lack of opportunities under apartheid. During the apartheid regime, small business owners (especially those who were Black) were

not allowed to trade, and only a few were allowed to; therefore, most did not learn the skills. The apartheid administration exploited the opportunity from South African communities particularly in the Black population to be innovative, to learn different trading methods and to be cost-effective by offering limited access to resources such as funding, small enterprises development aid and the quality level of education that was offered (The DTI, 2013: 7; Zwane, 2014:10).

At Ndwedwe, where most people make a living by opening small businesses, it is important to conduct a study that will help SMEs in identifying success and failure factors so as to adopt success factors and mitigate or prevent failure factors. Encompassing these variables (indicated in figure 1.1) in the study gives an opportunity to understand the impact of the phenomenon on SMEs owners regarding success and failure of businesses.

Figure 1.1: three variables and their performance indicators

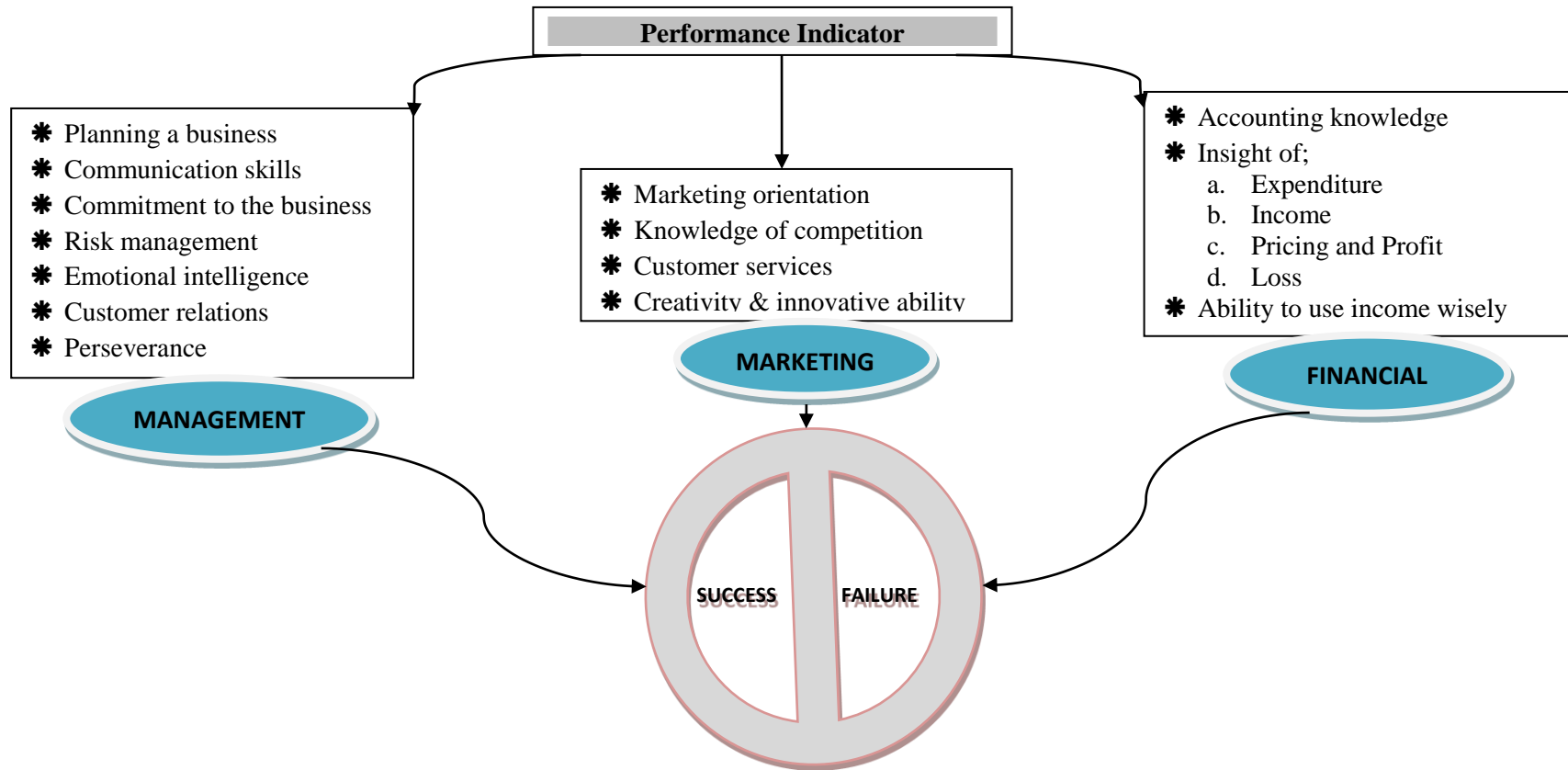


Figure 1.1: Variables affecting Success & Failure to SMEs

Source: Author

Proposed equations

Management + Marketing ÷ Finance = Success (M+M÷F=S)

Management - Finance × Marketing = Failure (M-F×M=F)

As the world economy continues to move towards increased integration, some of the greatest opportunities for SMEs will derive from their ability to participate in the global marketplace. It is generally accepted that SMEs are becoming increasingly important in terms of employment, wealth creation, and the development of innovation (Carland & Ciptono, 1999 cited in Wangai, 2014:519; Nieman, Hough & Nieuwenhuizen, 2003:15; Vesper, Boden & Roman, 2001). However, there are considerable doubts about the quality of management in this sector with policy-makers suggesting that there are particular weaknesses in innovation, a lack of financial acumen, marketing, entrepreneurial talent, practical knowledge, and human resource management. As a result, many firms do not reach their full potential and fail to grow (Kuratko, Hornsby & Naffziger, 1997:35; Nkosi *et al.* 2015:9; Obasan, 2014:166), and this result in loss of jobs and wealth for the area in which they are based.

It becomes vital to research the factors/traits/administration abilities that are required to enable the SME to survive and indeed progress to the growth phase of the organisational life cycle, subsequently to reduce high failure rate. This study aimed at equalling success and failure factors of locally owned SMEs with those of foreign owned SMEs in the Ndwedwe area in Kwazulu-Natal. A significant contribution to the enhancement of the growth potential of a business will be made through the understanding of fundamental factors.

1.2 Research done to date on local and foreign owned small businesses

According to a study by Liedeman, Charman, Piper & Petersen (2013:116), approximately 51.5% small businesses in townships are foreign owned, and 48.5% are South African owned, which suggests that more than a half of businesses in these areas are owned by foreigners. The small businesses operated by South Africans in these communities were prevalent many years ago and were usually survivalists-type as it was a way to generate a source of income. The increase of immigration of non-South Africans who began vending started to cause problems; therefore, locals generated income by selling or renting their business in townships (Liedeman *et al.*, 2013:85; Ndweni, 2015).

Foreign owned businesses seem to take over (Liedeman *et al.*, 2013) because local businesses simply cannot compete with the cheaper selling prices of goods by foreign-owned businesses and thus are often forced to shutdown (Liedeman, 2013; Ndweni, 2015; Steyn, 2015). A

concern exists from the comment of the Minister of Small Business Development, Ms Lindiwe Zulu, that foreign business owners need to share their trading secrets with locals “otherwise they cannot expect to live peacefully with local business owners” (Magubane, 2015). For instance, in a free market economy, it cannot be expected that foreign-owned businesses can reveal their competitive edge as do big corporate (Ismail, 2013 cited in Ndweni, 2015).

In 2008, non-South Africans experienced attacks from locals, which was then said to be xenophobia and spread into many townships. Similar incidents occurred at the beginning of 2015 where foreign small business owners were attacked and some killed in the process. This act triggered domestic and international attention since there was an infringement of the SA Constitution, which deliberates on right to life, human dignity, social security and reinforcing the well-being of the people of the Republic.

Some authors argue that the attacks on foreigners were triggered by the failure of locally owned businesses, especially those that have shut down, due to the arrival of foreign-owned businesses charging for goods at cheaper rates (Liedeman, 2013; Magubane, 2015; Ndweni, 2015; Steyn, 2014; Zwane, Sosibo & de Wet, 2015). Table 1.2 reports on the comparison between foreign and locally owned businesses

Table 1.2: Administration and influences in foreign-owned businesses versus South African owned business are incited by:

Foreign owned SMEs	South African owned SMEs
Have trading knowledge and experience because they are introduced to trade at early ages (Zwane, 2014; Magunane, 2015).	Local business owners had been marginalised and been offered poor education and lack of opportunities under apartheid (Zulu, 2014 cited in Zwane, 2014).
They have a great network system (Magubane, 2015).	During apartheid regime, small business owners were told not to trade and only a few would be allowed to do it. Therefore, they did not learn the skills. There was no reason to be innovative, to learn different trading methods, and to be cost-effective (Zulu, 2014 cited in Zwane, 2014).

They work hard and understand why they must work hard, longer trading hours (from 6.00am until 10pm) (Liedeman <i>et al.</i> , 2013; Steyn, 2015).	They are employees in other organisation elsewhere and generating extra income by running own businesses (Liedeman <i>et al.</i> , 2013)
They tighten their belts and avoid excessive spending of money. Everything goes back into the business (Ndweni, 2015).	Too much expenditure and spending little on the business (Ismail 2013 cited in Ndweni, 2015).
The formation of larger partnerships and good start-up (R20 000 and R60 000) capital (Liedeman <i>et al.</i> , 2013).	Mostly conduct their business exclusively (Steyn, 2015)
They buy together in bulk to get discounts and divide the goods and support each other; on average, each store spends R7 000 a week on stock (Steyn, 2015).	The bulk buying depends on the demand of goods (Ndweni, 2015; Steyn, 2015; Zwane, 2014).
Conventional marketing strategy; selling goods at cheaper rates (Liedeman <i>et al.</i> , 2013).	Low pricing of goods by foreign-owned businesses intimidates their pricing (Liedeman <i>et al.</i> , 2013; Ndweni, 2015; Zwane, 2014).

Many of the methods foreigners used for being competitive are not highly complex, but the definite lack of engagement between foreign nationals and South Africans go against Minister Lindiwe Zulu's wishes that, "South Africans needed to learn from foreigners running successful small businesses". A study conducted by Obasan (2014) on the Survival of Small Scale Business in Nigeria concludes that small business operators must learn how to adapt and cope with competition, technology changes, infrastructural facilities accessibility (Gjose, Grunfeld & Green, 2010) and changing consumer behaviour. Regasa (2014:285) further adds (investigation on Factors Affecting Firm Growth (Tigray Regional State of Ethiopia) that infrastructural development, market access, and practice of competitors were found to positively influence SME growth.

1.3 PROBLEM STATEMENT

Ndwedwe is a rural area where most people rely on self-employment (starting small business) to look after their families and as a source of income. The Department of Small Business Development (2014) reported that small businesses contribute to 43% of the total value of salaries and wages paid in SA and 56% employment. However, Ndwedwe SMEs also contribute to the 63% failure rate for many small businesses within SA which do not make it past the growth stage (Roberts, 2010:83).

While every community is engaged in starting business for survival that is necessitated by unemployment and poverty (Erasmus *et al.*, 2013:18), it is also important for the business owners to sustain their success and diminish failures within the business industry. Given the high contribution of SMEs and significant role these play towards SA's economy, income and employment rates (Cant *et al.*, 2015:1; Regasa, 2014:280; Obasan, 2014:165), it is, therefore, critical that an analysis into the success and failure influences affecting SMEs be examined. Nonetheless, Obasan (2014: 166) stated that some SMEs do not survive beyond five years, and that percentage contributes to the failure rate. Consequently, it becomes vital to research the factors/ traits / administration abilities required to enable and assist these SMEs to survive, be successful and nurture their growth since they are significant for South African economy growth (Roberts, 2010:85).

Apart from their contribution to the economy, SMEs offer freedom of choice for consumers (Erasmus *et al.*, 2013:5) whereby consumers are able to choose what products they want, in which price range they want it, at what time they want it and the quantity. Therefore, for entrepreneurs, it is important to assess which products and services are needed, at what price within a specific community and to be competitive. It is also important to consider consumer affordability while surviving competitive environment (Erasmus *et al.*, 2013:26).

This research sought to compare the successes and failures of SMEs owned by South Africans with those owned foreigners in Ndwedwe, KwaZulu-Natal. Further, the research focused on the factors/characteristics/management abilities required to operate the SME that enable or disable the SME to survive and succeed or fail in the business environment. This

study compared success and failure factors of locally owned SMEs with those of foreign owned SMEs in the Ndwedwe area in Kwazulu-Natal.

1.4 LITERATURE REVIEW

Business failure (lack of success) has been described as the discontinuance of business with losses to creditors and shareholders and implies the continuation of business with minor losses, revenue generation, value addition, employment generation and expansion of a business to be considered as a form of business success (Lau & Lim, 1996; Regasa, 2014:280). Moreover, critical success factors are considered as functions or areas where things must go right to ensure successful competitive performance for an organisation (Fatoki & Garwe, 2010).

The key success factors as defined by Ghosh, Tan, Tan and Chan (2001:209) are factors which are essential for excellent performance of the company and critical success factors as those factors that are needed for survival of the firm. According to Lussier and Pfeifer (2001:232), a business has to make at least industry-average profits for the previous three years to be considered successful, and failure is defined as not having made a profit in the previous three years.

With regards to psychological and behavioural traits, an aptitude to engage in strategic planning is related to entrepreneurial success (Frese, Brantjes, & Hoorn, 2002; Gill, Biger, Mathur, Shar & Bhutani, 2010; Hodgkinson, 2001; Nkosi *et al.*, 2015). Other psychological attributes such as a drive for independence, innovative orientation, attitude toward risk and a competitive nature have also been found to relate to success (Abdulnasir, 2015; Frese *et al.*, 2002; Koop, deReu, & Frese, 2000; Bressler, Campbell & Elliott, 2014). Other researchers (Cant *et al.*, 2015; Nkosi *et al.*, 2015; Rauch & Frese, 1998; Covin & Covin, 1990) cited in Robert (2010) agreed that psychological traits contribute to business success, but they are often moderated by experience and training, specific managerial skills, and business environment.

According to Teng *et al.* (2011), in contrast to psychological traits, factors like managerial skills, training and environmental conditions are the ones that are more easily developed and altered by policy makers. Managerial skills include the ability to manage personnel,

strategizing, organising resources effectively, listening skill, self-awareness and maintaining accounting records, while environmental conditions are related to satisfactory government support, competition, inflationary trend, technological changes, support of friends and family, and access to capital (Nkosi *et al.*, 2015:3-7; Ojiako *et al.*, 2014).

A study conducted by Cant and Wiid (2013) indicates that numerous studies of entrepreneurs in developing countries (e.g. Busch, 1998 cited in Brush, Manolova & Edelman, 2008; Cant *et al.*, 2015; Nkosi *et al.*, 2015; Chu, Benzing & McGee, 2007; Gill *et al.*, 2010; Huck & McEwen, 1991; Yusuf, 1995) have determined the management skills and environmental conditions most critical for their success. In Huck and McEwen's (1991) study of Jamaican small business owners, (cited in Gray, 1999), three areas were identified as the most important competency areas: management, planning and budgeting, and marketing and selling. Specific competencies identified within those areas were: maintaining financial records, possessing human relations skills, and establishing goals and objectives. Other studies conducted determine that good management skills is the most critical competency for success as compared to access to financing, personal qualities, and satisfactory government support (Hernandez 2015; Nkosi *et al.*, 2015; Yusuf, 1995).

Lussier (1995) developed the "Lussier model", a generic success versus failure prediction model. A total of 15 factors that contribute to the firm's success and failure were identified, including: adequacy of start-up capital; record keeping and financial control (Cant *et al.*, 2015:2); industry experience; management experience; business planning (Erasmus *et al.*, 2013: 27; Laing, n.d); availability of professional advisor; education of owner; quality of staff; product/service timing; economic timing; age of business owner; existence of business partners; business-owning parents; minority business owner, and marketing skills (Louw & Venter, 2013: 82-85).

1.4.1 Management Skills

There is a big difference in the way business firms, as well as other organisations, are managed (Hall, 1999; Jeronimo & Medeiros, 2012: 301). Between the extremes of very unskilled and highly professional types of management lies a continuum. At the less professional end of this continuum are entrepreneurs and other managers who rely largely on

past experience, rules of thumb, and personal impulses in giving direction to their businesses, whereby their ideas of motivation are often based on the way they were treated in prior business (Gill *et al.*, 2010:8; Rogerson, 2004). Managers or entrepreneurs who display more professionalism are analytical and systematic in dealing with management problems and issues, and in that way, they emphasize getting the facts and working out logical solutions (Erasmus *et al.*, 2013:57; Thurik & Wennekers, 2004). The challenge for small firm leaders is to develop as much professionalism as possible, while still retaining the entrepreneurial spirit in the enterprise (Gill *et al.*, 2010:7; Thurik & Wennekers, 2004).

De Beer *et al.*, (2007) emphasise that some large corporations experience poor management; small businesses seem particularly vulnerable to this weakness. Many small firms are marginal or unprofitable businesses, struggling to survive from day-to-day because they earn only a fluctuating living for their owners, hence as much as they operate, to say that they are managed would be an overstatement (Erasmus *et al.*, 2013:52-54; Hodgetts *et al.*, 1995).

Small firms experience rough limitations such as:

- Lack of funding by banks (Nkosi *et al.*, 2015);
- Limited staff (Oduyoye *et al.*, 2013:20);
- Lack of sales brochures due to money constraints (Regasa, 2014:284); and
- Marketing research lacks, due to the fact that they cannot afford marketing (Nigrini & Schoombee, 2002:737; (Abdulnasir, 2015:9).

Lacking the support of experienced specialists in such areas as marketing research, financial analysis, advertising, and human resource management, the manager of a small firm must make decisions in these areas without the expertise that is available in a large business (Nkosi *et al.*, 2015:7-9). The limitation may be partially overcome by using outside management assistance, but coping with a shortage of internal professional talent is part of the reality of managing entrepreneurial firms (Cant *et al.*, 2013:708-709; De Beer *et al.*, 2007).

According to Obasan (2014:168), financial constraints is amongst important factors that are troubling the small businesses due to lack of financial related skills for SMEs owners. Accounting statements and reports that are often taken to be the most compelling, if not conclusive, prove that success and failure have occurred. For that reason alone, the study of

small business success and failure should pay particular attention to financial management itself (Huggins, 2000; Mazzarol, Volery, Doss & Thein, 1999 cited in Carter & Van Auken, 2006).

According to Louw and Venter (2013:116) and Phillips (1999), lifecycle management can be used to target, organize, analyse and manage product-related information and activities towards continuous improvement along the lifecycle. Lifecycle management is about making lifecycle thinking and product sustainability operational for businesses that are aiming for continuous improvement. These are businesses that are striving towards reducing their footprints and minimizing their environmental and socio-economic burdens while maximizing economic and social values.

1.4.2 Marketing Skill

Attracting consumers depend not only on external environments such as Socio-cultural, Economy, Political-Legal factors, but also on brilliant marketing such as pricing strategies, innovation and networking (Kozn & Akdeniz, 2014:42-43; Bello & Ivanov, 2014:52). According to Storey (2000), marketing places the consumer at the center of the firm's activities. It is an integrated process whereby a firm aims to not only satisfy its customers effectively and efficiently but also establish long-term profitability. However, there is some evidence that in many organisations, marketing has not been fully adopted as a philosophy and strategy and that marketing planning is neither understood nor implemented (Cant *et al.*, 2015:2-3).

Marketing is applied to each industry through specific practices developed to suit the needs of the trade. Cant *et al.*'s (2013:713) findings stipulate that marketing related issues, including wrong pricing, products demand, brand, location of the business, knowledge of target market, competition, influence and affect SMEs. Since founders usually start a business in a sector in which they have personal experience, it might be expected that they would have the expertise to adopt industry-specific features of marketing. However, many owner-managers who have a technical or production background and know the business from within do not have the broader perspective provided by marketing (Awoniyi, 2014:779; Yusuf, 1995; Ojiako, 2014:6-7).

1.5 OBJECTIVES

Primary objective:

This study comparatively analyzed the success and failure influences affecting SMEs, both local-owned and foreign-owned in the Ndwedwe, KwaZulu-Natal.

Secondary objective(s)

- Identifying factors affecting Ndwedwe SMEs' success;
- Discover best practices of business success from both foreign owned and local owned SMEs that will contribute towards establishment and development of SMEs in Ndwedwe;
- Encourage knowledge base structures in order to improve SMEs development in Ndwedwe; and
- Provide recommendations on strategies and frameworks to South African and non-South African SMEs owners in Ndwedwe to be used to improve business development and sustainability.

