

**Key Success Factors
for Small Businesses
Trading Within the City of uMhlathuze**

By

Luke Alexander Bozas
Student Number: 208523776

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School of Management
University of KwaZulu-Natal.

Supervisor: R. Perumal

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DECLARATION OF OWN WORK

DECLARATION

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Student number: 208523776

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ABSTRACT

This research focused on the success and failure factors that impact on small, formal businesses operating within the City of uMhlatuze which incorporates Richards Bay, Empangeni and surrounding former townships. The research on success factors in business supports government's noble aim of wanting to eliminate poverty and thus creating employment. Small business plays a large role in job creation.

This research is significant as its recommendations are of value to people venturing out into the commercial and industrial sectors.

The research methodology employed was quantitative in essence though a qualitative component was included in order to ensure depth to the responses. The questionnaire elicited views on eighteen success and failure factors drawn from the literature review. A face to face questionnaire utilising a five point Likert scale was used. Each question was comprised of two parts, the first being theoretical, requiring the respondent to indicate whether or not the factor was important to success. In the second part respondents indicated their level of knowledge of that factor when they commenced trading. The open ended questions ensured that respondents were afforded an opportunity to mention additional issues relevant to the topic.

A sample of 46 formal, established businesses that had traded for several years was used. Though this is a small scale study its findings are of value and the recommendations, if heeded will assist business owners to avoid failure and increase their chances of success. Findings were consistent with the literature sources. Key findings being that sound planning, strict financial management, self-discipline and good client and supplier relationships are vital if one is to succeed.

TABLE OF CONTENTS

Title Page	i
Declaration	ii
Acknowledgements	iii
Abstract	iv
Table of Contents	v
List of Figures	x
List of Tables	xi
List of Appendices	xii
List of Acronyms	xi
Introduction	xv
CHAPTER ONE: Introduction to the Perceived Research Problem	
1.1 Introduction to the Research	1
1.2 The Perceived Research Problem	2
1.3 Sub Problems	2
1.4 Background to the Research Problem	4
1.5 Research Objectives	5
1.6 Factors Flowing From the Objectives	6
1.7 Research Methodology	7
1.8 Literature Review	7
1.9 Significance and Value of the Research	8
1.10 Limitations of this Research	8
1.11 Chapter Overview	10
1.12 Concluding Remarks	10
1.13 Conclusion	9
CHAPTER TWO: Literature Review	
2.1 Introduction	10
2.2 Small Medium Micro Enterprises	10
2.3 Entrepreneurship	12
2.3.1 Types of Entrepreneurs	13
2.3.1.1 Opportunity Entrepreneurs	13

2.3.1.2	Necessity Entrepreneurs	13
2.3.2	Entrepreneurial Characteristics	13
2.4	Entrepreneurship versus Small Business Owner	14
2.4.1	Successful Small Business Entrepreneur	15
2.5	Monitoring Instruments	16
2.5.1	Global Entrepreneur Monitor	16
2.5.2	Global Entrepreneur Week	16
2.5.3	Total Entrepreneurial Activity	17
2.6	State of Entrepreneurship in South Africa	17
2.7	Unemployment	18
2.8	Government's Solution	18
2.8.1	Skills Development	20
2.8.2	Business Support and Mentorship	20
2.8.2.1	Small Business Incubators	21
2.9	Background to the Area	22
2.9.1	Local Economic Development Strategy	22
2.9.3	Business Retention and Expansion Programme	23
2.10	Local Support Agencies	23
2.10.1	Uthungulu District Municipality	24
2.10.2	Zululand Chamber of Business Foundation	24
2.10.3	Entrepreneurial Support Services	24
2.10.4	Business Studies Unit	25
2.10.5	Zikulise	25
2.11	Business Tools	26
2.11.1	SWOT Analysis	26
2.11.2	Porter's Five Forces	28
2.11.3	PESTLE	28
2.11.4	Value Chain	28
2.11.5	Creating Competitive Advantage	28
2.11.6	Just in Time Concept	28
2.12	Reasons for Success	29
2.12.1	Strategy and Management	29
2.12.2	Marketing	30
2.12.3	Human Resources	30