1.6 SIGNIFICANCE OF STUDY

Given the high failure rate of locally owned small businesses, it becomes vital to research the factors/traits/administration abilities that are required to enable these SMEs to survive and progress to the growth phase of the organisational life cycle (Roberts, 2010). This research sought to comparatively analyse the success and failure influences affecting SMEs both local-owned and foreign-owned in the Ndwedwe, KwaZulu-Natal. Further, the research focused on the factors/characteristics/management abilities required to operate the SME, including those factors that enable or disable the SME to survive or fail in the business environment. A significant contribution to the enhancement of the growth potential of a business will be made through the study findings based on analysis of these factors.

This study underscored the importance of SMEs whilst also examining success and failure between the locally owned and foreign-owned businesses and ways to overcome the challenges of businesses being shut down and/or with no growth.

1.7 RESEARCH METHODOLOGY

1.7.1 Research approach

Successively critical success factors of SMEs are such a pervasive phenomenon in society since everybody knows somebody who has owned an SME which succeeded or failed in the area; there is a real danger of “taking for granted” that the cause of this are known or rather similar (Bello *et al.*, 2014:53; Kozani *et al.*, 43-45; Obasan, 2014:168). This is a false generalisation because there is some quantitative understanding of the success factors (types of management style, measurements of total annual revenue of the businesses, and the marketing approach used) does not mean that a qualitative understanding of the phenomenon exists. There is no answer to the question: what exactly are the experiences of the SME owners in their day-to-day business?

The researcher performed a comparative research of the success factors affecting locally and foreign owned SMEs. In order to comprehend the perspectives and experiences (Bloomberg & Volpe, 2008:65) of the SMEs, this research was conducted through applying a qualitative discipline whereby a phenomenological approach was exerted to elucidate direct experiences (Seidman, 2013:11-13) of the local and foreign-owned SMEs of Ndwedwe regarding critical success factors affecting their businesses. Qualitative research aims at describing and understanding the human actions and behaviour (Babbie & Mouton 2008:270) in order to identify some success factors that might be different from those that are known and also some more fundamental reasons of failure and success within these SMEs in the area of Ndwedwe; that is, are the success factors of South African SMEs the same as non-South African SMEs in Ndwedwe?

The qualitative research approach also aimed to provide complex textual descriptions of how and why people experience a given research issue (Bloomberg, 2008:65). Qualitative methods aim to answer questions about the ‘what’, ‘how’ or ‘why’ of a phenomenon (Patton & Cochran, 2002:68).

Qualitative methods are also effective in identifying intangible factors. When used along with quantitative methods, qualitative research can help to interpret and better understand the complex reality of a given situation and the implications of quantitative data (Bloomberg & Volpe, 2008:66). According to Patton and Cochran (2002), qualitative methods (in general) generate words, rather than numbers, as data for analysis. The qualitative methods assisted the researcher to gather the information which was not limited to close-ended question as the respondents expressed their own views and experiences from their businesses' failures and successes.

In a telephone conversation on 22 April 2015, the Head of ILembe District Municipality Disaster Management Centre, Mr Ngubane, highlighted that SMEs in Ndwedwe rural area have not yet experienced the xenophobic attacks which started early in 2015. This also assisted in making reviews on how business owners survived from these and, moving forward, how they will create good relations (South African and foreigners).

1.7.2 Research method

1.7.2.1 Research population and sample

According to Fraenkel and Wallen (n.d) and Babbie and Mouton (2008:84), population refers to a group of individuals with certain specified characteristics to which the researcher would like the results of a study to be engendered. A sample is explained as the group from which information is obtained. Therefore, the population for the study was SMEs in KwaZulu-Natal, and the sample comprised ten (10) SMEs with five (5) being SMEs owned by South Africans and five (5) owned by foreigners in Ndwedwe area. Sample sizes in qualitative research should not be too large that it is difficult to extract thick and rich data (Onwuegbuzie & Leech, 2007; Welman, Kruger & Mitchell, 2010). At the same time, as noted by Onwuegbuzie & Leech (2007), the sample should not be too small that it is difficult to achieve data saturation (Flick, 1998; Morse, 1995), theoretical saturation (Strause & Corbin, 1990), or informational redundancy (Carter & Van Auken, 2006).

The scope of the study was determined from data collected from participants (SMEs) SME owners in Ndwedwe area who were likely to generate useful data for the project, these participants were selected purposively using a purposive sampling (non-probability). The

purposive sampling method was selected for the study because it is very useful for situations where there is a need to reach a targeted sample quickly (Bloomberg & Volpe, 2008:86-88). Snowball sampling was used to identify all the participants who own SMEs but who are non-South Africans.

This study was controlled by industry and location and hence confined to SMEs in Ndwedwe of KwaZulu-Natal. Further, with purposive sampling, it is not necessary to collect data from everyone in a community in order to get valid findings, but only a sample of a population that will result in rich data (Onwuegbuzie & Leech, 2007).

1.7.2.2 Research participants & procedure

Purposive and snowball sampling were employed to selected participants, hence, a sample of ten (10) SMEs five SMEs owned by South Africans and five (5) SMEs owned by non-South Africans.

To explore in detail the respondents' perceptions, experiences and accounts in context (Bricki & Green, 2007:11) in-depth interviews were conducted whereby question such as;

- What were your motives when starting this business?
- Tell me a bit about your business;
- What is your SWOT analysis?
- How did you decide which area your business will be located in?
- What factors do you perceive as those that can and/or have cause a success for a business and those that can cause failure for a business? (think about all your strengths, weaknesses, opportunities, threats on the daily basis operating your business);
- What is your formal background (education and training)? and
- Do you have any business relationship with other business around the area?

The interviews were recorded and transcribed *verbatim* (this means their original unedited utterances were recorded and presented). In addition to this, notes were made to accompany the recording.

To ensure data quality, four steps were taken. Firstly, initial interview questions were pre-tested with a sample of five business owners (non-participants) who fitted the same profile as those who were going to be interviewed in the main part of the research. Secondly, to ensure

credible data, all interview data were recorded and transcribed *verbatim* within 24 hours. Thirdly, after transcription data, participants were emailed a copy of the transcription to verify whether this was accurate, as per the interview. Finally, before and during the study, reflexivity was conducted to safeguard objectivity and avoid researcher bias (Lewin, Taylor & Gibbs, 2005); this was done to ensure sensitivity with regard to how data is collected, analysed and represented (Mays & Pope, 2000). In doing so, comprehensive notes were taken at all key stages of the research for additional depth and quality.

1.8 DATA ANALYSIS

The interviews were exported into QSR International’s NVivo 9, a data analysis and management software package used when dealing with a lot of text, graphic, audio and video data (Reuben & Bobat 2014). A data analysis procedure based on three levels of meaning-making was used (Chinyamurindi, 2012; McCormack, 2000).

Table 1.3: Data analysis procedure

Level of meaning-making	Description
1	Each interview is written as a brief vignette. Thereafter, each vignette is then developed into a longer narrative about each participant.
2	Narrative themes are then conveyed by participants and their experience of career development. Thereafter, preliminary themes are then compared across participants.
3	An analysis of the themes from cross-case comparison begins, and illustrating quotes and stories used.

1.9 ETHICAL CONSIDERATIONS

Ethics is a part of philosophy that deals with morality and entails noble and accepted behaviour within a community or in a research field (Mika, 2013:13). In order to foster an appropriate behaviour in relation to the respondents involved in the research, Rhodes and Weiss (2013: 4-5) argue that the researcher should adhere to the following:

- obtain informed consent;
- exhibit no deception;
- provide full disclosure;
- provide participants the right to withdraw;
- ensure privacy and confidentiality, and
- gather and report information accurately.

The researcher obtained ethical clearance from the Durban University of Technology, and the respondents were asked to sign a consent form. This was to ensure voluntary participation and confidentiality.

1.10 DELIMITATIONS OF THE STUDY

The study was limited to ten (10) SMEs: five (5) South African owners of SMEs and five (5) SMEs whose owners are foreigners in the Ndwedwe area. This limitation was largely due to time, financial constraints and extent of travelling to carry out the study. The qualitative study was chosen because it gives the researcher and the respondent verbal communication to influence honesty by respondents about the study. Ndwedwe area is made up of 19 municipal wards; therefore, due to the large scale of the area, only four wards formed part of the study.

New enterprises, those from one month to twelve months, were not interviewed because the researcher believes that they did not have the experience in the field, which, therefore, hindered extensive findings of the study. Reviewed literature included variables such as strategic management, financial and marketing management because previous studies have shown that these variables are the greatest contributors to the success and failure of many SMEs globally (Yusuf, 1995; Gray, 1999; Lussier, 1995; De Beer *et al.*, 2007). The study focus was the Ndwedwe area because of SMEs' levels of business development. It is important for local (Ndwedwe area) SMEs to nurture and be sustainable, thus creating employment opportunities and fighting poverty. The collaboration of South African and non-South African SMEs owners is encouraged.

1.11 CHAPTER LAYOUT

Chapter 1: Introduction and general orientation of the study

Chapter 2: Literature review

Chapter 3: Research methodology

Chapter 4: Results

Chapter 5: Conclusions, theoretical & practitioner implications, contributions,
recommendations & limitations.

1.12 CONCLUSION

This chapter provided a summary of the key sections of the proposal which include the background of the study, literature review and the appropriate methodologies employed. This chapter also made a case for the evaluation of the feasibility of the study. Furthermore, all the other chapters build up on this chapter, there by reflecting the essence of the current chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter literature on the title, comparative analysis of critical success factors affecting local and foreign owned SMEs in the Ndwedwe area of Kwazulu-Natal are discussed. The literature review was conducted to refer to previous research studies conducted in similar study of success factors of SME and to combine existing findings and knowledge (Neuman, 2003:96; Babbie & Mouton, 2008; Welman, Kruger & Mitchell, 2010). A methodological review of past literature is a crucial endeavour for any academic research (Webster & Watson, 2002:49). Literature review helped the researcher to build a secure formation of advance knowledge, by apply, analysing, collecting, and quantifying a relevant data to the topic chosen.

The application of good and topic related literature assisted in knowing which research orbit still has a gap and which important information was not collected/explained broadly from other research studies that need to be filled in regards to the study conducted (Welman, Kruger & Mitchell, 2010:38-39). A contrast of success factors between local and foreign owned SMEs study has never been conducted in the area (Ndwedwe), and this is the first study conducted.

2.2 Small and Medium Enterprise (SME)

In South Africa, the National Small Business Amendment Act (no. 29 of 2004) outlined SMEs in quantitative criteria (Erasmus *et al.*, 2013: 53) as enterprises with fewer than 200 employees, have an annual turnover of less than R64 million, own a capital assets of less than R23 million and have a direct managerial involvement by owners (Erasmus *et al.*, 2013: 53; Nigrini *et al.*, 2002:736). South African towns (urban and rural areas) typically have a variety of small businesses such as the local hairdressing salon, the grocery store, appliances repair store and the hardware store. A local supermarket regarded by some people as big may actually be small in comparison with a business such as Spar (Erasmus *et al.*, 2013: 53).

Table 2.1: Schedule of size standards for the definition of SMEs in South Africa

Type of firm	Employees	Turnover Balance sheet
Small	1-49 Maximum	R13m Maximum R5m
Medium	51-200 Maximum	R51m Maximum R19m

Source: Government Gazette of the Republic of South Africa (2003).

According to Business Day (12 August 2013) cited in Venter (2014:34), the developed world considers the fastest growing economies to be in Africa. Policies and investment decisions by government enable the economic growth and African governments to create an environment suited to investment and job creation (Venter, 2014:36). One of the important roles of SMEs includes poverty alleviation through job creation (Swierczek & Ha, 2003). Williams (2007:116) highlights that corporate businesses now have the greatest power in society to drive change.

The SME contributes significantly to economic growth and development in developing economies (Nigrini *et al.*, 2002:736). With the high level of unemployment (Erasmus *et al.*, 2013:27; Ndletyana, Makhalemele & Mathekga, 2013:9), SMEs provide jobs for the unemployed, serve as safety nets during periods of cyclical unemployment when many people cannot find formal employment and serve as means for enterprising people to improve their standard of living (Nigrini *et al.*, 2002:736); therefore, SMEs should be targeted and promoted. Erasmus *et al.* (2013:52) state that SMEs teach prospective entrepreneurs to develop their skills in areas of management and business operations and provide a large number of jobs which do not require high levels of training and skill.

2.2.1 Small Business Success

According to Thompson and Martin (2005:312), “an organisation is successful if it is meeting the needs and expectations of its stakeholders”. Philip (n.d:120) argues that business success can have different meanings because uniquely small business can measure their success by survival/achievement-oriented profit, investment returns, sales growth, number of employees, happiness, reputation and contribution to the society. This implies a mixture of common sense and competency (Wang & Poutziouris, 2010:345).

Management need to know how well the expectations of stakeholders are being met and also, need to know the ‘why’ and ‘how’ behind the ‘how well’ to be in a position to remedy impotence and sustain success (Thompson & Martin, 2005:312). Lussier and Pfeifer (2001:232) agree with Foley and Green (1989) that a business has to make at least industry-average profits (firm’s financial performance) (Petty *et al.*, 2012:298) for the previous three years to be considered successful and failure is defined as not having made a profit in the previous three years. Lussier and Pfeifer (2001:232) mention that at-least two important dimensions possibly occur to measure the success of the organisation: 1) financial vs. other success; and 2) short- vs. long-term success.

Success and failure can be interpreted as measures of good or indifferent management, quality (skills, competencies and knowledge of business) of staff working in the business and being as small firm seem particularly vulnerable to the experience of poor management (Juul, 2006:102-122). As highlighted by Foley and Green (1989) and Woldie, Lieghton and Adesua (2008), there is no universally accepted definition of success; additionally, some enterprises may define business success as an outcome of the way of doing business, business growth and cooperation.

Phillip (n.d) explicates that inter-firm cooperation, performance measurement (Regasa, 2015:280), consultation, and flexibility may play an important role in business success. Gaining organisational legitimacy and a desirable marketplace reputation can be achieved by endorsing exceptional cooperation (Regasa, 2015:280). This may also enable the small firm to improve its strategic position, focus on its core business, markets, reduce transaction costs, learn new skills and optimistically respond to rapid technological changes (Abdulnasir, 2015:2-4; Teng *et al.*, 2011).

Characterising of quantitative elements such as employment size, asset/capital growth and sales growth and qualitative measurements such as market position quality of product and good will of the customers (Lussier & Halabi, 2010:366; Regasa, 2015:281) can supportively impulse persuasive communicating with business associates. According to Phillip (n.d), successful firms were likely to spend more time communicating with partners, customers, suppliers and employees (Thompson & Martin, 2005:312) trying to understand the ‘why’ and ‘how’ behind the ‘how well’. Phillip (n.d) further emphasises that networking (between and

within firms) and use of outside professionals and advisors and the advice and information provided by customers and suppliers is important for business success.

The proportion of SMEs led by an entrepreneurial team has been found to be high among successful SMEs and low among failed SMEs due to their useful contribution in identifying which industry members are close rivals and which are distant. Phillip (n.d) mentioned that large numbers of successful SMEs are led by men, but, women are encouraged to become entrepreneurs; additionally, SMEs led by women have a poor growth history based on the duration their business operates because the longer the organisation operates, the more successful they are.

SMEs play a significant role in the economy, and abroad consensus is that a vibrant SME sector is one of the principal driving forces in the development of a market economy (Chu, Benzing, and McGee, 2007). Small-Medium Enterprises stimulate private ownership and entrepreneurial skills, are flexible and can adapt quickly to changing market demand and supply situations, generate employment, help diversify economic activity and make a significant contribution to exports and trade. Even in the developed market economies, SMEs account for a large share in output and employment (Olawale & Garwe, 2010; Brink & Cant, 2003; Woldie, Leighton & Adesua, 2008; McQuaid, 2003; UNECE, 2003 cited in Philip, n.d; The DTI, 2013; COGTA, 2015).

Previous studies have found that external and internal environments contribute massively to the success of the business, hence, necessary analyses on the business environment factors are important (Louw & Venter, 2006:172-173; Ehlers & Lazenby, 2010:63). Brink and Cant (2003) highlight that insufficient management skills cause SME failures, while Cant and Wiid (2013) say insufficient resources available to invest in their marketing strategies and marketing knowledge negatively affect the success of SMEs. A study conducted by Brink and Cant (2003) shows that problems experienced by small businesses in South Africa revealed need for a better insight into marketing related issues as an important factor for business success, which was again proven by Cant and Wiid (2013). McQuaid (2003) stated that marketing expertise is critical for new companies with new products (Zikmund & Babin, 2010) because the study he conducted discovered that firms ranked marketing and sales skills as the main problem they had to overcome to expand; small firms are more competitive due

to their flexibility. Financial knowledge was another factor affecting success of SMEs, as emphasised by Brink and Cant (2003); financial issues are important to all firms but are especially important for growing firms as are issues related to employee skills (McQuaid, 2003).

Numerous research studies have been conducted in methods used to quantify factors contributing to a business success. For example:

- Nkosi, Bounds, Thomas and Goldman (2015) studied Corrigendum: Skills required for the management of Black-owned small enterprise in Soweto.
- Establishing the challenges affecting South African SMEs (Cant & Wiid, 2013).
- Regasa (2014) investigated External factors affecting firm growth: Evidence from Small Scale Manufacturing Firms in Tigray Region State of Ethiopia.
- Crush and Ramachandran (2014) researched on Migrant entrepreneurship collective violence and xenophobia in South Africa.
- Indris and Priniana (2015) explored Internal and External Environment Analysis on the performance of Small and Medium Industries (SMEs) in Indonesia.
- Indarti and Langenberg (2005) identified key components that are important in analysing the business success of SMEs which includes the characteristics of the entrepreneurs, the characteristics of the SMEs, and the contextual elements of SME development.

Past literature has identified several aspects of what was considered as critical success factors for innovative strategy in SMEs, amongst those was: (1) internal and external environment (Huggins, 2000; Indarti & Langenberg, 2005; Louw *et al.*, 2006; Ehlers *et al.*, 2007; Ehlers *et al.*, 2010)(2) an entrepreneur characteristics (Kristiansen, Furuholt, & Wahid, 2003; Rutherford & Oswald, 2000), (3) characteristic of SME (Kristiansen, Furuholt, & Wahid, 2003), (4) the way of doing business and cooperation (Hitt & Ireland, 2000), and (5) resources and finance (Swierczek & Ha, 2003; Kristiansen, Furuholt & Wahid, 2003).

According to Delmar and Wiklund (2008) cited in Olawale and Garwe (2010), new small enterprise growth is influenced by the business environment (internal and external). Business environments, internal and external, are identified as critical success factors for business success (Huggins, 2000; Indarti & Langenberg, 2005; Louw *et al.*, 2006; Ehlers *et al.*, 2007;

Ehlers & Lazenby (2010). These aspects influence on the continuity and success of the new firm's growth and need to be reinforced (Terpstra & Olson, 1993; Smit *et al.*, 2007).

Small-Medium Enterprises need to consider the importance of strategic management (Covin & Slevin, 2006; Wheelen & Hunger, 2011). The role of strategic management is to incorporate various functional areas of the organisation completely to ensure these functional areas correspond and keep a continuous eye on the goals and objectives of the organization as well as determine the long-run performance of a corporation. Timely and effective strategic management is essential if the business is to survive and prosper (Booyesen, 2015:78; Carter & Jones-Evans, 2012:319).

2.2.2 Challenges faced by SMEs

There are various challenges identified that prevent the creation of new SMEs; these are also causes of the high SME failure rates within South Africa (Olawale & Garwe, 2010). Some authors' (e.g. Cant *et al.*, 2013; Olawale & Garwe, 2010) findings proved that external and internal factors which challenge the SMEs are:

- a) Crime - a major issue not only affecting SMEs but South Africa as a whole. SMEs are likely suffer direct losses due to theft and indirect losses due to security costs, both reducing profits and averting funds that could have been invested into the business (Phillip, n.d; Okpara & Wynn, 2007: 28-30; Ganster, 2007; Peterson, Kozmetsy & Ridgway, 1983); and
- b) Wrong pricing strategies being implemented and a low demand for their products are major concerns, followed by "the location of my business" and knowledge of target market (Okpara *et al.*, 2007:29; Ganster, 2007).

The issues of the wrong pricing strategies and low demand for products could go hand-in-hand as the prices could either be too low, thus resulting in consumers thinking the quality of the product may not be up to standard or too high, thereby resulting in consumers seeking competitors' products. Slow growing businesses tend to emphasise price than quality, thus failing to understand that competing on the quality of a product or service (Chu, *et al.*, 2007)

rather than price is an important element of success (Burns, 2011:313). Alternatively, the low demand for products could be that the SMEs do not have sufficient knowledge of their target audience in order to market and adjust their strategies accordingly (Abor & Quartey, 2010). Conversely, the location of the business could simply be the reason why there are low demands for products as it is inconvenient for the consumers to purchase from the business (Cant & Wiid, 2013).

Poverty and inequality measures translate into relatively poor human development. Some of the key areas identified by the New Partnership for Africa's Development (NEPAD) which affect Africa's economic development include: political governance, democracy and security, economic and corporate governance (Luiz, 2006:4). Other factors affecting South African SMEs stated by Zulu (2014) cited in Zwane (2014) are that local business owners had been marginalised and offered poor education with a lack of opportunities under apartheid. During the apartheid regime, small business owners were told not to trade, and only a few were allowed to do; therefore, they did not learn trading skills (Luiz, 2006:11). There was no reason to be innovative, to learn different trading methods and to be cost-effective.

To address the factors mentioned by Zulu (2014), the government had intervened by introducing the Broad-Black Economic Empowerment (BBEE) strategy to address the systematic exclusion of the majority of South Africans from full participation in the economy (The DTI, 2013:6; Wotela & Letsiri, 2015). The defining feature of apartheid was the use of race to restrict and severely control access to the economy by black persons. The apartheid disempowerment of black South Africans did not only result in a lack of access to skills development and proper jobs (not cheap labour) but also deliberately prohibited black people from generating self-employment and entrepreneurship (The DTI 2013:6). A strategic document by the DTI (2013:6) explains that the majority of black South Africans were confined to homeland areas which were poorest in terms of living conditions, infrastructure and business opportunities and lacking a dynamic business infrastructure and environment.

The fact that black communities had little access to technical and scientific teachings and learning further worsened the obstacles in the rapidly developing industrialisation process (The DTI, 2013:7). The Broad-Black Economic Empowerment (BBEE) strategy document stipulates that the majority of black people participating meaningfully in the economy

remains far too limited, and it is necessary to introduce a coherent and focused strategy for Broad-Based Black Economic Empowerment (BBBEE) (Juul, 2006:126; Nieman & Pretorius, 2004:203; The DTI, 2013:8).

2.2.3 The immigration into South Africa

The growing presence of migrants in the informal sector has created various tensions in South Africa (Campbell, 2013; Maharaj, 2009). Acts of collective violence from these tensions included voluntary migrant shop closure, threats directed at migrant entrepreneurs and direct physical violence against migrant store owners or their employees (Svensson, 2012). South African competitors, particularly in the *spaza* (convenience shop business in South Africa, selling everyday small household items) sector, have increasingly adopted a strategy of using violence to intimidate and drive migrant entrepreneurs out of their areas, thus forcibly shutting down migrant-owned businesses. This was confirmed by the National attitudinal survey by Southern African Migration Programme (SAMP) (Ramachandran & Crush, 2014:1).

The notable growth of informal migrant entrepreneurship in South Africa since 1990, its innovative strategies, and the relationship, ethnic, and business networks, through which goods are acquired and resources accumulated (Nambai, 2014), would have been much lauded had it not been for the striking detail that the actors in question are foreigners or outsiders (Wotela & Letsiri, 2015; Stephan, Hart, Mickiewicz & Drews, 2015:65-67). Many informal migrant entrepreneurs are from Zimbabwe, Mozambique, Somalia, Ghana and the Democratic Republic of Congo (DRC) (Statistics South Africa, 2015:3-12; Ramachandran & Crush, 2014:6)

An in-depth qualitative research and personal testimony of many migrants confirm that South Africans hold deep-rooted negative opinions about migrant entrepreneurs and believe that migrants deprive South Africans of jobs (Campbell, 2013; Chamunorwa & Mlambo, 2014). Others believe and agree that migrants actually create jobs for South Africans (Chamunorwa & Mlambo, 2014; Ramachandran & Crush, 2014:8). Despite providing goods at cheaper prices to poor consumers, in affordable quantities and sometimes on credit, the success and resourcefulness of migrant entrepreneurs is regularly and often falsely attributed to the use of

illegitimate practices such as the sale of expired goods and failure to pay taxes (Ramachandran & Crush, 2014:31; Nambei, 2014).

According to Ndletyana *et al.*, (2013), findings reveal that South African business owners specified that they face rigid competition (Campbell, 2013) from shops owned by foreign nationals. The edge enjoyed by the latter goes beyond longer opening hours, but also extends to the pricing of foodstuffs. They sell at much cheaper prices than locals, and this has resulted in local traders being driven out of business. However, empirical evidence, including from different case studies, points to the organisation of foreign shop owners into effective bulk buying syndicates, which, on the basis of economies of scale, helps to drive prices down. Ndletyana *et al.* (2013) stipulate that some locals rent out their properties to foreign traders to use as shops, while they move out to stay elsewhere. Therefore, locals have not been affected similarly by the presence of foreign nationals' traders (Wotela & Letsiri, 2015). They are a threat to some and a source of income and cheap goods to others.

Ramachandran and Crush (2014:23) stated that migrants molest South African's economy (Chamunorwa & Mlambo, 2014; Svensson, 2012), destroy local businesses and exploit local business people, and this has led to violence directed at non-South Africans living in South Africa (Wotela & Letsiri, 2015). Local business competitors have certainly animated some of the collective violence against migrant (Campbell, 2013; Wotela & Letsiri, 2015) entrepreneurs, accusing foreign owners of small businesses for unfair competition and rising crime. South Africans feel that immigrants, particularly illegal immigrants, should never be granted police protection or rights to social security, benefits to community service delivery, legal protection and freedom of speech (Campbell 2013).

According to Chamunorwa and Mlambo (2014:2631), South Africa accounts for 24% of Africa's GDP, and this makes it the largest economy in Africa. Foreign immigrations to South Africa are caused by both pull factors (attributes that attracts foreign people) and push factors (attributes that force people to leave current societies to elsewhere) (Abor *et al*, 2010), and pull factors in South Africa are: favourable economic conditions that enable individuals to create wealth (Wotela & Letsiri, 2015:110) and the shortage of skills in South Africa (Chamunurwa & Mlambo, 2014:2632); these negatively affect economic growth and development, thus the immigration of skilled labour could reduce the skill shortages and

enhance the economic growth. The push factors of immigrations to South Africa include governance, economic and structural deficiencies (Luiz, 2010:38-44). The harsh reality of immigrants from respective countries pushes them away to seek better environments to improve their conditions (Wotela & Letsiri, 2015).

Misguided perceptions about immigrants also lead to numerous occasions where immigrants have been used as scapegoats in matters related to downfall of national economy, increasing crime and weakening the society (Campbell, 2013; Wotela & Letsiri, 2015). Most South Africans hypothesise that immigrants who participate in the informal sector entered the country illegally (Campbell, 2013). Immigrants compete for jobs for means of survival with the lower classes of the host country's populations, thus causing unemployment for South African nationals (Chamunorwa & Mlambo, 2014). South African unscrupulous employers maximise profit by employing immigrants more, particularly illegal immigrants, because they provide cheap labour and minimise risk of conflict with labour unions, especially where illegal employees forfeit their rights to medical aid and other insurance benefits (Chamunorwa & Mlambo, 2014).

Chimunorwa and Mlambo (2014) stated that some South Africans believe that immigrants labour can bring positive outcomes such as inflow of scarce skills and reduce the skill shortages (Svensson, 2012) that are currently prevailing in South Africa, thus boosting the South African economy. Mostly, immigration is driven by pull factors of favourable economic conditions in South Africa, thus empowering foreigners to create wealth. Skilled immigrants have filled scarce-skills sectors as well as open businesses and employed South Africans (Wotela & Letsiri, 2015; Nambei, 2014).

Trading is one of the activities targeted by illegal immigrants because job security is less assured for immigrants than nationals (Campbell, 2013; Svensson, 2012), and there are indications that the profit margin in this sector is high (Wotela & Letsiri, 2015). In other countries like Ghana and Nigeria, there is an extended welcome to immigrants because they believe that their skills benefit these societies (Campbell, 2013; Nambei, 2014). Starting up and running a business has been recognised to be the most auspicious method of immigrants. The families both in their countries of origin and South Africa are supported by monies

earned from these businesses, and it is noticeable that immigrants live in support of each other when in South Africa (Svensson, 2012; Wotela & Letsiri, 2015).

Broodryk (2006) argued that ‘*ubuntu*’ (humanity) is a way of getting along with others; it is a relationship with others in a respectful ways (McIntyre, 1981) where we are all essentially united as humans by the journey of purpose that we are on. Human-based life coping skills of Africa are ready for exportation to the global world since their applications could be of enormous benefit to human beings (Nambei, 2014) in the global world today where violence, human exploitation, extreme stress, material greed and power-lust seem to be the dominating factors influencing the life of leaders and ordinary people (Broodryk, 2006; Svensson, 2012). Business leaders need to be familiar with the meaning of ‘*ubuntu*’ because it a useful source to assimilate values into the corporate business world.

2.3 KEY SUCCESS FACTORS (KSFs)

Key success factors (KSFs) are defined as a combination of important facts required in order to accomplish desirable business motives/goals (Ghosh, *et al.*, 2001:109; Thompson & Martin, 2005:312; Lazenby, 2014:142). Key success factors are essential for excellent performance and survival of the company because for businesses to understand their competitive advantage fully in terms of value and relative costs and the causes of that competitive advantage, in terms of certain skills and resources, they need to first understand their industry (KSFs) (Thompson & Martin, 2005:172; Lazenby, 2014:143).

There are three variables identified which external environment KSFs depend on (Louw & Venter, 2013:195), as listed below:

- Customers: What are the demands of the customers?
- Competitors: How is the organisation going to compete prolifically?
- Corporation: What is distinctive that the organisation possess?

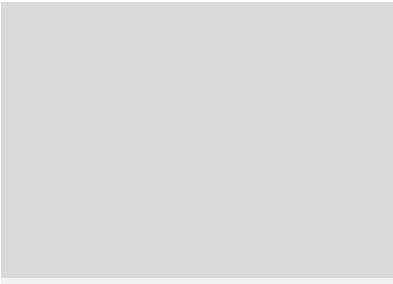
Furthermore, Louw and Venter (2013:196) indicate that it is important to note that the list of KSFs should not be a long one but should generally consist of three to five factors that are critical to the success of the organisation.

Key success factors differ from industry to industry and apply to the entire industry (Lazenby, 2014:139; Teng, Bhatia & Sajid, 2011; Thompson & Martin, 2005:173). The idea of KSFs in three different industry settings scrutinised by Louw and Venter (2006:199) are discerned via 1) mature and declining industries, 2) technology-intensive industries and 3) non-profit settings, hence, (KSFs) are stipulated based on the industry orbit.

Table 2.2 indicate KSFs which are influential to the success of the company and can be ascertained by business owners. These success factors are perceived to be the key areas where things must go right for the business to flourish and or the business goals to be attained (Lazenby, 2014:142; Booysen, 2015:7).

Table 2.2: Example of industry Key Success Factors

Technology-related KSFs	<ul style="list-style-type: none"> Technological expertise in a given field Advance communication technology is acquired Availability of technology for storage and accounting
Marketing-related KSFs	<ul style="list-style-type: none"> Excellent customer service Good advertising skills Good after-sales service Good customer guarantees and warranties Sales of a variety of quality products Development of distribution networks
Human skills-related KSFs	<ul style="list-style-type: none"> Expertise in applying technology Product and service innovation skills Excellent capabilities to control quality
Other types of KSFs	<ul style="list-style-type: none"> Favourable image Good location Achieving overall low costs



- Positive financial position
- Relationship with competitors
- Creating strong business partnerships
- Bulk buying

Source: Adopted from Lazenby (2014:142)

Louw and Venter (2013:196) suggested that the idea of KSFs is a way to understand the industry as a pre-requisite to effecting business strategy. KSFs are measured by key performance indicators (KPIs); therefore, it is essential to identify these KPIs as this will help the organisation to decide on its strategic goals for increasing the performance on these KSFs (Lazenby, 2014:143).

According to Louw and Venter (2006:113), not all strategy scholars support the notion of KSFs; for instance, Ghemawat criticises the concept on grounds that it is difficult to identify KSFs; the causality may be unclear, and industry dynamics and change may be sources of competitive advantage rather than an understanding of current KSFs. Autonomously, businesses have a unique combination of KSFs for achieving success; likewise, some business triumphs are caused by the amount of chances/risks taken, while others depend on innovative skills adopted (Booyesen, 2015:7). Edward Skloot, a non-profit business consultant, suggested the following KSFs for strategic sponging (Louw & Venter, 2013:200):

- Having a product to sell implies that the organisation must assess whether customers would be willing to pay for goods or services closely related to the organisation's core activities;
- A critical mass of management talent/recognised skills (Chimumorwa & Mlambo, 2014:2632; Misko, 2008) is required to manage a revenue-generating business;
- Support from trustees in entering more commercial ventures is critical;
- An entrepreneurial attitude is required to combine an interest in innovation with business practicality (Nieman & Pretorius, 2004:19); and
- Venture capital is required as in any other start-up business enterprise (Petty, Palich, Hoy & Longenecker, 2012:358), and this may be obtained from partnerships

/agreements with business organisations, perhaps individual investors, commercial banks, friends and family, Asset-Based lenders and Government-sponsored programs (Petty *et al.*, 2012: 364).

Petty *et al.*, 2012:365) explain that personal savings serve as the primary source of financing for most small business start-ups, and friends and family persist closely as a second means of assistance. The financial assistance from friends and family to the small business owner does not only put their financial future on the line but also important personal relationships at risk.

2.3.1 Analysis of business environment

Companies that are willing to change or modify their strategies with excellent execution of business environment strategies will have long-term success (Covin & Slevin, 2006). There are eight stages of analytical procedures to analyse an organisation's environment suggested by Lynch (2003:89). Table 2.3 below shows the stages.

Table 2.3: Eight stages in environmental analysis

Stage	Techniques	Outcome of Stage
(i) Consideration of the nature of the environment, both for many organisations and for the specific sector association with the organisation	General Consideration: <ul style="list-style-type: none"> • Change: fast or slow? • Repetitive or surprising future? • Forecast able or unpredictable? • Complex or simple influences on the organisation? 	General strategic conclusions: <ul style="list-style-type: none"> • Is the environment too turbulent to undertake useful predictions? • What are the opportunities and threats for the organisation?
(ii) Factors affecting organisations	PESTEL analysis and scenarios	<ul style="list-style-type: none"> • Identify key influences • Predict, if possible • Understand interconnections between events
(iii) Analysis of growth	Industry life cycle	<ul style="list-style-type: none"> • Identify growth stage • Consider implications for strategy • Identify maturity, overproduction and cyclicity issues
(iv) Factors specific to the industry: what delivers success?	Key factors for success analysis	<ul style="list-style-type: none"> • Identify factors relevant to strategy • Focus on strategic analysis and development

(v) Factors specific to the competitive balance of power in the industry	Five forces analysis (Porter)	<ul style="list-style-type: none"> • Static and descriptive analysis of competitive forces
(vi) Factors specific to the competitive balance of power in the industry	Four Links analysis	<ul style="list-style-type: none"> • Analysis of current and future organisations with whom co-operation is possible • Network analysis
(vii) Factor specific to immediate competitors	Competitor analysis and product portfolio analysis	<ul style="list-style-type: none"> • Competitor profile • Analysis of relative market strengths
(viii) Customer analysis	Market and segmentation studies	<ul style="list-style-type: none"> • Strategy targeted at existing and potential customers

Source: Adapted from Lynch, 2003:89

2.3.1.1 External and Internal environments

An external environment is a broad condition operating outside an organisation industry and markets (Ehlers *et al.*, 2010:136). The external environment tends to exert forces from outside the organisation's spheres of influence, and the forces are usually beyond its control (Louw *et al.*, 2006:172; Ehlers *et al.*, 2007, 2010:137-140; Pearce & Robinson, 2003; Venter, 2014). Changes in the external environment are important because changes tend to impact all organisations within an industry and sometimes also within the markets served by the industry. Such changes can bring about the birth or death of an entire industry and influence market expansion or contraction as well as determining the level of competitiveness within an industry (Louw *et al.*, 2006:173; Ehlers *et al.*, 2010:110; Chu *et al.*, 2007).

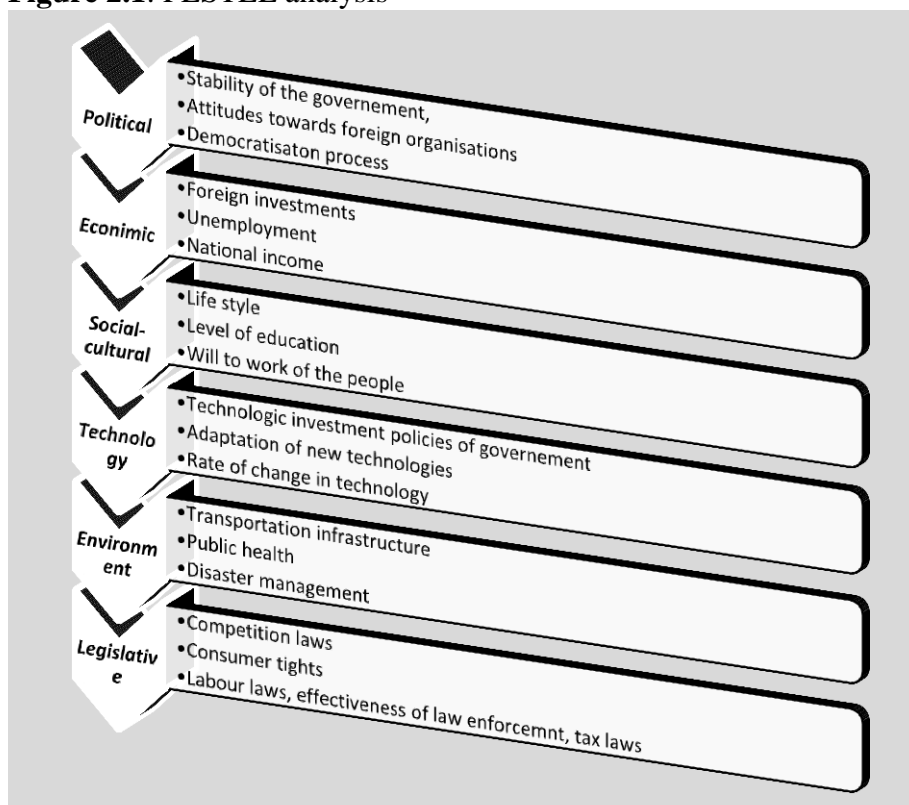
External environments play a very important role for firm. Social network/technology, government support, economy, politics and legality, usually called PESTEL, are the key strategic dimensions in the external environment for business success (Ehlers *et al.*, 2010:141; Regasa, 2014:284).

In developing areas, satisfactory government support has been shown to be important for small firms' success (Yusuf, 1995). In many instances, dealing with legal aspects has forced the SMEs to allocate significant amounts of financial resources due to bribery practices. Legal aspects are often also used in making operational decisions in order to ensure future business success (Mazzarol & Choo, 2003).

PESTEL methods can be used to explore the external environment to consider factors surrounding the business (Louw *et al.*, 2006:84). A PESTEL analysis is a framework that categorises environmental influences as political, economic, social, technological, environmental and legislative. According to Kiptoo & Mwirigi (2014:188), the PESTEL tool is used in the business to formulate strategies because it helps the organisation to identify the impact and effects of political, economic, social, technology, environment and legal aspects on its operations. Failure in using this method may cause the organisation to face difficulties of deprived gratification of the needs of the clients and stakeholders, poor performance and creating a negative image for the organisation (Kiptoo & Mwirigi, 2014:189).

PESTEL provides a general idea about the external environmental conditions and situation of a company. An external environmental factor that was historically less important to achieving the goals of a company might, therefore, become increasingly important today (Louw *et al.*, 2006; Ehlers *et al.*, 2010; Yüksel, 2012).

Figure 2.1: PESTEL analysis



Source: Adopted from Dincer, 2004; Ulgen & Mirze, 2007; Lynch, 2009 cited in Yuksel, 2012; Louw & Venter, 2006.

The business life cycle and/or product life cycle is a concept which is popular in business management. Ehlers *et al.*, (2010:223) highlight that where the business produces a product when product life cycle exists, the same must apply for the business (business life cycle). Louw and Venter (2010:230) highlight that there are no specific time frames applicable to the life cycle. Industry life cycle is defined as a supply-side equivalent of the product life cycle and also implies that the industry life cycle is of longer duration than that of a single product; knowledge dissemination plays a critical role in the industry life cycle (Ehlers *et al.*, 2010:224; Louw *et al.*, 2010:231).

The four stages of industry life cycle are as follows (Jones & George, 2003:161; Louw *et al.*, 2010:228):

- i. Introduction – in this stage, only early adopters who are potential buyers and clarification and education (awareness and encourage trial) on what differentiates the business from existing ones to customers is done. In this stage, an organisation's relationships with its suppliers, customers and distributors are likely to change quickly, thus, making it difficult to predict and control the environment;
- ii. Growth – the demand of the product/service begin to rise because quality and reliability are important and less price sensitive. The level of competition increases as competitors try to innovate and build strongly differentiated market positions. The profits emerge despite downward pressure on prices;
- iii. Maturity – in this stage, there is a mass market, occurrence of brand switching, little new trial and adoption, cost reduction and few changes or improvements to the product/service. The strategy may shift to cost leadership and Research and Development (R & D) strategies are very low. The competition is likely to turn to price cutting to achieve volumes. Customers have also developed brand loyalty and managers have good working relationships with distributors and customers; and
- iv. Decline – in this stage, customers are more experienced and know the product or service well; buying may depend on price rather than innovation and they may migrate to substitutes. The business strategy is cost controlling and may look to exit or to establish a strong position in niche markets. Pressure remains on profits as prices fall, and focus may shift to drastic cost reductions, causing competition to increase, and the most inefficient companies are driven out of the industry.