2.12.4 Systems	31
2.12.5 Budgeting and Cash Flow	31
2.12.6 Accounting, Legal and Tax Implications	31
2.12.7 Sales and Suppliers	32
2.12.8 Customer Focus	32
2.13 Reasons for Failure	35
2.13.1 Threats	36
2.13.2 What to Avoid	36
2.14 Conclusion	37
CHAPTER THREE: Research Methodology	
3.1 Introduction	38
3.2 Research Design	38
3.2.1 Quantitative Research	38
3.2.2 Qualitative Research	38
3.2.3 The Adopted Methodology	40
3.3 Geographic Area	41
3.4 Sample	42
3.5 Fieldwork	43
3.5.1 Assessment	44
3.6 Questionnaire Design	45
3.6.1 Likert Scale	45
3.6.2 Open-ended Questions	45
3.7 Semi-Structured Personal Interviews	46
3.8 Pilot Study	47
3.9 Ethical Issues	47
3.10 Validity and Reliability	48
3.11 Challenges and Limitations	49
3.12 Conclusion	49
CHAPTER FOUR: Findings and Discussion of Findings	
4.1 Introduction	50
4.2 Methodology Adopted	50
4.3 Statistics – An Overview	51

4.4	Results	52
4.4.1	Assessment of the Research Process and the Questionnaire	52
4.4.4.1	Reliability	52
4.4.4.2	Validity	53
4.5	Demographics	53
4.5.1	Gender	54
4.5.2	Race	54
4.5.3	Age	55
4.5.4	Geographic Location	56
4.6	Questions 1 to 13	56
4.6.1	Objective One	56
4.6.1.1	Importance Attached to Key Facets of Business Management	57
4.6.1.2	Discussion of the Findings	57
4.6.2	Objective Two	58
4.6.2.1	Knowledge Levels of Key Facets of Business Management Responses	58
4.6.2.2	Discussion	59
4.7	Questions 14 - 18	64
4.8	Questions 19 - 21	69
4.8.1	Question 19	
	What Are the Greatest Issues That Contributed to Your Success?	70
4.8.2	Question 2	
	Describe the Key Issues that Threatened Your Business	71
4.8.3	Question 21a	
	What Should People do When Starting a Business?	72
4.8.4	Question 21b	
	What Should People Avoid When Starting a Business?	74
4.8.5	Question 21c	
	Additional Comments	75
4.9	Expert Insight	76
4.10	Conclusion	77

CHAPTER FIVE:	Conclusion and Recommendations	
5.1	Introduction	78
5.2	Findings Based on the Literature	78
5.2.1	Reasons for Failure	78
5.2.2	Reasons for Success	78
5.2.3	Business Tools	79
5.2.4	Conclusions Based on the Literature Review	79
5.3	Conclusions and Recommendations Based on the Fieldwork	80
5.3.1	Objective One	80
5.3.2	Objective Two	81
5.3.3	Objective Three	82
5.3.4	Objective Four	83
5.3.5	Objective Five	84
5.3.6	Objective Six	85
5.4	Conclusion	85
5.5	Suggestions for Further Research	88
5.6	Concluding Remarks	88
REFERENCES		90
Internet Sources		97

LIST OF FIGURES

Figure 2.1	SWOT Analysis	26
Figure 2.2	The Importance of Customer Relationships	34