Lazenby (2014:141-142) epitomizes the Porter's Five Forces model as an important model in environment analysis. This model enables organisations to determine the attractiveness of the organisation's industry, and, by implication, the potential for profitability.

This scenario concerns a plausible view of business' (short, medium and long term) future and embraces the possibility of changes in a business. This is a detailed structured investigation of the business environment on its future and how the organisation might develop based on groupings of key environmental influences and drivers of change (Johnson & Scholes, 2002:107 cited in Louw & Venter, 2006:103; Thompson & Martin, 2005:197; Lazenby, 2014:143).

It must be recognized that some entrepreneurs and owner-managers define success in much more narrow terms than external stakeholders to the firm, the support infrastructure and the wider public. For them, success is internally defined and measured (Benzing, Chu & Kara, 2009). For example, the family business may have a very different success agenda that is understood only by the principal family members (Beaver, 2003:116; Carter & Jones-Evans, 2012:233). Therefore, if profitability and growth are to be regarded as the principal measures of small-firm success (i.e. wealth-creating firms), then there may well be generic factors which are transferable and which others would do well to observe.

Based on Beaver's (2003) findings, successful businesses recognise the importance of deploying strategic management and contemporary marketing practices and pay attention to their strategy in attaining competitive advantage. Amongst other reasons of small business' failure are finance issues, management, marketing, start-up capital, and strategic planning (Hall, 1992; Beaver & Jennings, 1995). Findings by Olawale and Garwe (2010) illustrate that SMEs contribute towards employment in the country; however, Beaver (2003) cautions that if business start-ups are a desperate response to unemployment, rather than based on sound principles and committed fashioning and management of competitive advantage, it is inevitable that many firms will fail.

Beaver and Jennings (1996) stated that mismanagement and abuse of positional power can destroy the business whereby there is autocratic decision making and lack of respect toward colleagues and employees. Beaver (2003) stated that the vulnerability of new businesses can

be explained in terms not only of the personal failings and dispositions of their key players but also of bad luck, poor timing and inadequate training and advice (Malhotra & Temponi, 2010). Being labelled a small business may convey the impression that such a business is unimportant (Longenekker, Moore, Petty & Palich, 2006).

However, the dynamics of the business environment suggest that the relative importance of influencing factors can flow in two key dimensions. First, over time, the variation in the general business environment will slightly change the mix of dominant influences that impact on the overall level of success within the economy as a whole. Second, circumstances of specific influences will adjust as the firm develops (Beaver, 2003). For any firm to remain in business over a given period, there must be a capability to adapt to changing circumstances.

SWOT analysis is another very powerful tool that helps organisation to address issues relating to strength, weaknesses, opportunities and threats within the firm. If this tool is used, it will help in understanding how the organisation can use its strengths to take advantage of the opportunities and how it can use strengths to overcome the threats that the organisation is likely to face; it can be used by the organisation to plan how to overcome several identified weaknesses and take advantage of opportunities (Kiptoo & Mwirigi, 2014).

The SWOT applies to both external and internal environmental analysis; it highlights the basis of raw material specific conditions in the business environment for environment analysis (Ehlers *et al.*, 2006:89-92). According to Petty *et al.* (2012:81), the business has to analyse its potential strengths and improve its weaknesses by examining its internal factors. It is also important to evaluate the business' own capabilities to pursue opportunities and overcome threats in constantly analysing external factors.

The external environment determines opportunities and the threats that may have an impact on the venture. The entrepreneur has little influence over how these factors may develop because they are external happenings in the environment. Factors to be considered include customers, competitors, economic patterns and trends, social factors, suppliers and intermediaries. The most promising opportunities are those that lead to others, promote the development of additional skills that equip the business to pursue prospects, and yet do not provoke competitors to strike back (Petty *et al.*, 2012:88; Nieman & Pretorius, 2004:61).

According to Burns (2011: 301) the SWOT process seeks to achieve an overlap between the business environment and the business resources. Furthermore, he articulates that the secret to business success starts with identifying a unique set of competencies and capabilities. This portfolio of resources can be combined in various ways to meet opportunities or threats. It is important to be brutally honest about yourself and your business to undertake a SWOT, meaning, business owners need to know the differences between their capabilities, competencies and what change is crucially needed (Burns, 2011:3.3; Petty *et al.*, 2012:89). Other researchers such as Philip (n.d); Nieman & Pretorius (2004); Indris & Primina (2015) indicate that when analysing the external and internal factor of the business, managers need to pay more attention to personal experiences, interests and passion, skills and unique capabilities which fall under internal analysis of the business and general environment, industry environment and competitive environment as external factors of the business.

2.4 CONTRIBUTION OF SMES IN SOUTH AFRICA

SMEs play a crucial role in almost all economies, particularly in developing countries such as South Africa (Fatoki & Garwe, 2010). Some of the contributions are:

- Economic prosperity (Fatoki & Garwe, 2010) and (The DTI, 2013);
- Employment (Kongolo, 2010);
- Driver for growth and innovation (Teng, Sajid, & Bhatia, 2011:64); and
- Sustainable livelihoods (The DTI: 2013)

2.5 SOUTH AFRICAN GOVERNMENT INVOLVEMENT

Challenges faces by both formal and informal traders call into the question the effectiveness of the state in assisting local economic activities (Ndletyana *et al.*, 2013:11). The KwaZulu-Natal Provincial Growth and Development Plan (PGDP) was constructed to attend and advise on issues related to seven (7) strategic goals, which are:

- Job creation;
- Human Resource Development;
- Human and Community Development;
- Strategic Infrastructure;

- Environmental Sustainability;
- Government Policy; and
- Spatial Equity.

This constructive document addresses the enormous challenge of economic growth, unemployment, and poverty (KZN-PPC, 2013:12). In the Commission of Inquiry into KZN-PGDP (2013:40), it is stated that KZN has a low rate of start - up of small enterprises and a low rate of success for small enterprises.

Therefore, to address the challenge, the PGDP Strategic Objective 1.4 aims to promote SMME and entrepreneurial development (PGDP, 2013:40); promotion of small enterprises increases economic participation and generates employment.

According to the Commission of Inquiry into KZN-PGDP (2013:40), the low rate of success for SMEs is due to factors such as lack of business management, financial and technical skills, marketing, general lack of economic opportunities and insufficient growth and stability of SMEs entities. Therefore, a need for mentorship programmes for the owners of SMEs is vital in the formative stages and/or an on-going support of their business to adapt in the business environment in order to attend to challenges in their business achievements.

Intervention 1.4.c: (Capacity building and Mentorship Support for small enterprises) Commission of Inquiry into KZN PGDP (2013:43) states that well-structured mentorship programmes have since resulted in reduction of business failure and empower sustainable operations. Business support agencies, chambers of commerce, professional associations and/or tertiary institutions can be rescuers for the programmes.

According to the Commission of Inquiry into KZN-PGDP (2013:44), the proposed KZN Small Enterprise Academy and Institute of Small Enterprise Development Practitioners will activate mentorship programmes. The development of such support involves the intention of providing continuous entrepreneurial training, education and development to small enterprises and formalising and professionalising the field of small enterprise development and business advisors. Furthermore, insurance in the provision of mentorship and incubation

support to aspirant, emerging and existing small enterprises and development of standards with regards to accreditation ethics, code of conduct, and training is vital.

The Commission of Inquiry into KZN-PGDP (2013:44) advocated an assistance and support in order to develop and grow local small enterprise and ensure that there is sufficient local capacity to undertake the interventions, so the provincial government will provide the required support for the SMEs.

The KZN Department of Co-operative Governance and Traditional Affairs (KZN-COGTA) under the Local Economic Development (LED) Unit of the Planning and Development Branch is “responsible for the implementation of initiatives that act as catalysts for further development and initiatives that will create job opportunities and open up potential for further investment” (COGTA, 2015:9)

The departmental Annual Performance Plan (APP) 2015/16 is aligned with KZN-PGDP whereby LED deals with objective three (3) of the KZN-PGDP which addresses the promoting of SMMEs, Entrepreneurial and Youth Development (COGTA, 2013:9). The 2015/16 APP (COGTA, 2015: 105-108) asserts that strategic goal three (3) is aimed at increasing economic opportunities; the Unit is required to action the goal by providing support to informal economy initiatives and Implementation of Local Economic Development projects in line with municipal LED strategies (for both formal and informal sectors to ten (10) District municipalities and one (1) Metro, which includes ILembe District Municipality where the study took place).

The development and implementation of the National Informal Business Upliftment Strategy (NIBUS) has been through an extensive consultation and engagement process with various stakeholders, including provinces, municipalities, agencies, chambers, sector departments, Treasury, ESEC, MNMEC, NEDLAC and specifically COGTA and SALGA at national level. Other stakeholders include donors, national funding institutions, intermediaries, service providers, the private sector, informal business organisation and civil society. NIBUS seeks to (The DTI, 2014):

- a) Uplift informal businesses;

- b) Render support to local Chambers/businesses associations and municipal LED offices to deliver and facilitate access to upliftment programmes in townships and rural areas of South Africa;
- c) Speeding up growth and transforming the economy to create decent work and sustainable livelihoods through inclusive growth; and
- d) Supporting enterprises in order to create more jobs and greater contribution to the country's Gross Domestic Product (GDP).

The informal economy has been identified as critical in addressing the key development goals of the Government, namely sustainable livelihoods (poverty), job creation (unemployment) and equality (inequality); therefore, the study specifically targeted entrepreneurs in the informal economy.

2.6 A COMPARATIVE ANALYSIS OF CRITICAL SUCCESS FACTORS AFFECTING LOCAL AND FOREIGN OWNED BUSINESSES IN THE NDWEDWE AREA OF KWAZULU-NATAL.

With employment opportunities in large enterprises shrinking, hopes have focused on the job creating potential of SMEs which form part of the formal and informal economy. Various constraints exist which prevent SMEs from reaching their full potential (Nigrini & Schoombee, 2002). There are a number of reasons why the informal sector should be targeted and promoted amongst which are job creation for the unemployed and work as a catalyst for economic growth (Venter, 2014:27; Regasa, 2014; Sefiani, 2013). A large proportion of participants in the informal sector are, therefore, engaged in elementary work which does not require a high level skill (Nkosi *et al.*, 2015).

Dr. Z. Mkhize in the 2008 Annual Small Business Summit accentuated that it is important for SMEs to be focused upon and supported because they create employment opportunities, and this should be part of a business culture (Ntuli, 2008:14). In schools, educators need to encourage the youth's involvement in business and be provided with skills that would equip them for the business world so they are independent and could help create jobs. Dr Mkhize advised SMEs owners to collaborate and work together towards success. Crucial points standing in the way of SME success, according to Laymen (Pietermaritzburg Chamber of Commerce & industry) and Nomafu (Khula Finance) include lack of entrepreneurial

education, lack of business skills, shortage of resources and finances and the attitude; attitude and passion are the most important factors for small business development (Ntuli, 2008:14-15). According to Ndletyana *et al.* (2013), informal traders must be encouraged to mobilise themselves into effective organisations. This will not only give them numerical strength, but will also draw in various forms of expertise and competence they can utilise towards their objectives.

This study comparatively analysed the success and failure influences affecting South African owned and non-South African owned SMEs in the Ndwedwe, KwaZulu-Natal.

Furthermore, the research focused on the factors/characteristics/management abilities that are required to operate the SME which enable or disable the SME to survive and succeed or fail in the business domain. A significant contribution to the enhancement of the growth potential of a business is made through the analysing of these factors. According to the researcher, no study exists on success factors affecting local and foreign owned business has been conducted before within the Ndwedwe municipality jurisdiction and other surrounding municipalities which include: UMshwathi Municipality, Umvoti Municipality, Umlalazi Municipality and Northern region of EThekweni Metro.

2.7 CONCLUSION

The chapter reviewed various views put forward by different scholars concerning success factors affecting South Africans-owned and non-South African-owned SMEs. Literature on the success factors, KPAs, KPIs, failure factors and other literature which can be very important when running a business were used. This chapter also looked at some studies conducted on immigration and SMEs which are operated by non-South African and South Africans triggered by the violence that occurred beginning of 2015. The next chapter is devoted to the research methodology.

CHAPTER 3

RESEARCH DESIGN & METHODOLOGY

3.1 INTRODUCTION

This chapter deals with the research methodology of this study and includes a description of the population, sample, sampling methods, data collection, reliability and a detailed description of the measuring instrument. Babbie and Mouton (2008:75) state that research methodology focuses on the research process, tools and procedures to be used, focuses on the individual steps on the research process and the procedures to be employed. This chapter discusses the research methodology and processes used to achieve the objectives of this study. According to Bergh and Theron (2003:21), a research design means populating an attentive and comprehensible strategic plan to conduct a particular research project for the purpose of discovering relevant and valid findings.

In this study, qualitative research using phenomenological approach was employed to scrutinize the comparative analysis of critical success factors affecting local and foreign owned businesses in the Ndwedwe area of Kwazulu-Natal. According to Maxwell (2013:viii), qualitative research helps for a better understanding of the meanings and perspectives of informants based on their experience and point of view rather than the one of the researcher. The nature of comparative analysis on critical success factors affecting local and foreign owned businesses also required the researcher to use qualitative research methods for adequate understanding on the experiences of the informants, as the qualitative method gives depth and detailed information, as reflected in figure 3.1 below.

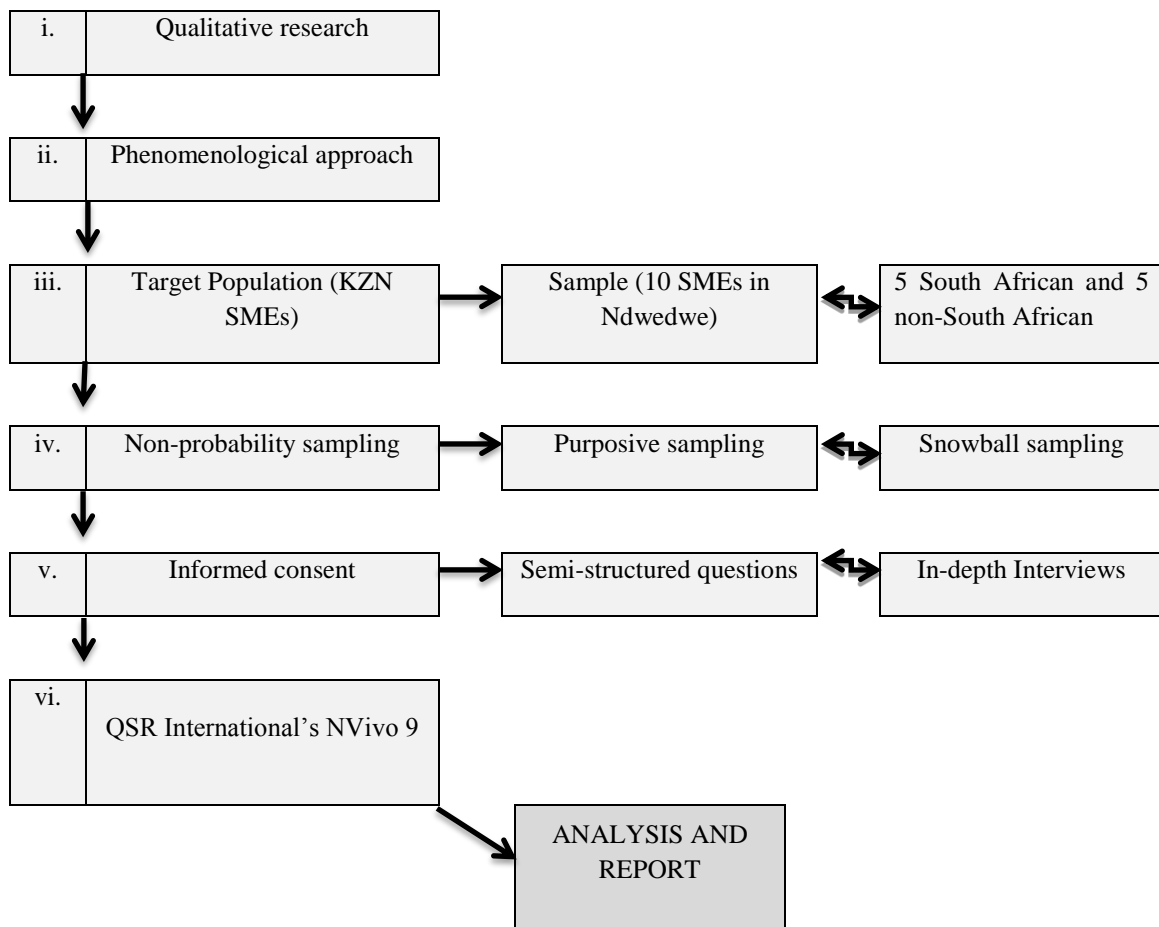


Figure 3.1: Structure below indicates the design of the research

3.2 OVERVIEW OF RESEARCH PROBLEM AND OBJECTIVES

Ndwedwe is a rural area in which most people rely on self-employment (starting small business) to look after their families and as a source of income. The Department of Small Business Development (2014) reported that small businesses contribute to 43% of the total value of salaries and wages paid in SA and 56% employment. However, Ndwedwe SMEs also contribute to the 63% failure rate for many small businesses within SA which do not make it past the growth stage (Roberts, 2010:83).

Despite the high contribution of SMEs towards SA economy, some percentage contributes to the failure rate; it then becomes vital to research the factors/traits/administration abilities required to enable these SMEs to survive and progress to the growth phase of the organisational life cycle (Roberts, 2010:85). This research sought to equivalently access the

successes and failures of SMEs owned by South Africans with those owned by non-South Africans in Ndwedwe, KwaZulu-Natal. Furthermore, the research focused on the factors/characteristics/management abilities required to operate the SME that enable or disable the SME to survive, succeed or fail in the business environment. This study intended comparing success and failure factors of locally owned SMEs with those of foreign owned SMEs in the Ndwedwe area in Kwazulu-Natal.

Below is the overview of the aim and objective this research anticipated to achieve. This section gives an overview of the aim and objective(s).

3.3 RESEARCH APPROACH

Successively critical success factors of SMEs are such a pervasive phenomenon in society since everybody knows somebody who has owned an SME which succeeded or failed in the area; there is a real danger of “taking for granted” that the cause of this are known or rather similar (Bello, *et al.*, 2014:53; Kozani *et al.*, 43-45; Obasan, 2014:168). This is a false generalisation because there is some quantitative understanding of the success factors (types of management style, measurements of total annual revenue of the businesses, and the marketing approach used) does not mean that a qualitative understanding of the phenomenon exists. There is no answer to the question: what exactly are the experiences of the SME owners in their day-to-day business?

The researcher looked into a comparative research of the success factors affecting local and foreign owned SMEs. In order to comprehend the perspectives and experiences (Bloomberg & Volpe, 2008:65) of the SMEs, this research was conducted through applying a qualitative discipline whereby a phenomenological approach was exerted to elucidate direct experiences (Seidman, 2013:11-13) of the local and foreign-owned SMEs of Ndwedwe regarding critical success factors affecting their businesses. Qualitative research aims at describing and understanding the human actions and behaviour (Babbie & Mouton, 2008:270) in order to identify some success factors that might be different from those that are known and also some more fundamental reasons of failure and success within these SMEs in the area of Ndwedwe;

that is, are the success factors of South African SMEs the same as non-South African SMEs in Ndwedwe?

The qualitative research was employed to provide complex textual descriptions of how and why people experience a given research issue (Bloomberg, 2008:65). Qualitative methods aim to answer questions about the ‘what’, ‘how ‘or ‘why’ of a phenomenon (Patton & Cochran, 2002:68).

Qualitative methods are also effective in identifying intangible factors and to obtain stories based on lived experience (Seidman, 2013). According to Welmanb *et al.* (2010:193) and Babbie *et al.* (2008:273) qualitative research makes use of methods such as case studies, ethnographic studies, phenomenological studies, life histories, and case studies. Patton and Cochran (2002) explained qualitative methods as methods (in general) which generate words, rather than numbers, as data for analysis.

According to Seidman (2013:11-13), the cons of qualitative research are that it is time consuming, expensive, and labour intensive, and the pros includes 1) powerful way to gain insight in educational and other important social issues through understanding the experience of the individual whose lives reflect those issues; 2) as a method of enquiry, interviewing is most constant with people’s ability to make meaning through language; 3) affirms the importance of the individual without denigrating the possible of community and collaboration; and 4) deeply satisfying to researchers who are interested in others’ stories.

Table 3.1: Qualitative and Quantitative methodologies

Methodologies	Qualitative studies	Quantitative studies
Approach to the setting	<ul style="list-style-type: none"> • Natural settings • Whole context 	<ul style="list-style-type: none"> • Controlled settings • Selected samples
Aims of research	<ul style="list-style-type: none"> • Thick Descriptions • Interpretive understanding 	<ul style="list-style-type: none"> • Quantitative descriptions • Explanation and prediction
Research strategy	<ul style="list-style-type: none"> • Inductive • Contextualising (idiographic) 	<ul style="list-style-type: none"> • Hypothetico-deductive • Generalising (nomothetic)
Notion of objectivity	Inter-subjectivity: gaining trust and rapport in order to get as close as possible to	Natural science definition: maximum control over extraneous factors.

	subjects/trustworthiness and credibility.	
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Source: Adopted from Babbie, & Mouton (2008:273)

The qualitative methods assisted the researcher to gather the information which was not limited to close-ended question as the respondents expressed their own views and experiences from their businesses’ failures and successes. In a telephone conversation on 22 April 2015, the Head of ILembe District Municipality Disaster Management Centre, Mr Ngubane, highlighted that SMEs in Ndwedwe rural area have not yet experienced the xenophobic attacks which started early in 2015. This also assisted in making reviews on how business owners survived from these and, moving forward, how they will create good relations (South African and foreigners).

3.4 RESEARCH DESIGN

According to Babbie *et al.* (2008:74) research design is an action plan of how the researcher intends to specify the methods and procedures for conducting the research. It focuses on the end-product and on the logic of research. The research design is where you name and discuss the overall approach you will use to test your thesis statement (Hofstee, 2011:113). According to Zikmund and Babin (2010:64) and Malhotra (2010:42) cited in Geel (2014:59) the purpose of a research design incorporates discovering possible answers to the research problems and providing the information needed for decision-making.

Welman, Kruger and Mitchell (2010:52) define a research design as a plan according to which research participants are obtained and information is collected from them. The data will be collected using in-depth individual and interactive interviews. Empirical questions collect new data and analyse existing it (Babbie & Mouton, 2008:75) wherein semi-structured questions are used as an instrument. An exploratory enquiry was conducted to comparatively discover critical success factors affecting local and foreign owned businesses in the Ndwedwe area of Kwazulu-Natal in this study.

Babbie *et al.* (2008:79-80) explain that exploratory research satisfy the researchers’ curiosity and desire for better understanding, test the feasibility of undertaking a more extensive study, develop the methods to be employed in any subsequent study, explicate the central concepts

and constructs of a study, determine priorities for future research and develop new hypotheses about an existing phenomena. The exploratory study involves use of in-depth interviews, the analysis of case studies and the use of informants.

3.5 POPULATION and SAMPLING

Population refers to a group of individuals with certain specified characteristics to which the researcher would like the results of a study to be engendered (Fraenkel & Wallen, n.d); Babbie & Mouton, 2008:84). A sample is explained as the group from which information is obtained. Therefore, the population for the study was SMEs in KwaZulu-Natal, and the sample comprised ten (10) SMEs with five (5) being SMEs owned by South Africans and five (5) owned by foreigners in Ndwedwe area.

Sampling can be defined as the selection of observations to discover the accuracy of the estimates (Babbie *et al.*, 2008:165). There are two types of sampling methods, probability samples and non-probability samples. Probability samples, as stated by Welman *et al.* (201:56), are used for identical populations, and any element or member of the population will be included in the sample; examples are simple random samples, stratified random samples, systematic samples and cluster samples. On the other hand, a non-probability sampling element or member has no guarantee of being included, and this sample is frequently used for reasons of convenience and economy; examples of non-probability sampling are: accidental, quota, purposive, snowball, self-selection and convenience sampling.

The scope of the study was determined from data collected from participants (SMEs) SME owners in Ndwedwe area who were likely to generate useful data for the project, these participants were selected purposively using a purposive sampling (non-probability). Due to difficulty in identification of foreigners who own SMEs, snowball sampling was used to identify all the participants who own SMEs but who are non-South Africans. The primary reasons of the study to employed two different types of non-probability of sampling techniques were based on the following:

- Recognition of know SMEs in the area, hence purposive sampling was applied;
- Poor intricacies to characterise or distinguish a non-South African from a South

African hence snowball sampling was used;

- Taking consideration of the aspects of the sample of the study (i.e. operation duration of the SME), thus, purposive sampling was used; and
- The quest to get information from different foreign Nationals' SMEs, therefore snowball sampling was applied.

In this study, the purposive sampling method was selected for the study because it is very useful for situations where there is a need to reach a targeted sample quickly (Bloomberg & Volpe, 2008:86-88). This is because purposive sampling allows the researcher to select informants based on an important characteristic under study (Onwuegbuzie & Leech, 2007). Moreover, thick description and purposive sampling are strategies of the notions of objectivity for qualitative research transferability (Babbie *et al.*, 2008:277).

There was no existing database of SMEs owned by foreign nationals from the municipality (Maphumulo, 2015) where the study was conducted. Therefore, as mentioned above, snowball sampling was also used for the purpose of reaching targeted informants with depth, knowledge and extensive experience in the SME field in the area of Ndwedwe. Snowball sampling refers to a process asking for referential to informants whom participants happen to know and believe to be the most influential for the information being tested (Babbie, 2008:167)

Not all the SMEs owner within the community of Ndwedwe were part of the sample because, with purposive sampling as it was not necessary to collect data from everyone in the community in order to get valid findings, since only a sample of the population was expected to yield rich data (Onwuegbuzie & Leech, 2007).

Onwuegbuzie and Leech (2007) highlight that sample sizes in qualitative research should not be too large that it is difficult to extract thick and rich data. At the same time, as noted by Onwuegbuzie and Leech (2007), the sample should not be too small that it is difficult to achieve data saturation (Flick, 1998; Morse, 1995), theoretical saturation (Strause & Corbin, 1990), or informational redundancy (Carter & Van Auken, 2006). Therefore, ten (10) SMEs were interviewed and divided into two categories: SMEs owned by South Africans and SMEs owned by foreigners within the Ndwedwe area. The reason for this was to observe if

nationality or the origin of the owner serve as a variation to the SME business operation experience.

3.6 RESEARCH INSTRUMENT

To explore in detail the respondent's own perceptions, experience and accounts in context (Bricki & Green, 2007:11) in-depth interviews were conducted whereby question such as; what were your motives when starting this business?; tell me a bit about your business; tell me how you evaluate your objectives, mission and vision for your business; how did you decide which area your business will be located?; what factors do you perceive as the ones that can and/or have cause a success for a business?; think about all your strengths, weaknesses, opportunities, threats on the daily basis operating your business, what are factors do you think can cause and/or prevent failure for your business?; what is your formal background (education and training); do you have any business relationship with other business around the area?. The interviews were recorded and transcribed *verbatim* (this means their original unedited utterances were recorded and presented). In addition to this, notes were made to accompany the recording.

3.7 DATA ANALYSIS AND INTERPRETATION OF RESULTS

According to Babbie *et al.* (2008:490), qualitative data analysis refers to a data that was gathered using qualitative techniques. Secondary data was collected and primary data was accumulated; Welman *et al.* (2010:213) define secondary data as information collected by consulting other analysed reports or information on the topic and primary data as new information collected either by means of interviews and reviews.

Seidmain (2013:16-19) identifies four phenomenological themes that provided the rationale for the structure adopted and the interview techniques used in this study, namely:

- i. Phenomenon theme 1 – the temporary and transitory nature of human experience (focus on the human experiences of participants and the meaning they make of that experience);
- ii. Phenomenon theme 2 - whose understanding is it? Subjective understanding (focus on participants' point of view of their experience);

- iii. Phenomenon theme 3 – lived experiences as the foundation of phenomena (focuses on the lived experience of human beings, made out of the many constitutive elements that are part of informants’ experiences that flow together, undifferentiated while in the stream of action); and
- iv. Phenomenon theme 4 –emphasis on meaning and meaning in context (approach of interviewing emphasising on the importance of making meaning of experience and attempting to enrich lived experiences by mining their meaning).

To ensure data quality, four steps were taken. Firstly, initial interview questions were pre-tested with a sample of five business owners (non-participants) who fitted the same profile as those who were going to be interviewed in the main part of the research. For the reason that only few business owners (non-participants) were willing to commit their time to have an interview, the researcher took into consideration the critical path method in achieving the task on time. Hence, loss associated with time and costs were quantified. The data collected was useful in accordance with its profundity, thus, accomplishing the purpose of pilot testing.

Secondly, to ensure credible data, all interview data were recorded and transcribed *verbatim* within 24 hours. Thirdly, after transcription data, participants were emailed a copy of the transcription to verify whether this was accurate, as per the interview. Finally, before and during the study, reflexivity was conducted to safeguard objectivity and avoid researcher bias (Lewin, Taylor & Gibbs, 2005); this was done to ensure sensitivity with regard to how data is collected, analysed and represented (Mays & Pope, 2000). In doing so, comprehensive notes were taken at all key stages of the research for additional depth and quality.

The interviews were exported into QSR International’s NVivo 9, a data analysis and management software package used when dealing with a lot of text, graphic, audio and video data (Reuben & Bobat, 2014). A data analysis procedure based on three levels of meaning-making was used (Chinyamurindi, 2012; McCormack, 2000).

Table 3.2: Data analysis procedure

Level of meaning-making	Description
1	Each interview is written as a brief vignette. Thereafter, each vignette is

	then developed into a longer narrative about each participant.
2	Narrative themes are then conveyed by participants and their experience of career development. Thereafter, preliminary themes are then compared across participants.
3	An analysis of the themes from cross-case comparison begins and illustrating quotes and stories used.

3.8 CONCLUSION

The chapter began by outlining this study's objectives, as stated in chapter one. The research design was also described. The chapter explored sampling and the research instruments used for data collection and also outlined the data collection methods used for both primary and secondary sources. The findings of this research are highlighted in the next chapter (Chapter 4) whereby data collected is analysed. The research instruments were constructed to meet the objectives of the study, and all the instruments used were examined to ensure adherence with the code of ethics formulated by the University.

CHAPTER 4

PRESENTATION OF THE RESULTS

4.1 INTRODUCTION

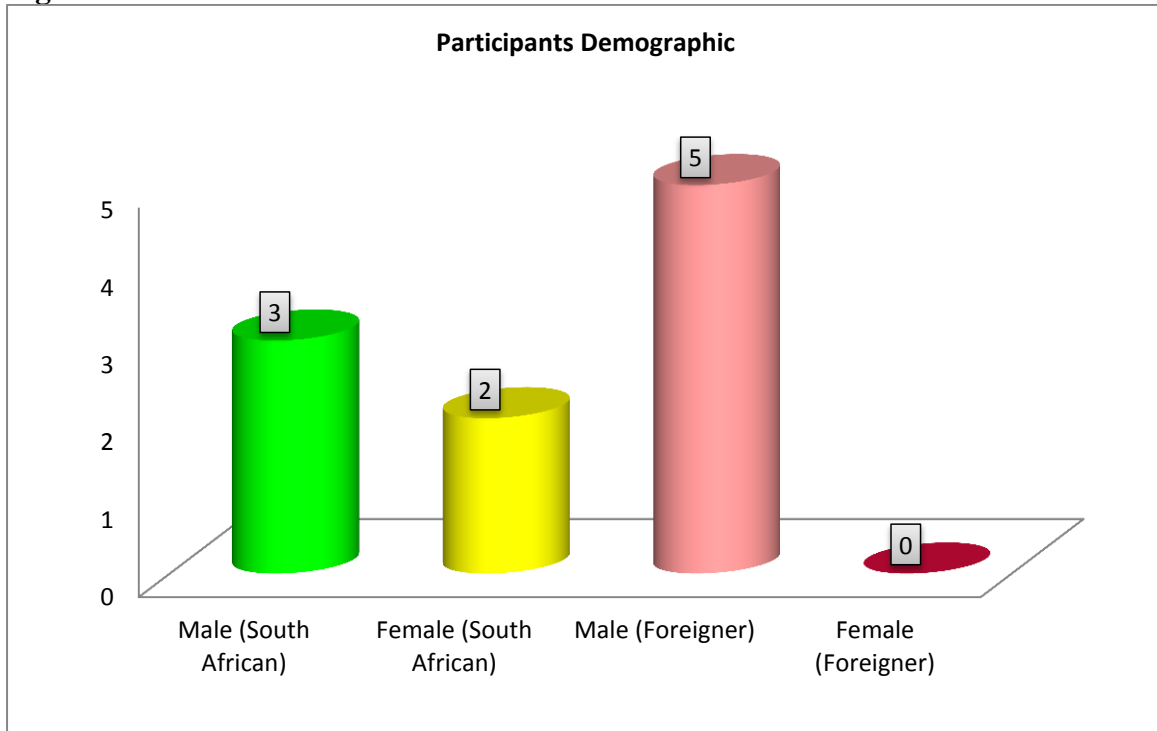
This chapter presents the results of the study. The overall aim of this research was to comparatively analyse the success and failure influences affecting SMEs for local-owned and foreign-owned businesses in Ndwedwe, KwaZulu-Natal. The researcher performed a comparative research of the success factors affecting local and foreign owned SMEs to examine patterns of similarities and differences across a number of cases (Charles, 2014), thus identifying success factors relating to local and foreign SMEs.

The scope of study was determined from data collected from participants (SMEs) in Ndwedwe area who were likely to generate useful data for the project; these were selected purposively using a purposive sampling (non-probability). For ease of identification of foreigners who own SMEs, the snowball sampling was used to identify all the participants who own SMEs but who were not South Africans.

Thematic analysis, which is a commonly used method of analysis in qualitative research, was used to reduce texts to codes that represented themes or concepts in order to capture the complex meanings within a textual data set (Guest, MacQueen & Namey, 2012). In this, there were three themes which are: theme 1 - 'the underlying motives of starting a business enterprise'; theme 2 - 'the nature of business environment and theme 3 - 'the necessity of formal or/and informal education in running a business'. The themes were generated from data which was collected using key questions as follows:

- a) What was/were your motive to start this business?
- b) What do you consider as success factors specifically within the SMEs sector?
- c) What do you consider as failure factors specifically within the SMEs sector?
- d) What is you SWOT ANALYSIS?
- e) What is your educational background?

Figure 4.1



Key coding

Respondent – R

South Africans – SA

Foreigner – F

4.2 PRESENTATION OF RESULTS

Intended for the uniqueness of this study, the participants were drawn from Ndwedwe area specifically small-medium enterprises owners. Since this was a comparative study, two different groups comprising of five (5) cases each, were selected to cross-examine the differences and similarities of the cases concerning the study. In-depth interviews were conducted through five structured questions. The thematic approach was used to analyse data; upon analysis of the data, three themes emerged as critical success factors affecting local and foreign owned businesses: (1) the underlying motives of starting a business enterprise, (2) the nature of business environment and (3) the necessity of formal or/and

informal education in running a business. Table 4.1 below shows a clear picture of the type of respondent, tool and manner in which data was collected including participants of the study.

Table 4.1: Outline of participants for Qualitative research

Type of respondents	Question	Themes	Tools	Number of participants
Ndwedwe small –medium enterprise owners (South Africans and Non-South African)	What was/were your motive when starting this business?	The underlying motives of starting a business enterprise	In-depth Interviews	10
	<ul style="list-style-type: none"> • What do you consider as success factors specifically within SMEs sector? • What do you consider as failure factors specifically within SMEs sector? • What is your SWOT ANALYSIS? 	The nature of business environment	In-depth interviews	10 (9) 10 (8) 10 (9)
	What is your educational background?	The necessity of formal or/and informal education in running a business	In-depth interviews	10 (6)

In thematic analysis, data coding is the most fundamental activity leading to formulation of theme. Theme one (1) emerged on cases regarding the question ‘what was/were your motives when starting this business’. The majority of the respondents (both South Africans and foreigners stated they wanted to make money/profit). It is noted that the profit they wanted to gain was for different disbursement for South Africans and foreigners, some for family responsibilities, some for personal responsibilities and some for social responsibility. Theme two (2) emerged for the questions such as ‘what do you consider as success factors specifically within SMEs sector?’ ‘what do you consider as failure factors specifically within SMEs sector?’ and ‘what is your SWOT analysis?’ The straight forward question, for instance, ‘what do you consider as success/failure factors specifically with SMEs sector?’ was for the researcher to understand if the participants know their accomplishments and whether there is any vision and objectives that they are trying to attain. It also sought to determine their willingness to see the bigger picture of the businesses they are running,

investigate if SMEs in the area are aware of the factors threatening and/or benefitting their business, because then if they know, it is better to deal with known issues. Awareness is an important factor because the SME owner is mindful, and even when the business fails, the owner will determine where it all went wrong and fix it to tighten on those factors they consider as positively contributing to the business.

In aspiring to understand the level of education the SMEs in Ndwedwe area possess, theme three (3) emerged from data consolidated from a question ‘what is your educational background’. According to the researcher, the respondents were not very much comfortable with the question, and some even ignored the question and instead, answered on the skills they have such as self-taught financial management, change management and people management skills. Table 4.2 is exemplifying the details behind the themes established.

Table 4.2: Illustrating quotes of main themes

Initial codes from data analysis	Main themes from analyses initial codes	Meaning of the identified theme	Example quotes
Extra income, making money, profit, money sacrifices, lots of money, fast money, sustainable living, greediness.	The underlying motives of starting a business enterprise	Business owner need to have a strategic plan when starting the businesses with deferent motives and objectives.	<ul style="list-style-type: none"> • ‘My objective was to make money and support my family back home. I came here to find ways of making money because where I come from there are few opportunities. Therefore starting this business was the only opportunity I had to make money because since I have low level of education it was not easy to find a good job’ (R-8, Malawi) • ‘I needed an extra income and I’m preparing form my retirement as I only have 6 years before I retire’. (R-3 – South African) • ‘Ukuthwala (money sacrifices), some of these business owners will do sacrifices just for their businesses to be successful and have lot of money...’ (R-10 – South African)
Theft, competitors, witchcraft, pricing, credits, customer behaviour, law enforcement, illegal immigration, community infrastructure, community economy.	The nature of business environment	Each community has its own unique factors contributing to the day-to-day business environment. An individual business also is affected by the community unique factors (external factor) accompanied by internal factors of the business.	<ul style="list-style-type: none"> • ‘...theft, poor road infrastructure, it really does have badly impacts on the vehicles since we have to take the car for service often, natural disasters and witchcraft...’ (R-7 – Mozambique) • ‘My pricing is my opportunity because people by here, if my competitors are selling at R3.00, I’m at R2.80 so you know people especially old people they will be happy because they get change no matter how small’. (R-1 – Ghanaian) • ‘...to help people in creating job opportunity and fight poverty because I know some of my employees are bread winners...’ (R-9 – Somalia)
Financial management, creativity, experience,	The necessity of formal or/and informal education in	Education is important but education can be formal (diploma,	<ul style="list-style-type: none"> • ‘...ask for help when you need it, you must not have pride...we focus on business...so we make the best out of business operations all day every day, other than South Africans they have full time jobs and

hardworking, partnership, planning, business upgrading/change, supply and demand, marketing management	running a business	degree, certificate) that is acquired from school or informal (experience, trial, error, hard bumps) which is self-taught but not every successful business person has a formal education.	<p>business so they are not fully dedicated to their businesses.’ (R-6 – Ethiopian)</p> <ul style="list-style-type: none"> • ‘...my parent couldn’t afford to take me to high school so I drop out and started selling on the street ...you wake up, you need to go out and work hard in order for you to bring food home...their business fail and we continue with business (experience and hard work).’ (R-8 – Congo)’ • Most business fail because people don’t have vision and mission’ (R-3 – South African)
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In terms of the motives of the businesses, it appeared that as much as profit is one of the underlying motive of starting their business, it was also discovered that the business owners who balanced their responsibilities while making profit had the most growth in their businesses. In this manner, it was determined that they have societal responsibility, family responsibility and personal responsibility. They gain support from customers because they contribute to poverty reduction and community economic growth. Table 4.3 indicates some of the verbatim (unedited) quotes where foreigners and South Africans articulate balancing their responsibilities while achieving their money/profit gaining motive.