LIST OF TABLES

Table	
2.1 Positive-Strengths and Negative-Weaknesses of an Internal Analysis	27
2.2 Positive-Opportunities and Negative-Threats of an External Analysis	27
2.3 Sales Driven versus Profit Driven Business	
4.1 Cronbach Alpha	53
4.2. Reliability	53
4.3 Gender	54
4.4 Race	54
4.5 Age	55
4.6 Geographic Location	56
4.7 Importance Attached to Key Facets of Business Management	60
4.8 Knowledge Levels of Key Facets of Business Management – Responses	58
4.9 Q1 Strategy	59
4.10 Q2 Marketing	59
4.11 Q3 Human Resources	60
4.12 Q4 Systems	60
4.13 Q5 Management	60
4.14 Q6 Budgeting	61
4.15 Q7 Accounting, Legal and Tax Issues	61
4.16 Q8 Cash Flow	61
4.17 Q9 Sales	62
4.18 Q10 Service and Product Quality	62
4.19 Q11 Image	62
4.20 Q12 Reputation	63
4.21 Q13 Supplier Relationships	63
4.22 Q14 Level of Success in Business	64
4.23 Q15 Years to Achieve Success	65
4.24 Q16 When You Started Business, Were You?	66
4.25 Q17 Describe Your Situation When You Went into Business	67
4.26 Q18 Importance of Mentorship, Guidance and Support	68
4.27 Q19 Greatest Issues That Contributed to Your Success	69

4.28 Q20 Key Issues That Threatened Your Business	70
4.29 Q21a Things People Must Do When Starting a Business	71
4.30 Q21b What Advice Would You Give People Starting a Business?	73
4.31 Mentor Comments	74

LIST OF APPENDICES

Appendix One	Statistics on Question 1 to 13	100
Appendix Two	Research Title Approval	113
Appendix Three	Ethical Clearance	114
Appendix Four	Research Title Correction	115
Appendix Five	Letter of Informed Consent	116
Appendix Six	Questionnaire	118

LIST OF ACRONYMS

BDC	Business Development Centre
BR&E	Business Retention and Expansion programme
BSU	Business Studies Unit
DTI	Department of Trade and Industry
DUT	Durban University of Technology
ESS	Entrepreneurial Support Service
FICA	Financial Intelligence Centre Act
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GEW	Global Entrepreneurship Week
JAC E	JAC Entrepreneur
JAC	Jobs, Aids and Conservation
KZN	KwaZulu-Natal
KZNDED	KwaZulu-Natal Department of Economic Development
NEDLAC	National Economic Development and Labour Council
SABTIA	South African Business and Technology Incubation Association
SACCI	South African Chamber of Commerce and Industry
SBI	Small Business Incubators
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authorities
SMME	Small, Medium and Micro Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
TEA	Total Entrepreneurship Activity
TIK	Trade and Investment KwaZulu-Natal
UDM	uThungulu District Municipality
UNIZUL	University of Zululand
ZCBF	Zululand Chamber of Business Foundation
ZCCI	Zululand Chamber of Commerce and Industry

INTRODUCTION

This research will attempt to identify areas where new business needs to pay attention in order to survive and be able to grow successful. Firstly, through interviews and a questionnaire with established small business owners the researcher will be able to determine what qualities and aspects they considered most valuable to any small business owner or entrepreneur. Secondly, discussion with institutions and individuals involved in mentorship programmes would identify what they perceive as the reason for the high failure rate of aspiring entrepreneurs. A comparison may then be made to show further insight into areas which government needs to draw attention towards in order to meet its efforts to insure small business growth, job creation and economic growth.

Business owners would provide feedback from their experience as to what they consider important in the initial start up phase and what they overlooked and now believe needed more attention. By focussing on businesses which thrive rather than those which fail and cease to trade provides support to what the entrepreneur values as important to his success.

Through investigations into mentorship programmes seek to reveal faults in why often recently started small businesses with solid business plans still fail. The difference in business and managerial skill opposed to entrepreneurial flair will be discussed. The issue of entrepreneurs which start a business to survive versus an opportunist will be explained, and how potential for growth and job creation may be affected.

This data will be examined and demonstrate a contrast in what is understood as possible reason for failure and success of small business. The findings of this research will identify key areas needed for achievement in small business.

The title of the work directs the focus of the study. By identifying and understanding the challenges and experiences met by successful small business owners along with interviews with individuals involved in mentorship initiatives suitable conclusions may be reached. From this appropriate recommendations may be made and provide a

framework to readdress efforts to ensure that the failure rate of mentorship programmes decreases.