Table 4.3: Summary on the underlying motives of starting a business enterprise

Questions	South African	Foreigner	Theme 1 - The underlying motives of starting a business enterprise
What was/were your motive when starting this business?	Make money and create job opportunities (societal responsibility/)		
	<i>‘To make money...create jobs for unemployed.’ (R-4)</i> <i>...my business is of a good value to the community and to my employee...’ (R-5)</i> <i>‘...only one shop was available so if they don’t get things on that shop they will not get it anywhere so I started a shop here to help people.’ (R-2)</i>	<i>...To help people in creating job opportunity and fight poverty...making profit and give back to others... (R-9)</i>	
	Make money and look after families (family responsibility)		
	<i>‘To make money and leave the life that I always wish I had when I was a kid.’ (R-4)</i>	<i>‘...to make money to look after my family in South Africa and my parents and siblings...’ (R-7)</i> <i>‘...to make money and land support my family back home.’ (R-8)</i>	
	Taking advantages of business opportunities (personal responsibility)		
	<i>‘It has been my dream to have a business’ (R-10)</i> <i>‘I needed an extra income...I saw an opportunity within this community because as much as we have shops around but they are not fully stocked.’ (R-3)</i>	<i>‘...to look for other opportunities that can give a sustainable living...’ (R-1)</i> <i>‘South Africa is a good country to do business, people here can afford to buy things...’ (R-6)</i>	

4.2.1 Theme 1 - The underlying motives of starting a business enterprise

The data shows that majority of businesses in Ndwedwe area are established to earn profits which then makes it a primary motive of starting their businesses, but the reality is that profits are good for the survival and growth of business enterprises. Earning profits in the business provides stimulus to the business operations and activities. However, business should not have an objective of maximisation profit because this leads to exploitation of consumers and shortcuts in running of business.

An individual may have his or her own motive of starting a business and for this study, each of the respondents were asked about their motives of starting their businesses because before starting a business, one needs to plan and be definite about one's motive. Upon thematic analysis, the motives were summarised in three categories which concludes that within this area, motive a) is to make money and create job opportunities (societal responsibility), b) is to make money and look after the family (family responsibility) and c) is taking advantage of business opportunities (personal responsibility).

As per Table 4.3, foreigner and South African business owners within Ndwedwe area know the community's economy and poverty and aim to assist in creating jobs because as Ndwedwe area is rural, most dwellers depend on job opportunities that are closer to their homesteads to look after their loved ones/families, specifically children.

"In this community there are lots of young people who are unemployed hence I can see that I contributed since I also created job opportunities" (R-3 – SA)

"...she is a bread winner with six kids at home to provide for..." (R-5 – SA)

"I wanted to contribute to job creation...and fight poverty. "...giving back to others because in my business annually I help Non-profit Organisations with donations" (R-9 – F)

"...In communities people are not the same, some can afford some don't afford so, you need to spend on those people giving to the needy and helping the poor..." (R-2 – SA)

All family breadwinners take serious action when it comes to family responsibilities. As Africans, growing up as a child, you are taught (especially males) to look after the family, and

you are not taught to consider the age of the dependents because assisting the family is more like a culture. Therefore, the SMEs contribute by creating job opportunities in the area of Ndwedwe.

“My objective was to make money and support my family back home”. (R-8-F)

“...people who come from other countries, those people work hard and they help each other, they share things...” (R-10 – SA)

“...Teaching children at younger age to run the business so that even if I’m away or die I know my children will take care of things helping their mother”. (R-1 - F)

“...We have families back home, we are here to work, make money and send back home because business here in South Africa is 100% good. ...when we fail our brotherhood, when we stop helping each other, we won’t make it here in South Africa...so where do you stay?...I stay with my brother in the backroom (tuck-shop backroom)”. (R-6 - F).

Considering social responsibilities and family responsibilities when running a business is most important because you have assurance of support from the community and from the family. Within these responsibilities, the significance of personal responsibility positions itself depending on personal desires for each person individually.

Running a business is about dedication and knowing what you want, and in doing so, allowing yourself to make and take decisions that will assist you in achieving a desired goal. The findings reveal that foreigners and South Africans differ in terms of financial management, dedication, acquaintance and perseverance to their businesses, yet in both groups, the motives are mostly the same (making profit). Profits are good for the survival and growth of business enterprises hence leading to success, but the success rate of businesses of both groups differ whereby foreign owned businesses show leading growth.

“...you know saving is very important, unlike people here in South Africa they like expensive life. With my savings I saw an opportunity and started tuck shop here...so you have two businesses? ... (Smiles) no I have four in deferent places”. (R-1 - F)

“I want to grow in business because even Shoprite started somewhere down here...I believe in idea sharing and I have made so many associates in the business industry.” (R-9 - F)

“I started a pot business with other Mozambiquean brothers, we use to make 3 leg pots (different sizes) and go door to door selling those pots, the business was going well, until there was a development within the area where we were operating.... I than met a woman, we got married and started this business (shop...”. “In rural area like this there are few expenses hence saving more money...” (R-7 - F).

“It has been my dream to have a business.” (R-10 - SA)

“...I have financial freedom and serving people makes me happy.” (R-2 - SA)

“Always be innovative, as I said I started small now I have businesses not just a tuck shop.” (R-4 - SA).

Therefore theme 1 shows a correlation between the motive of starting the business and its survival, meaning the effects on its success and its failure. This means that the value of each individual responsibility (societal, family and personal responsibility) creates an opportunity to succeed or fail, depending on how committed an individual is to the responsibilities. Thus, both South Africans and foreigners have responsibilities (societal, family and personal), but the levels of the responsibilities are considered differently.

4.2.2 Theme 2 - The nature of business environment

Small and Medium Enterprises face unique challenges in the business environment. The importance of a business environment is its active characteristics and a far-reaching impact on the survival and growth of the business. The business environment can be divided into two factors, that is, internal and external factors. The findings indicate that SMEs need to successfully deal with the prevalent forces (internal and external) for change if they are to survive and grow to meet their potential for employment opportunities, satisfying turnover and contributing to the development and growth of economy. Successfully adapting to change from technological advances, customer expectations, supplier requirements, and increasing a competitive atmosphere requires successful execution of organizational change (change management). In order to identify and analyse different set of business external and

internal factors, particular aptitudes, such as understanding of marketing principles, financial management, knowledge, attitude and experience and strategic management skill are imperative.

The levels of skills which SMEs owners have are not the same in the case of Ndwedwe area. Different skill-sets are used by business owner for the success of their business. The SMEs are highly competitive, and not everyone has the proper skill-set to be successful in this fast-paced and challenging arena. There are skills that are very important in running successful businesses and different attributes that can make a strong businessman or woman; some of those skills are self-taught, and some need formal education such as tertiary qualification while some are gained by ideas sharing with associates.

The skills set that exist within the community show the external and internal contributing factors and SWOT concerning the Ndwedwe businesses. Hence, in moving forward, certain skills have to be applied in dealing with those factors. In the case of Ndwedwe, it was discovered that the attitude, skills and knowledge were affecting the success of the SMEs. Some respondents indicated that attitude towards customers counts such that when they share their views with you as an owner, it important to respect their opinions. The customer service the business offer to consumers and employer-employee relationship were also highlighted. The attitude of taking risks and working hard was perceived as an important ingredient for both South Africans and foreigners as indicated in Table 4.4.

Table 4.4: The nature of business environment

Questions	South African	Foreigner	Theme 2 - The nature of business environment
	Personal attribute and indigenous business administration skill-set		
<ul style="list-style-type: none"> • What do you consider as success factors specifically within SMEs sector? 	<i>“Dishonesty to my customers, failing to meet their expectations, failing to admire their views and opinions, obviously I cannot please everyone or take everyone’s opinions, but it is important to listen to what people need...” (R-3)</i>	<i>“...listening to what people want, not giving them what you think they want, their opinions are also as important...” (R-1)</i> <i>“In business it important to have patience, be perseverance...maintaining good relationship with employees and customers.” (R-7)</i>	
<ul style="list-style-type: none"> • What do you consider as failure factors specifically within SMEs sector? 	<i>“Don’t Be a boss to your employees be a leader” (R-4)</i> <i>“Taking risks and fail that will be the hot sauce of success because you learn where you went wrong, fix your mistakes and do right next time” (R-10)</i>	<i>“Failures emerge...when you always chase money but not willing to work as hard as possible...lack of respect for your business.” (R-9)</i>	
	The techniques in precluding customers being poached by competitors		

<ul style="list-style-type: none"> • What is your SWOT ANALYSIS? 	<p>“...constantly doing marketing research...knowledge about your targeted customers...over pricing is a problem.” (R-2)</p> <p>“...Supporting local co-operates, because they will also support me. (R-5)</p> <p>“Customers are able to take on credits and pay month end especially the pensioners.” (R-3)</p>	<p>“I have a good relationship with the wholesale owner because I have been loyal to him since I started the business hence I get some of the thins on discounts and it positively affect my pricing” (R-7)</p> <p>“...good pricing...the attitude towards the customers (I witness as I was conducting an interview, he is very friendly).” (R-6)</p> <p>“My Location also is good for the business, there are lots of pensioners here and they like my pricing (he laughs). I also do deliveries to people who walk long distance...” (R-1)</p>	
	<p>Presumptions on involving paranormal practices in business</p>		
	<p>“Doing business with family sometimes is not good, because they are the ones who take advantage and do as they please in the name of ‘brother, cousin, uncle, etc... there is too much witchcraft in this area because of jealous” (R-5</p> <p>“Ukuthwala (money sacrifice)... business owners will do sacrifice just for their business to be successful, powerful, have lots of money, do well in business...have lots of customers...” (R-10)</p> <p>“Carelessness, I save...money here at home and it happened that my employee saw me where I put some of my money and he stole R150 000...” (R-4)</p>	<p>“...we use to open until at late at night (23:00) but now because of stealing we close a bit earlier...” (R-6)</p> <p>“Threats...and witchcraft.” (R-7)</p> <p>“If I’m not here attending to other businesses I do not get the same profit... I need to put ‘muthi’ here for people who steal from me.” (R-1)</p>	

Indigenous business administration proficiency, facility or adroitness can be acquired and developed through experience and information sharing. Since early years of freedom, rapid changes occurred from imported economic, cultural and political development models through globalisation, thereby wiping out South African indigenous knowledge. For Small-Medium Enterprises, specifically in rural areas, local knowledge is important where the knowledge of operating business is unique to their society. Indigenous knowledge is part of the lives of the rural people; their livelihood depends almost entirely on specific skills and knowledge essential for their survival. Rural areas such as Ndwedwe were neglected during the apartheid government, and dwellers’ opportunities to be innovative, to learn different trading methods and to be cost-effective were jeopardised, hence, depending on their indigenous knowledge in running business enterprises. This was due to the poor quality and level of education offered to people. Some practices of succeeding in business included ‘voodoo’ practice.

“Ukuthwala (money sacrifice)... business owners will do sacrifice just for their business to be successful, powerful, have lots of money, do well in business...have lots of customers...” (R-10 - SA)

In Africa, a rich body of indigenous knowledge is embodied through cultural and natural miscellanies, and African people have drawn on this knowledge for hundreds of years to solve specific developmental and social problems. Indigenous knowledge is always passed by word of mouth from one generation to another. According to professionals, when you teach a child at a younger age, there are high possibilities that such lessons will be for a life time. *Ubuntu*, as an African culture, is indigenous to black rural communities and needs to be cascaded down to the younger generation.

“...teaching your children at younger age to run the business so that even if I’m away or die I know my children will take care of things...” (R-1 - F)

“Teaching my kids to manage and operate business...” (R-7 - F)

“...Credits to some customers who does not payback on time, but because I know the situation of their households I will give them on credit anyway.” (R-3 - SA)

Many of the bearers of indigenous knowledge are from the older generation and find it difficult to communicate their beliefs and practices to the methodically educated younger generation; once the older generation passes away, the knowledge disappears with them. Younger generations learn when involved because practice makes perfect.

“I manage my finances with my daughter’s assistance.” (R-4 - SA)

“...during weekend and holidays my kids help me...” (R-2 - SA)

Business owners in Ndwedwe indicated theft as one of the threats for their SMEs, and most foreigners emphasised that sometimes, it is not easy to operate a business in SA because of theft, not because you are operating a business but because you are a foreigner (mistreatment of foreigners), and that has motivated them to work in partnerships and groups so to overcome the threat. In the case of South Africans, theft was also indicated as a major factor contributing to the failure of their business. However, what appeared to be interesting between foreigners and South Africans is that the former fight collaboratively to stop criminals from stealing from their shops while South Africans give up when theft takes place repeatedly. Togetherness, brotherhood and perseverance were shown to diverge between the groups.

“I’m a foreigner and sometimes I don’t get good treatments especially from these young men stealing from me”. (R-1 – F)

'We use to open till late at night until 23:00 but now because of stealing we close a bit early around 21:00, the woonga boys come here with weapons and demand our things... '(R-6 - F).

“South Africans are always complaining. They come to your shop ask how much is this, if you tell them they complaining saying that it is expensive. That is not fair because already we are selling things at market prices. (R-6 – F)

Making your attitude work for you in a business enterprise is a lifetime and priceless practice. A business owner has to have a positive attitude towards customers, be patient, innovative, diversify and try not to dwell on existing challenges of business, have perseverance, have a future plan and vision, put more effort and work harder.

“The attitude towards the customers (I witness as I was conducting an interview, he is very friendly).” (R-6 - F)

Analytically, it is important to understand and know the business environment factors and the community where the business is being operated as well as the business itself because each community has indigenous practices. Perhaps different factors such as level of competition, criminality, the way to react towards customers and their beliefs which influence the business functioning are good business practices. It is also important to know the business' strengths, weaknesses, opportunities and threats. In concluding, there are certain skill-set with regards with business environment that foreigners have which South Africans do not have, namely, competitive skills, marketing skills, devotion, operational capacity, systematic (as indicated that they have good relations with wholesalers because of bulk buying), teamwork spirit, independence and collaboration skills.

4.2.3 Theme 3 - The necessity of formal or/and informal education in running a business

Education (informal and formal) when running a business is one of the most necessary factors that help to achieve the following goals: 1) enhance the business image and be able to identify important factors affecting the business, 2) gaining the knowledge of business concepts through the study of different business subjects, 3) be able to manage financial, marketing and achieve business economic and digital literacy and 4) develop technological skills, which helps in the overall operation of the business.

The level of education for SME owners is a concern in this case because most of the respondents did not have straight answers concerning education qualifications, especially foreigners. In order to run a successful business, the owner needs to have a strategic plan, and this plan cannot be easily produced without understanding some business concepts. The plan has to underline the motives of starting the business, marketing strategies, financial management, risk management and evaluations on the business environment. Interestingly, even though the foreigners did not have qualifications on business education, it was found that they still succeed in business. One of the most interesting responses from foreigner was that business operations begin at a younger age; therefore, business knowledge and experience was self-taught or by parents. As per table 4.5, it was discovered that informal and formal education go well together when running a business. Moreover, family teachings can assist in running a business, and it is important to involve youngsters when running a business, especially family members who will protect the empire in future.

Table 4.5: The necessity of formal or/and informal education in running a business

Questions	South African	Foreigner	Theme 3 - The necessity of formal or/and informal education in running a business
What is your educational background?	Merging formal and informal education when running SME		
	<i>"I have no business management qualification like you but with patience and perseverance I have manage to run my business..." (R-2)</i> <i>"I have a degree in Agricultural management...I plough veggies and sell them on my shop... have financial management background therefore I know how to balance my finances." (R-3)</i> <i>I am a full time business man...I have been operation this business for 18 years and it growing. (R-4)</i>	<i>"...let's just say I have Matric in South African language... the knowledge I have for my businesses..." (R-1)</i> <i>"I don't have tertiary education, but with my business I'm able to take my kids to school, save for their future and provide meal for them." (R-7)</i> <i>"I have primary education. Where I come from life is tough, you are tot at a younger age to be independent." (R-8)</i>	
	Involving family in business operation		
		<i>"My wife is my partner in this business, she manage all the finances and attends to all business queries by customers..." (R-7)</i> <i>"Ethiopians do business together; we help each other, loyal to each other... when we fail our brotherhood...we won't make it here in South Africa." (R-6)</i>	
	Training younger generation on business administration		
	<i>"I manage my finances with my daughter's assistance." (R-4)</i> <i>"...during weekend and holidays my kids help me..." (R-2)</i>	<i>"...teaching your children at younger age to run the business so that even if I'm away or die I know my children will take care of things..." (R-1)</i> <i>"Teaching my kids to manage and operate business..." (R-7)</i>	

Both formal and informal education offer different strengths to individuals such as knowledge and interaction. In South Africa, students were protesting on 'fees must fall' because everyone wants a tertiary education. Those protests later involved violent actions (burning of universities properties, demolition of residential areas and other infrastructure). Then one may ask, where are the values and respects in these practices? how can educated young people demolish property that will help them? These practices do not only affect other students or universities but also place the country in critical economic conditions. Believing that government will provide everything for free is impractical since already, many people are earning social grants, have RDP houses, water and sanitation facilities and some even have free municipal services like water and electricity, but South Africans still demand more.

Experience cannot be taught at school, but it something that you gain in practice.

"At some point my business was close down,...What motivated you to reopen your business again?, I learnt that if you don't dedicate yourself to something failure will eventually emerge" (R-3 - SA).

This is some experience because there existed a business and upon its failure, one or two things were learnt whereby the business owner returned back to business to fix mistakes he made.

Formal education is important to create a knowledge-based society, according to scholar articles, informal education complements formal education. Informal education includes being respectful, emotions, feelings, beliefs, superstitions, unique values, dignity of each human being, equality and democracy, traditions. Therefore, at school, formal education will offer knowledge, skills, acquire cooperation and contacts and offer you with better opportunities to be hired.

If you have been able to acquire knowledge through years of experience, getting an education is less important than a complete novice just starting out in business. There are some examples of entrepreneurs who have honed their business skills through trial and error, or have received their education via the "school of hard bumps".

“Ethiopians do business together; we help each other, loyal to each other... when we fail our brotherhood...we won’t make it here in South Africa.” (R-6 - F)

“I have primary education. Where I come from life is tough, you are tot at a younger age to be independent.” (R-8 - F)

Education for younger generation is easily accessible compared to the past years; therefore, being educated is another advantage of a successful business operated by a person with qualifications in business management/administration or rather commerce qualifications. The knowledge that the generation acquires from universities triggers the mind-set of youth to have a sense of dependency because they think they have to be employed and not think of self-employment. South Africa has a high unemployment rate, thus leading to poverty because youth feels that in order for them to be employed, they need to be hired by someone (dependency); they feel that in order to start a business, one need to obtain funding from government (dependency) and want to spend the little money that they have on a fancy life style (independency). The researcher perceives that this is caused by a failure to compromise. Somehow, upbringing of ‘freedom’ in South Africans which gave South Africans a notion they are entitled to everything; this influences the young generation because they lack independence and have an attitude of demanding and failing to work hard for survival.

“...young people believe in fast money, they are greedy and they don’t want to work hard. ...people who come from other African countries,...work hard, and they help each other...” (R-10 - SA)

Furthermore, in societies education has become more important and perceived to have a lot of value than indigenous knowledge while the older generation survived through using their indigenous knowledge. The innovation of technology, growing of political practices and evaluation of education has managed to convince young people that you are not successful without a tertiary education; thus, your attitude will be based on your wealth and educational level.

4.2.4 Summation of the Findings

The analysis shows that the success and failure, through comparing business enterprises of South Africans and foreigners, is caused by fundamental elements rather than day-to-day operations. The researcher is of the opinion that that informal business operation of foreigners have grown because of the selling price, longer hours of trading, bulk buying and partnerships. All of these practices can be done by anyone anywhere and do not need any extra skill but dedication and innovative ideas for a business.

The existence of business enterprises suggests that there are external and internal factors that govern their existence. Without a sufficiently strong desire or motive to exist, a business' survival is at risk because of the vicissitudes of time. Therefore, businesses within Ndwedwe area need to be familiarised with mapping of more than one overriding motive which explains the existence of their businesses.

Starting a business is easy, depending on size, product and services offered, but starting a successful business is not as easy as it may seem. Based on the research conducted, business owners need to have clear primary motives when starting a business. The motives are part of planning hence a business plan being a fundamental aspect that is needed when starting a business. Sincerity affects the business directly because the business plan looks at the business mission, vision, objectives, goals, target market, financials, SWOT analysis, and so on. The research discovered that 98% of the participants did not have a business plan in black and white. The business owners have everything in their minds; they know what they are about but this is not transferred to generations when nature takes its place (death). South Africans are mostly affected by this factor while foreigners mostly share their businesses either with family or relatives.

The other factor that was discovered was that of education: most of participants interviewed in the area of Ndwedwe do not have tertiary education but have experience. Therefore, the business plan is viewed as a complex document to compile and requires knowledge in business administration/management studies. The participants considered experience as more valuable than tertiary qualification because knowledge needs to be practiced, hence knowledge complements experience or vice versa.

The area of Ndwedwe has been a home to people for over 100 years, and businesses that were operating within the area were historically owned by people with lower levels of education, hence, the survival of the businesses was ensured by practicing on indigenous knowledge.

Indigenous knowledge is now dying because the new generation is becoming more civilised and more educated. The younger generation do not want to work hard, do not have dedication, are too dependent and do not want a challenging task, thus, leading them to failure in business. The foreigners are dedicated because they are independent, and this leaves them no choice but to work hard since most of them have lower levels of education, and only cheap labour can earn them wages if they fail in their SMEs operations.

Furthermore, generating profit may normally be the sole intention when starting the business. The consequences of making profit as a motive of starting business may result in both positive and negative results. Some of the negativities that can be created are (1) intense competition and wrong pricing of goods (too high or too low) because goods will be sold at a price at which more goods will be purchased. Therefore, more profits will be made, thus goodwill is sold at the most profitable price. The focus would then be on the most profitable goods other than what is most needed by the customers.

Some of the positives of the profit motive are: it can make the business owners to be innovative because in order to keep up with the intense competition incentives for newer good/products, owners will be on their level best to work efficiently (this also limits the storage of goods until they expire).

Cheap products of poor quality are sold at prices of well know brand products in order to make more profit (ruthless exploitation of prices) without much protection of the business image (future plans). When the business image is ruined; in future, the business may lose customers, thereby causing profit margins to drop, which may result in business shut downs and periodic unemployment.

Therefore, factors that are affecting the successes and failure of SMEs in the Ndwedwe area for both South Africans and foreigners are:

- The planning of business;
- The nature of business environment;
- Unity in the community to fight with criminality;

- Lack of a business forum within the area which can assist in knowledge sharing and enhance unity amongst business owners of all nations within the area;
- The use of indigenous knowledge has been abandoned mostly by South Africans, but foreigners still practice theirs;
- Educated individuals (with tertiary education) look for jobs elsewhere other than starting business and gaining experience;
- More experienced SME owners do not have tertiary qualification, which makes it difficult for them to understand some terms of business management;
- Some SME owners within the area have vague motive such as: “my motive is to make money” with no clear long-term plan;
- Innovation and change management affects SMEs in Ndwedwe;
- Marketing strategies are not well presented; and
- Dedication and hard work is not high, especially in the South Africans.

4.3 CONCLUSION

In this chapter, results were presented and analysed using thematic analysis approach. After considering all the facts from the analysed results gathered from the population sample, the problem statement and objectives have been proved.

In the next chapter, an overview of the study, major findings, recommendations, self-criticism and the conclusion of the chapter are presented.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter the data was presented and analysed. This chapter discusses the study's findings, conclusions, limitations and makes recommendations from the obtained findings in chapter four. Chapter five commences with an overview of the research, discussions on the research findings followed by theoretical and practical implications, limitations of the study and recommendations for future research based on this research's findings.

In Chapter one, the problem statement, primary and secondary objectives were identified; the reason for the study and definitions were stated.

In Chapter two, comprehensive literature was reviewed to support the problem statement and objectives with regard to the area of the research.

In Chapter three, the population, limitations, the method of sampling and the research design were presented.

In Chapter four, the result from the study were tabulated and presented so as to show a clear and understandable rate and depth of responses.

5.2 OVERVIEW OF THE STUDY

Doing business in Africa is different from other continents (Luiz, 2006:3); likewise, doing business in Ndwedwe can have similarities with, but cannot be the same as other regions/areas. The focal goal of this study was to comparatively examine the success and failure influences affecting SMEs both local-owned and foreign-owned in the Ndwedwe, KwaZulu-Natal. The interest of this study was influenced by the contribution SMEs have within the area of Ndwedwe and the country as a whole in terms of economic development and growth, employment rate and skills enhancement (Abdulnasir, 2015; Carter & Jones-Evans, 2012:32). Therefore, the study stresses the importance of SMEs whilst it also

explored success and failure between the South African owned and foreign-owned SMEs and ways to overcome the challenges of businesses being shut down and/or having no growth.

The success of SMEs is overrated since they generate up to 34% of the Gross domestic Product (GDP), contribute 43% of the total value of salaries and wages paid in South Africa and employ 55% of all the formal private-sector employees (Booyesen, 2015:2). Despite the importance of SMEs and their success, it was also discovered that a percentage of failures, thereby causing business to shut down, (Roberts 2010) was high. Adult South Africans involved in entrepreneurial activity was reported to have dropped by 34% since 2013 (Dludla, 2015). South African owned businesses showed a decrease while the foreign owned operating businesses range over 51.5% in South Africa (McCann, 2013 cited in Steyn, 2015). Most South Africans currently are making an income by selling or renting their properties to foreigners because they fail to compete with foreigners in business (Liedeman, 2013).

This study was conducted to compare the factors contributing to success and failure of South African and Foreign owned businesses. In accompanying the main aim, objectives and questions for both groups (in relation to success and failure factors) were formulated, and the SWOT analyses of the SMEs and the educational level of all the participants were determined. Thus, the results of the following objectives were presented and are discussed further.

- Identifying factors affecting Ndwedwe SMEs' success;
- Discover best practices of business success from both foreign owned and local owned SMEs of Ndwedwe;
- Contribute towards development of SMEs in Ndwedwe;
- Encourage knowledge base in order to improve SMEs development in Ndwedwe; and
- Provide recommendations on strategies and frameworks to South African and non-South African SMEs owners in Ndwedwe to be used to improve business development.

The main findings of the study affecting the success and failure of business commonly in both groups were 1) the feeble motives of starting businesses, 2) the nature of business environment and 3) the business education/training SME owners possess. In the section

below (5.3), the findings of this research are discussed. The researcher, therefore, presents the current research's findings in conjunction with those of other researches related to this. Clarity on various findings obtained also discussed in the following section.

5.3 DISCUSSION OF THE RESEARCH FINDINGS

Communities are faced with poverty due to unemployment and high standards of living. In trying to cope with the situation, small businesses are established in the hope to overcome the situation and have an income. Studies have been conducted to investigate factors affecting SMEs success and failure, but the difference about the current study and other studies is that this study comparatively analyses success and failure factors concerning South African owned SMEs and those owned by foreigners.

Semi-structured interview responses from this study provided insights on factors affecting the South African and Foreigners SMEs. Further to that, these factors were compared and the three themes that emerged are presented as follows:

5.3.1 The underlying motives of starting a business enterprise

Findings reveal that most of the SMEs within the Ndwedwe area are motivated in starting business due to push factors. Significantly, foreigners are the most motivated to start businesses by push factors while most of South Africans are motivated by pull factors. It was discovered that foreigners' migration was because they wanted to seek opportunities to fulfil their necessities (push) factors while the majority of South Africans in Ndwedwe start their business enterprises motivated by opportunities (pull) availability. Foreigners want and are used to being independent while South Africans are dependable to government support. According to Stephan (2015:24), the decision to start a business can be driven by a number of motivations. Existing literature reveals that motivations for business start-up include factors such as achievement, welfare considerations, status seeking, covetousness (money), escape, freedom, role models, and ease of entry and management. These motivations are classified into two main categories, namely, opportunity (pull) and necessity (push) factors (Zamore, 2014:48).

In particular, the results provide support for materialism, welfare considerations, escape and role models. The first motivation that is supported by findings in this study is covetousness. It was revealed that SME owners in the study sample seek to earn more money and choose to achieve this by starting their own businesses. They want to accumulate more wealth so that they can be secured and have fun. A successful business is more rewarding than remuneration from an employer (Banham & Wiesner, 2006). One main disadvantage is the risk associated with this motive in starting a business; the majority who fall under this motivation are South African SMEs. However, SME owners take calculated risks; hence, there is room for success (Lynch, 2003).

One explanation for covetousness, as a motivating factor for business start-up is that, in countries where there is income inequality, the low income group may turn to entrepreneurship which offers them not only self-employment but also a source of substantial income. This suggests that entrepreneurship could be a way of reducing income inequality and poverty in a country, especially in a developing country like South Africa. Another possible explanation for covetousness is probably due to the existence of available market opportunities in the country. In emerging markets, market opportunities exist, and individuals may choose self-employment in order to take advantage of them. Entrepreneurs who follow this course of action are called opportunity entrepreneurs; hence, materialism is an opportunity-driven motivation. The lesson here is that economic growth could be achieved through entrepreneurship, provided market opportunities for business start-up exist (Nkosi *et al.*, 2013).

The second motivating factor is welfare considerations. People who are concerned about the needs of others and do not currently have the means of helping them are likely to start a business. Such people want to contribute to the welfare of their families, communities or groups to which they belong. Starting an enterprise can offer a great deal of benefits to other people; notable among them are job creation and charity. As an enterprise succeeds and expands, the owner will not be able to execute all the business tasks only; more hands will be needed. This is good news to the unemployed people in society (Oduyoye *et al.*, 2013; Regasa, 2015).

Moreover, the ability do humanitarian activities will be enhanced by a successful business. Individual personal income maybe inadequate as far as the pursuit of welfare considerations is concerned. Schulzek (2012) maintains that welfare considerations are pursued by collective countries where people do things in groups or see themselves as part of a group. One lesson could be drawn here; entrepreneurship-development may be enhanced by collective areas which are under-developed. The quest for humanitarian activities may increase SMEs in a country, and growth in SMEs means growth in GDP since entrepreneurship is considered as an engine of economic growth (Abdulnasir, 2015; Cant *et al.*, 2015; Garwe & Olawale, 2010; Philip, n.d;).

It was also observed that entrepreneurs in this study want to keep their families looked after and taken care of by doing what they were taught at young age (business) (i.e., they want to be role models). This suggests that people who have experiences from previous business are more likely to establish a business than others who have no such experiences (Sefiani, 2013). Furthermore, individuals' decisions to start a business may be driven by factors beyond their control. Academic literature refers to such factors as escape motivations (unsatisfactory conditions) (Zamore, 2014).

In this study, it was found that the Ndwedwe are a business owners start their businesses because of challenges associated with formal employment. This supports the findings of Sefiani (2013) that individuals are pushed into self-employment ventures because of lack of job opportunities and discriminations in the labour market. Regarding foreigners, Griffiths (2008) and Bressler, Campbell and Elliott (2014) found that discrimination in the labour market is what chiefly drives them into entrepreneurship. One may want to conclude that in a country where it is difficult to secure a job because of the limited number of jobs and discrimination in the job environment, entrepreneurial activities may be on the increase. It is worth noting that it is not everyone who has the capital (financial, human and social capital) to start a business, but South Africans have a possibility of seeking help form organs such as The Department Small business Development, SEDA and NYDA whilst foreigners may not have that opportunity.

Although push factors are good in the context of entrepreneurship development, they also ring a bell, drawing the attention of the government to ensure that the needs of the citizens are

met. If some people move into business because they are pushed, how about those who cannot move when they are pushed due to financial power? Not everyone has the necessary tools/capital (financial, human and social) for self-employment. Governments need to intervene by creating more jobs and capital for micro-enterprises for people who face challenges in looking for jobs and cannot start any business due to lack of capital.

The results of the comparative analysis provide significant differences mostly in two motivations (1) covetousness (measured by the sub-theme “to make money/self-employed”) and (2) escape (measured by the variable “To overcome the difficulties of unemployment”). South Africans were found to be motivated by money or material incentives than foreigners operating business in Ndwedwe. South African SMEs want to be entrepreneurs so that they can earn more money. This suggests that foreigners may establish a business not because they want to be entrepreneurs in order to earn more money but because they are pushed to do so. That is why it was concluded that operating business (self-employment) is a constant option for foreigners (Crush & Ramachandran, 2014).

The second difference is the escape factor which provided evidence that foreigners are discriminated against by the labour market than South Africans because it is difficult for them to secure a well-paying, permanent job with benefits (Chamunorwa & Mlambo, 2014). Foreigners have skills, but their skills are taken for granted when it comes to employment; of 10 posts in public sectors, the smallest or zero percentage is occupied by foreigners; private sectors take advantage of their skills, employ them, but pay them small wages and get away with it (Wotela & Letsiri, 2015; Svensson, 2012; Nambei, 2014). Therefore, to escape the situation, they start their businesses. One of the respondents highlighted that their SMEs perform better than those of South Africans because foreigners work full time in their business.

The results show that foreigners’ winning factor against South African businesses is their escape to business for better income because they encounter more challenges than South Africans when it comes to salaried jobs. The difficulties foreigners face regarding salaried jobs can be attributed to immigrant discrimination. However, generally, most foreigners have scarce skills that South Africans do not have (Campbell, 2013; Svensson, 2012), and this can improve companies’ productivity, but they are being treated as outsiders; this leads them to self-employment through escape factors to earn a better income.

In this study, covetousness and escape are regarded as opportunity and necessity driven motivations, respectively. These motivations provide some evidence to support theme one (1) which articulates that motives of starting a business can be contributing factors to the business; the defence of this factor is motives, thus showing results of which group is more likely to succeed in business. Therefore, the finding of theme one concludes that foreigners are more likely to succeed in business because of push-oriented factors (Wotel & Letsiri, 2015). Most South Africans start businesses because of pull factors such as favourable economic conditions (low inflation which results in increased demand for goods and services) since purchasing power is high. As such conditions exist, individuals are more likely to start a business in order to take advantage of business opportunities available (Nkosi, 2015), and these are called opportunity SME owners. This suggests that opportunity entrepreneurs would never have gone into self-employment if no business opportunity existed.

Unemployment is becoming one of the most critical challenges of South Africa (Regasa, 2014:280), and the government is trying to create jobs to decrease the percentage of unemployment; therefore, establishment of SMEs contributes towards communities in which they operate by providing employment (Laing, n.d). Thus, in a country with limited employment opportunities, the labour market would choose to employ/consider South Africans for statistical purposes since they are considered citizens. As employment opportunities are limited for foreigners (Chimunorwa & Mlambo (2014), coupled with some other challenges, foreigners are forced to resort to self-employment (push factor). Thus, foreigners are more likely to be necessity SME owners and South Africans to be opportunity SME owners (Stephan *et al.*, 2015:65-67). In conclusion, the findings of the study suggest that:

- South African SME owners are pulled to the business sector and are therefore opportunity entrepreneurs (Petty *et al.*, 2012:16); and
- Foreigner SME owners are pushed to the business sector and are therefore necessity entrepreneurs (Petty *et al.*, 2012:18).

5.3.2 The nature of business environment

SMEs are defined by size, profit earnings and employees (Cant & Wiid, 2013:708; Carter & Jones-Evans, 2012), and these are the internal factors of the business (Sefiani, 2013). This study did not dwell on all the socio-demographic characteristics and characteristics of the business (size, age, location, profit and employment capacity). The findings identified influences of background characteristics, personal characteristics, competences and skills of the business owner which are the internal factors of the business. The external factors identified were economic factors, political-legal factors, technological factors, socio-cultural factor and micro-environmental factors (Petty *et al.*, 2012).

In this study, the business environment (internal factors and external factors) was found to have an impact on the successes and failures of SMEs when asked question such as: what do you consider as success factors and failure factors, specifically for SMEs within Ndwedwe? and what are the SWOT for the business? The findings indicated that strengths and weakness impacted the internal environment (Nieman & Pretorius, 2004) of the business and opportunities and threats were then categorised as external environments (Booyesen, 2015).

Burns (2011:300) highlighted that the secret to success starts with identifying strengths, weaknesses, opportunities and threats which detect the competencies and capabilities of the business. The business relies on strengths to capture opportunities and recognises weaknesses to avoid becoming a victim of business threats. The findings show that Ndwedwe SMEs know their capabilities and competencies but lack the skills to distribute them equally. There are two dimensions of success and failures concerning the theme in question, which are: internal dimension and external dimension. The internal dimension focuses on strengths and weaknesses while the external dimension focuses on opportunities and threats (Indris & Priminana, 2015). Therefore, it is important for the business to perform an environmental analysis to gain an understanding of these strengths, weaknesses, opportunities and threats (Yüksel, 2012; Chu *et al.*, 2007).

Studies have been conducted, and researchers have regarded the external and internal factors as distributors of the success of the enterprises (Sefiani, 2013; Kiptoo & Mwirigi, 2014; CGA, 2010; Idris & Primiana, 2015). Therefore, Indris and Primiana (2015) highlighted that it is important for SMEs to strengthen internal and external business environments for their growth. Ndwedwe SMEs were reportedly mostly affected by external factors (direct and

indirect factors) which include theft, competitors, witchcraft, customer behaviours, law enforcement, suppliers, government regulations, customers, politics, socio-culture, economic conditions, public infrastructure and geographic. Internal factors of this area were pricing, business innovation and changes, credits, marketing, personnel management and financial management (Banham & Wiesner, 2006).

It was discovered that SMEs have challenges regarding access to public infrastructure services include, namely: water, electricity, serviceable roads, electronic media and postal services, which are all crucial for business development and growth (Chacuamba, 2012; Benzing *et al.*, 2009). Limited access to public infrastructure services is a major constraint to Ndwedwe SME survival and growth (Cant & Wiid, 2013; Sefiani, 2013) as it limits operations and restricts access to markets. Some respondents highlighted that poor access to roads forces them to service their motor vehicles more often, and this affects their business finances (Chacuamba, 2012; Turkey, 2014). Most SMEs in Ndwedwe have no access to public infrastructure such as water, electricity and serviceable roads.

Likewise, the participants who did not have private transport who rely on public transport (which entails high fares) were less successful due to unreliable public transportation. Some participants indicated that when it is raining, due to poor roads (gravel), there are few or no public vehicles that can mobilise community members. They further reported that it is even more stressful when they need to procure stock for their businesses because when they fail to deliver to customers, they are likely to lose customer good-will. Both groups indicated that access to infrastructure is their threat. The afore-mentioned factors clearly indicate that both groups considered access to infrastructure as very vital for success of their business. The constraints associate with access to infrastructure wherein both dependable and cost associated translates to high expense. This is also aligned with Oduyoye *et al.*'s (2013:20) findings which conclude that poor public/community infrastructure has a significantly negative impact on business support.

Selling and buying your assets on credit, negotiating with creditors and agreeing on settlements dates can translate to a good relationship with customers and suppliers, but most foreigners indicated that the issue of customers buying on credit affects the business negatively because some customers do not pay on time. Regardless, both groups of SME

owners emphasise the importance of good relationships with their customers because customers are very important for the success of their businesses (Sefiani, 2013:172). Establishing a good relationship with suppliers can mean good customer service to the business owners and their suppliers. It was conclusive that foreigners have a different or rather more cordial relationship with their suppliers compared to South Africans. Foreigners indicated that when they purchase stock, they partner and buy in bulk, and therefore receive goods on discount. Access to and relationships with their suppliers also enable them to sometimes buy on credit and agree on payment dates. Sefiani (2013:172) considers access to suppliers as very important for the success of the business.

The crime in Ndwedwe was found to be another external contributing factor affecting both groups due to the high unemployment rate (Regasa, 2014) in the area. Low crime and security (Brasoveanu & Balu, 2014) are a necessity for business survival and growth of businesses. High levels of crime negatively affect investment levels, sales and business success (Booyesen, 2015; Juul, 2006) and increase the cost of doing business (Ahwireng-Obeng & Piaray, 1999:78; Tustin, 2001:126 cited in Islam, Keawchana & Yusuf, 2011). In South Africa, entrepreneurs view crime as the biggest threat facing the SME sector (Viviers *et al.*, 2001:4; Finmark, 2006; Tustin, 2001:37 cited in Sefiani, 2013). On that note, it is also highlighted that SMEs are likely have direct losses due to theft and indirect losses due to security costs, both reducing profits and averting funds that could have been invested into the business (Ganster, 2007:34; Phillip, n.d; Okpara & Wynn, 2007: 28-30).

In this study, foreigners highlighted the benefits of a family background of entrepreneurship and adopting their family practice and regarded their parents as role models (Carter & Jones-Evans, 2012:246) for their business teachings. The results of the study also revealed that most foreigners involve their family members (siblings, relatives and children) when doing business (Ojiako *et al.*, 2014). Bolton and Thompson (2004:21) and Carter and Jones-Evans (2012:236) maintain that family background is important for entrepreneurship. A supportive family environment includes nationality, status and occupation of parents, perception of desirability and perception of feasibility. A young person whose environment instils confidence in entrepreneurial success is more likely to develop entrepreneurship capability (Booyesen, 2015). Parents who are entrepreneurs and who encourage independence and self-reliance confer on their offspring an early advantage while wealthy parents can assist with

start-up capital (Rwigema, Urban & Venter, 2004:70; Nkosi *et al.*, 2015). According to the role model theory, parents exert a strong influence on children when they opt for a certain type of entrepreneurial activity. It is possible that those entrepreneurs descended from earlier entrepreneurs and thus possess an advantage over those that do not (Guzman & Santos, 2001:217).

In conclusion, the analysis of this theme proffers the importance of SWOT analysis categorised into two analyses, namely, internal and external factors (Burns, 2011). Strengths and weaknesses (internal analysis), opportunities and threats (external analysis) were viewed as the contributors of the success and failures of the SMEs in Ndwedwe area. Interestingly, South African owned SMEs are mostly sensitive to all factors (internal and external factors) and foreigners are mostly sensitive to external factors rather than internal factors. SWOT analysis is one of the most respected and prevalent tools of strategic planning (Booyesen, 2015; Benzing *et al.*, 2009; Chu *et al.*, 2007).