Chapter One

Introduction to the Perceived Research Problem

1.1 Introduction to the Research

This research attempts to identify aspects of business that owners of new businesses need to pay attention to in order to survive and to be successful. By means of a face to face questionnaire process with established small business owners, this research was able to determine what qualities and aspects they considered most valuable to any new business owner or entrepreneur. Secondly, discussion with individuals involved in mentorship programmes identified what they perceive as the reasons for the high failure rate of aspiring entrepreneurs. A comparison of these views has been made to elaborate areas to which new business owners or government need to pay attention to in order to facilitate small business growth, job creation and economic growth.

Business owners provided feedback based on their experience about what they consider to be important factors in the initial start-up phase of a business. They then elaborated on issues that they had overlooked when they started out, yet now believe are critical issues that must be given attention.

Focussing on businesses which thrive rather than those which fail and cease to trade, has ensured that this research has been able to determine, based on first-hand experience, what successful traders value as important to success, given the benefit of experience and hindsight.

Through investigation into mentorship programmes, insights were obtained about the strengths and weaknesses of such programmes. Experts and aspiring small business entrepreneur mentors gave their opinions on the reasons why many solid business plans failed once put into action. Their view is that failures occur largely due to key elements being neglected by budding entrepreneurs.

This research sought to identify and reveal why recently started small businesses with solid business plans so often fail. The difference between business and managerial skill and entrepreneurial flair is discussed. The issue of entrepreneurs who start a business to survive economically versus the opportunists are explained as well as their potential for growth and job creation.

This study was conducted in uThungulu District within Central Zululand of KwaZulu-Natal (KZN) and specifically in the city of uMhlathuze which comprises the towns of Empangeni and Richards Bay.+6

Data was examined and a thorough analysis was made. Conclusions were reached resulting in recommendations being made. The findings of this research identify key areas on which small business owners need to focus in order to survive and thrive.

By identifying and understanding the challenges and experiences of successful small business owners, combined with interviews with individuals involved in mentorship initiatives, suitable conclusions were reached. From these conclusions, appropriate recommendations were made, amongst which is a framework which can be used to ensure that the failure rate of new business and mentorship programmes, for fledgling businesses, decreases.

1.2 The Perceived Research Problem

The government aims to reduce poverty and unemployment through job creation and economic stability. Much emphasis has been placed on the importance of Small Medium and Micro Enterprises (SMME's) (Diederichs, 2002: 64). Extensive funding has been awarded to organisations which provide business and management training as well as mentorship programmes aimed at entrepreneurs (Enterprise Development, 2011: 1). One reason for this is that every successful new small business owner will employ more individuals as the business grows. This means more tax for the government and fewer individuals for the state to support as the burden on the state from the unemployed decreases (Steyn, 2006: 85).

According to Mulholland, (2011: 55) the Small Business Administration (SBA) within the United States of America (USA) claim that SMME's represent 9.7% of all employer firms providing jobs to more than half their population and contributing almost half the private sector payroll. SMME's create 70% of new employment opportunities. In terms of exports, SMME's generate over 30% of the total USA exports (Gordon Institute of Business Science, 2010: 7). In the year 1990 over 90% of the United States population was self-employed and this allowed them to become the world's largest economy (Gordon Institute of Business Science, 2010: 7).

As most entrepreneurial activity within the economy is generated by SMME's, it may be said that entrepreneurship has been identified as a vital part of the contemporary South African economy (Opportunity 2011: 52). „The importance of entrepreneurs is therefore crucial for the improvement of the South African economy and it is the best way that employment is created in South Africa (Hough, Nieman, Nieuwenhuizen, 2007: 4).

The perceived problem is that efforts made to facilitate entry into business have not been successful. This is confirmed by the high failure rate of new businesses in the first year and even in the second and third year of operation.

This research was conducted and designed to determine what key factors or areas an entrepreneur should pay attention to in the development of his/her small business to reduce the chances of failure.

These key areas have been identified from the experiences of successful entrepreneurs and through consultation with managers of mentorship initiatives which have seen first-hand why potentially successful businesses fail.