The study showed a positive correlation between external business environment and internal business environment. This result is supported by different researchers (Brasoveanu & Balu, 2014; Indris & Primiana, 2015; Sefiani, 2013; Banham, 2010) who positively correlate the impact of external and internal factors to SMEs. Therefore, for SMEs to generate healthy businesses, they need to initially understand their internal and external environment.

SME owners should be sensitive to the external environment because it is dynamic and extremely influences the decision-making (Brasoveanu & Balu, 2014:4). The external environment is even more diverse and complex than the internal environment.

5.3.3 The necessity of formal or/and informal education in running a business

A theme was formulated based on the findings and indicated the significance of education for SMEs. It was concluded that most of the SME owners in Ndwedwe area do not possess tertiary education or any formal training of business. It was also observed that it is not the level of education the SME owner possessed that affects their business but rather the experience, attitude and skills. Nkosi *et al.* (2015:2) indicated that management skills are abstract and cannot be learned, but business skills which are operational can be acquired

through learning, and, conclusively, lack of business skill is one of the contributing factors to failure of new business ventures.

These findings concur with the finding by Nkosi *et al.* (2015) that the concept of the business skills, in view of their broad manner, are fundamental but in the case of Ndwedwe area, it does not practically relate because the business education cannot be viewed as a main contributor to the failure of the participants SMEs. The rationale behind the statement above is that the SME owners of Ndwedwe have been in operation for more than three years, and most owners do not have tertiary education or formal training on business. Notably, they have vast experience in the business. The findings of the research discovered that the foreigners rely more on their skills and experience rather than education, unlike South Africans.

Crucial factors standing in the way of SMEs' success, according to Laymen (Pietermaritzburg Chamber of Commerce & industry) and Nomafu (Khula Finance), are lack of entrepreneurial education, lack of business skills and shortage of resources and finances, and attitude and passion are most important factors for small businesses (Ntuli, 2008:14-15). In the area of Ndwedwe, the establishment of businesses is mostly affected by poverty, covetousness, passion and welfare considerations; therefore, it was observed that SME owners are willing to intervene and achieve these instantly and that tertiary education may not be the most practical immediate solution for them to meet their personal needs and those of the community.

The importance of business education is discussed by authors such as Nkosi *et al.* (2015), Regasa (2014), Garwe and Olawale (2010), Sefiani (2013), Hyder and Lussier (2016) who highlight business education as enabling owners to actually develop a start-up business plan. Given the importance of business education/training, only one of the participants' businesses had a business plan. This was a young business owner who ran a business related tertiary education; this individual also indicated that before starting the business, he conducted some needs analysis research. However, another participant who had an agriculture-based tertiary education did not have business plan in place. Petty *et al.* (2012:165) explain the necessity of a business plan. This outlines the basic concepts underlying a business and describes how those concepts will be realised. A business plan further interprets the business owner's game

plan because it manifests the dreams and hopes that motivate an entrepreneur to take that start-up plunge. Hence some research finding may conclude that in order to consolidate this plan, you need some business education and formal training.

As Ntuli (2008) indicated, attitude, experience and skills are crucial points for business success. This study concludes that business education for Ndwedwe SMEs does not have a direct impact on their success and failure; rather, their attitude, experience and skills do. The results of the study proved that foreigners are more reliant on their skills and experience than tertiary business education. On the other hand, half of the South Africans indicated that for them to run successful business, training programmes and workshops are important. This finding also relates to Cant and Wiid's (2013) recommendations.

In conclusion, it is important to complement experience with formal education (Misko, 2008) as findings stipulated that most foreigners rely on their entrepreneurial experience rather than qualification driven entrepreneurship, and that is influenced by their characteristic of being necessity entrepreneurs (Petty *et al.*, 2012:18). Other factors that differentiate foreign entrepreneurs from South African entrepreneurs is education, experience and background in operating the business.

5.3.4 Summary of the findings

The overall findings illustrate identical results for both groups and conclude that both groups' SMEs are equally affected by theme one (1) 'the underlying motives of starting a business enterprise'. The motives for establishing their business were categorized by covetousness, personal responsibilities and welfare considerations. Theme two (2) 'the nature of business environment' showed differences whereby foreigners reported that they are mostly affected by external factors while South Africans showed struggle to adapt to both internal and external environment. Lastly, theme three (3) 'the necessity of formal or/and informal education in running a business' presented another difference whereby foreigners did not necessarily consider tertiary or formal training as a necessity for running their businesses; rather, they rely on personal experiences and skills. This is in contrast to South Africans who believe that tertiary education and formal training can greatly contribute to the success of their business. The objectives of identifying factors affecting Ndwedwe SMEs' success were

conclusive that the main contributors to the success of the Ndwedwe SMEs are business motives established (Petty *et al.*, 2012) and the business environment (Oduyoye *et al.*, 2013; Regasa, 2014).

The best practices discovered from foreigners are: their ability to utilise their skills, partnership with other foreigners in business, the importance of family in the business, good relationship and access to their suppliers, being innovative, having a drive, good customer relations. South Africans seemed to be more considerate when it comes to welfare, but most of them are covetousness and fail to keep up with the competitive environment due to excessive expenditure. South Africans were found not to persevere when faced with business challenges because most of them do not have support systems like family and relatives or business partnerships. These necessitate the involvement of family and establishing business partnerships (Antonite *et al.*, 2007; Wilkinson, 2015).

It was also discovered that most SME owners in the area do not partner in order to overcome external factors such as theft and encouraging local government to: fast-track economic and community development, provide support infrastructures and improve community infrastructures such access to road, water, communication and electricity. Therefore, in order to achieve this, it is recommended that they establish a business society/association which is a knowledge-base to improve the development of SMEs. This can assist in dealing with issues concerning the businesses within the area as it contributes to economic development and employability (Nkosi *et al.*, 2016). Some researchers (Liedeman, 2013; Ndweni, 2015; Steyn, 2015) found that South African SMEs fail in comparison to foreigners' business enterprises because of the cheaper prices of goods in foreign-owned businesses, thus South Africans are often forced to shut down because they cannot compete due to this practice because it is viewed as not fair. One of the objectives of the study was to encourage collaboration of these groups. There is an accent with regards to collaboration of these groups to share the business practice methods of 'how, why and 'what' questions in order to overcome the threat.

5.4 THEORETICAL IMPLICATIONS

This study's themes were formulated from collected data and interestingly, findings correlate with theory whereby the first theme is 'the underlying motive of starting a business', second is 'the nature of business environment' and the third is 'the necessity of formal or/and informal education in running a business'. Many empirical studies (Thompson & Martin, 2005:172; Lazenby, 2014; Louw & Venter, 2013; Lazenby, 2014:143; Ehlers *et al.*, 2010; Venter, 2014; Regasa, 2014:284) view the business environment as a contributor to business success and failures. To circumvent broad perspectives revealed by literature and theoretical findings (it can be studied on its own), the researcher consistently used the SWOT analysis to interpret the internal and external environment for the phenomenon under study. Small enterprises' in 'rural areas' and some factors such as legal/legislative factors may not apply because registration of the businesses was not questioned. Previous studies have found that external and internal environments contribute massively to the success of the business, hence, necessary analyses on the business environment factors being important, (Louw & Venter, 2006:172-173; Ehlers & Lazenby, 2010:63)

The findings revealed that the SMEs in Ndwedwe believe that their success is based on psychological traits and are operating their business based on personal experiences, management skills, and most foreigners indicated that they do not actually rely on business education but rather on skills, experience, innovation and persistency. Researchers (Cant *et al.*, 2015; Nkosi *et al.*, 2015; Rauch & Frese, 1998; Covin & Covin, 1990 cited in Robert, 2010) agreed that psychological traits contribute to business success, but they are often moderated by experience and training, specific managerial skills and business environment. Antonite *et al.* (2007:2) explained that creating and growing a successful business require an individual to have basic skills, and this concurs with the findings which stipulate that business education is not a necessity but rather a recommendation.

The participants indicated that they started their businesses to create employment and bring products close to the society. The findings concluded that SMEs (not all) in the area of Ndwedwe take note of welfare considerations when starting and operating their business. Williams (2007:116) highlights that small businesses have a greatest power in society to drive change. It is worth noting that some participants indicated that it is an achievement to see customers satisfied and to assist those who are less fortunate. The issue of selling

necessity goods on credit to those who need them and agree on a payment date was also supported. It was viewed as good practice when customers and business owners are satisfied and when agreements are honoured, SMEs have a good reputation and make a positive contribution to societies (Wang & Poutziouris, 2010:345). Excellent customer service guarantees development of distribution networks, products and innovation. Skills were identified by Lazenby (2014:142) and Booysen (2015: 7) as influential key success factors for a business. Booysen (2015:7) further highlighted that key success factors differ for each business because some participants indicated that they have products distribution networks/services for customers while some had strategies which guaranteed good customer services.

Regardless of contribution made by foreigners (SMEs) to communities and South Africa as a whole, some still believe that they must go back to their home countries because they take local people's jobs, are too competitive in business, and some South Africans claim that they are illegal immigrants. According to the findings, most employment was provided by foreigners' business since they have more than one business employing South Africans. It is not only community members who gain from employability but South African suppliers, wholesalers and the transportation industry as well (Chamunorwa & Mlambo, 2014; Ramachandran & Crush, 2014:8). Some locals believe that immigrants deprive South Africans of jobs (Campbell, 2013; Chamunorwa & Mlambo, 2014). The researcher is, however, of the opinion that immigrants actually create jobs for South Africans and provide income and cheap goods to others as this study aims to encourage business development and integration between local and foreigner SMEs.

Criticising immigration of foreigners by South Africa has become a norm, but no one wants to know the 'why', 'how' and 'when'; the majority, especially in townships and urban areas, criticise and attack foreigners. According to the findings, immigration from neighbouring countries is due to poverty, unstable political environments and minimal recognition by governments of their countries; they are thereby pushed to countries that have better livelihoods than theirs. Some immigrants are attracted by the South African economy and see business opportunities while some see opportunities for employment based on scarce skills within the country. Other researchers conclude that foreign immigration to South Africa is caused by both pull factors (attributes that attract foreign people) and push factors

(attributes that force people to leave current societies to elsewhere). Amongst other pull factors in South Africa lie the favourable economic conditions that enable individuals to create wealth (Wotela & Letsiri, 2015:110) and the shortage of skills in South Africa (Chamunurwa & Mlambo, 2014:2632) which negatively affect economic growth and development; thus, the immigration of skilled labour could reduce the skill shortages and enhance the economic growth (Nkosi *et al.*, 2015). This literature concurs with the findings of this study that foreigners who own SMEs in Ndwedwe area are necessity entrepreneurs because they establish their business based on push factors while South Africans are opportunity entrepreneurs because they establish their SMEs based on pull factors (Petty *et al.*, 2012:16).

South Africans have an advantage of government financial support to on business start-ups, but surprisingly, only one out of five South African research participants knew about such support. This indicates that the Department of Small Business Development needs to reach out to people in isolated areas like where the research was conducted. Action plans have to be pre-determined with regards to what is stipulated on the Commission of Inquiry into KZN-PGDP (2013:44) which advocates support for SMEs and provide assistance to. This would help to develop and grow local small enterprise and ensure that there is sufficient local capacity to undertake interventions. The provincial government must provide the required support for the SMEs.

South Africans need to have a business approach/outlook when applying for grants and need to utilise it for a growing business as Ntuli (2008:14-15) stipulates that attitude and passion are the most important factors for small businesses.

Attitude and passion are psychological traits, and the reality is that business education alone cannot enable an individual to start and run a successful business, but experience and attitude can. In particular, it may be argued that formal education is a must-have for a business growth and success, but the researcher maintains that it not a compulsory factor but rather a recommendation. However, it is worth noting that most participants who appeared to be opportunity entrepreneurs seemed to favour business education and formal training; on the other hand, necessity entrepreneurs merit experience, personal skills and a great attitude as being necessary for their business success (Nkosi *et al.*, 2015). Necessity entrepreneurs are

becoming more successful in business; an entrepreneurial attitude is required to combine an interest in innovation with business practicality (Nieman & Pretorius, 2004:19).

Table 5.1 highlights some of the supporting literature in favour of the findings of this study; it shows the administration and influencers in foreign-owned businesses versus South African owned business.

Table 5.1: Supporting literature in favour of the findings of this study

Foreign owned SMEs	South African owned SMEs	Findings' Results
They have trading knowledge and experience because they are introduced to trade at early ages (Zwane, 2014; Magubane, 2015).	Local business owners have been marginalised and offered poor education and a lack of opportunities under apartheid (Zulu, 2014 cited in Zwane, 2014).	Supported
They have a great network system (Magubane, 2015).	During apartheid regime, small business owners were told not to trade and only a few were allowed to. Therefore, they did not learn the skills. There was no reason to be innovative, to learn different trading methods, and to be cost-effective (Zulu, 2014 cited in Zwane, 2014).	Supported
They work hard and understand why they must work hard, longer trading hours (from 6.00am until 10pm) (Liedeman <i>et al.</i> , 2013; Steyn, 2015).	They are employees in other organisation elsewhere and generating extra income by running their own businesses (Liedeman <i>et al.</i> , 2013)	Supported
They tighten their belts and avoid excessive spending. Everything goes back into the business (Ndweni, 2015).	Too much expenditure and spending little on the business (Ismail, 2013 cited in Ndweni, 2015).	Supported
The formation of larger partnerships and good start-up (R20 000 and R60 000) capital (Liedeman <i>et al.</i> , 2013).	Mostly conduct their business exclusively (Steyn, 2015)	Supported
They buy together in bulk to get discounts and divide the goods and support each other; on average, each store spends R7 000 a week on stock (Steyn, 2015).	The bulk buying depends on the demand of goods (Ndweni, 2015; Steyn, 2015; Zwane, 2014).	Supported

Conventional marketing strategy; selling goods at cheaper rates (Liedeman <i>et al.</i> , 2013).	Low pricing of goods by foreign-owned businesses intimidates their pricing (Liedeman <i>et al.</i> , 2013; Ndweni, 2015; Zwane, 2014).	Not supported
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Source: Author

5.5 PRACTITIONER IMPLICATIONS

The community of Ndwedwe is impacted by high employment rate and minimal job opportunities, and the SMEs in the area contribute positively to the community. For that reason, it is important to encourage SME establishments as they contribute to decreasing the unemployed rate. It is established by many authors that the establishment of businesses based in communities contributes to economic growth, labour demand and innovation (Cant & Wiid, 2013:707); therefore, it was important to conduct the assessment of factors that contribute to their success and failure in the area of Ndwedwe.

When businesses fail it is not only the business owners who suffer, but society (customers and employees) are affected by the failure. The study's objectives were to encourage SMEs development within the area and to assist not only those who already are on the platform but also those willing to establish businesses in the area. This is because based on the findings (themes), there is a clear indication of what can positively or negatively (direct and indirect) impact the SMEs within the area. A direct consequence of business growth in the area is based appropriate exploration of these findings as this is the first study of this nature conducted in the Ndwedwe. The decrease of entrepreneurial ability can be overcome by collaboration of foreigners' SME and South African SMEs owners because they can share their basic skills related to marketing and business management.

Some of the factors which can be mitigated are the phenomena regarding the impact of business environment to success and failure of SMEs and interestingly no equilibrium based on environment affecting both groups. Foreigners are more affected by external factors which most literature underscores; these factors are hard to control and South Africans suffer from both external and internal factors. External factors include the unavailability of government support on rehabilitation assistance caused by natural disasters experienced by SMEs. There was a correlation between business motives, nature of business environment

and success and failure factors of SMEs. The surviving robustness checks address particular definitions of business success and failure rate, imperative composition of a strong business motive/objective and business environment analyses for future development and growth. This includes prospective future planning and forecast of the business success rate dependable on a strong focus of these fundamentals.

A critical mass of management talent/recognised skills (Chimurwa & Mlambo, 2014:2632) is required to manage day-to-day business operation and ensure success because successful SMEs are contribute to sustainable livelihoods (The DTI, 2013). Ndletyana *et al.* (2013) emphasize that small business owners must be encouraged to mobilise themselves into effective business; this means learning from those who have a better understanding. This will not only give strengths and opportunities but will also draw in various forms of expertise and competences that they can utilise towards their objectives.

5.6 LIMITATIONS

The study was limited to the small sample size and resources available to the researcher such as transportation and a good recording device. The results from the research conducted might not be representative of the whole SME community in the area of Ndwedwe. However, generalization was not intended as the study aimed to give a picture of the factors that impact on success or failure of the business and comparatively analyse those of foreigners and South Africans.

Qualitative interviews were conducted with foreigners and South African SMEs. South Africans happily agreed to talk about their business although it was difficult to find foreigners to talk freely as they thought the researcher was a Government official to access their business. Almost 99% of the foreigners did not want to be recorded. Personally, the researcher observed that the foreigners were still in fear following brutal xenophobic attacks by South Africans and did not trust anyone. Language barriers were experienced as most of foreigners do not clearly understand English, and in their responses, the researcher had to understand key words in order to construct a sentence.

For these reason, the researcher was meant to make appointments with the participants but did not, which delayed progress because some participants would not give the researcher a chance to talk with them. This resulted in unnecessary travelling costs because the researcher

had to travel up and down to interview the participants and sometimes would find an employee available and not the owner. Hence it took lot of time and money to gather the information.

5.7 CONTRIBUTIONS OF THE STUDY

- Encouragement to SME owners to utilise business plans;
- Valuing experience by SMEs than relying on education in running their business;
- Encouraging SMEs to start their businesses through personal, societal and family alliances; and
- The difference between a local owner and foreign owner of an SME is availability of opportunities. The foreign owner depends on running a business for survival, but local owners have lots of other opportunities either from government structures or private structures. This contributes to the study because South Africans can seek available support, hence, enabling more individuals to starts SMEs that can be successful and create employment.

5.8 RECOMMENDATIONS FOR FUTURE RESEARCH

Due to time and constraints, not all aspects of the topic could be researched. Conclusions from the findings and data were not discussed further, and it is recommended that the following aspects be researched in the future:

- Involvement of business owners in witchcraft for business accomplishment: Case study;
- Research on small enterprise development with the view of formulating strategies and programmes aimed at improving performance of the small enterprise sector in KwaZulu-Natal;
- Exploration of programmes available in strengthening women's economic development and support for women entrepreneurs in rural areas;
- Establishment of a Provincial SMME Entity to assist in driving objectives of the PGDP - objective 3 (Expansion of government-led job creation programme);

- Access of young people from rural areas to government business start-up and development funding and participation of local government in addressing SMEs difficulties.

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APPENDIX ONE

Ndwedwe Local Municipality
Private Bag X503
Ndwedwe
4342
032-532 5032

To whom it my concern,

LETTER OF INFORMATION AND CONSENT

I am currently undertaking a research project as part of my studies towards a Masters' degree in Business Administration at Durban University of Technology. The objective of the study is to investigate the success and failure factors of locally & foreign owned SMEs in the Ndwedwe area in Kwazulu-Natal.

The intention of this letter is to ask for permission to conduct a research for data collection purposes with:

1. Municipality

I am seeking an authorization to interview small-medium enterprise owners trading within the jurisdiction of the Ndwedwe Local Municipality.

2. Small-Medium Enterprise owner

I am requesting an approval to have an interview with you that will take approximately 45 minutes for the study. Participation is voluntary and you are free to withdraw from the study at any time without giving reasons, and without prejudice or any adverse consequences. The information you give will only be used for research purpose and will be aggregated with other responses and only the overall or average information will be used. Your identity and individual answers will be kept totally confidential.

Should you wish to discuss this further please feel free to contact me at shangasenn@yahoo.com or my supervisor Dr W Chinyamurindi at WChinyamurindi@ufh.ac.za

Your assistance will be much appreciated,

Yours faithfully,

Nokwanda Shangase

Please complete the following as confirmation of your willingness to participate in this research project:

I,....., have adequately discussed the study with the researcher, understand that I may withdraw form it at any time without giving reasons, and voluntarily agree to participate by answering interview questions.

SIGNATURE

DATE

APPENDIX TWO

INTERVIEW GUIDE

In-depth interviews will be conducted whereby the following questions will be used to collect data. The questions will be asked without any sequence, i.e. question one is not guaranteed to be followed by question two as per the interview guide but respondent answers will determine which question can follow or continue as a follow-up question.

Question	Estimated Duration
1. What were your motives when starting this business?	5 Minutes
2. Tell me a bit about your business → Tell me how you evaluate your objectives, mission and vision for your business	9 Minutes
3. How did you decide which area your business will be located?	3 Minutes
4. What is your SWOT analysis for your business on daily basis' operation?	10 Minutes
5. What factors do you perceive as the ones that can and/or have cause a success for a business?	5 Minutes
6. What are factors do you think can cause and/or prevent failure for your business?	5 Minutes
7. What is your formal background (education and training)?	3 Minutes
8. Do you have any business relationship with other business around the area?	5 Minutes