1.3 Sub-Problems

- Access to capital is often used as an excuse for failure rather than poor financial management
- Most Entrepreneurs have several businesses which fail before they „develop“ a winning formula
- What might be one small business owners“ strong point in management may be another“s weak point
- The focus on management issues in different industries or businesses may vary in importance

1.4 Background to the Research Problem

The government wants to eradicate poverty, create jobs and support small business development because of the high unemployment rate. The Chairman of Business South Africa made some crucial statements during an address to the NEDLAC (1997) summit almost fifteen years prior to this research submission. According to the KZN MEC for Economic Development and Tourism, these goals remain the same today (Pivot, 2011: 3).

High unemployment is South Africa“s greatest socio-economic problem as it inhibits government from providing an enhanced quality of life to all. The economy needs to grow at six percent in order to create employment for the 30 percent who are unemployed, yet in 2008 economists predicted a growth rate of only two percent according to Boyle and Malefane (2008: 1). Based on the following views, the current economic outlook is not good and it would appear that South Africa will fail to show real growth and thus create jobs.

In his State of the Nation Address in February 2011, President Zuma stated that R9 Billion would be allocated over the next three years to create jobs, calling 2011 „the year of job creation“. The plan would be to create five million jobs by 2020 (Mulholland, 2011: 55) and help reduce the unemployment rate to 15%. However, according to the South African Chamber of Commerce and Industry (SACCI) there has been no improvement since the presidential announcement. In fact, they predict a possible loss of 500 000 jobs by the end of the year (Opportunity 2011: 52).

The global economic crisis is severely impacting on South Africa's ability to show this level of growth and as a result, job creation, unemployment, retrenchment and fewer opportunities than previously are the harsh reality (Opportunity 2011: 52). Private industry is a crucial element in developing employment opportunities (Pivot, 2011: 11). The problems currently being experienced were also present in 1997. „The importance of the role of new black business and small business in the job creation process also cannot be stressed enough. This is not only a means to job creation, but also a way of accelerating the economic empowerment of the previously disadvantaged South Africans“ (NEDLAC, 1997).

The city of uMhlathuze serves a population of approximately 300 000 people, the majority of whom are concentrated in the rural areas (uMhlathuze, 2014:13). This area has an economic growth rate of 6% which is faster than the national growth rate, largely attributed to its industrial sector. However, a new trend on SMME's development will focus on agriculture and tourism (Impact, 2008: 7). There are approximately 5 000 businesses in the area (uMhlathuze, 2010: 14).

There is a great need for job creation and neither the government nor the corporate industrial sector can be expected to provide all the required jobs in the economy on their own. There is therefore a need for entrepreneurs to make use of opportunities and resources available to them to start a business and through its growth, be able to provide employment opportunities for the community (Pivot, 2011: 11).

Over 40% of the population of the city of uMhlathuze lives in rural and tribal areas characterised by high levels of poverty and under-development. Any entrepreneurial activity which exists is purely for survival, not to create jobs or significant wealth (Impact, 2008: 5). In the uMhlathuze municipal area there are over 41,000 people seeking employment. According to figures, in large industrial businesses an investment of R20 million is needed to create a single job position while only R20 000 is needed to create a job position in an SMME, the city has spent considerable amounts to promote the region in the hope that major business investments will create new SMME opportunities (uMhlathuze, 2008: 12). However, it could be argued that attention should be paid directly to SMME's. There is a considerable amount of training and mentorship available for new business owners and entrepreneurs, but it is only available in urban areas.

According to Diederichs (2002: 64) small, medium and micro enterprises (SMMEs) are responsible for 97.5% of business in South Africa, contributing 34.8% towards the nation's gross domestic product (GDP). However, there is a high failure rate amongst new and small businesses it has been argued that this due to a lack of access to capital and poor business and management skills (uMhlathuze, 2008: 20).

Much research needs to be done to ensure that solutions can be found to ensure that growth of SMME's continues and that there are fewer business failures. One could research the reasons why certain businesses have failed, but the reasons would most likely be a combination of factors. One of the most commonly mentioned reasons for failure is the lack of access to capital, but if research was conducted to understand how certain established small business owners have succeeded, this may provide insight into why others have failed. By understanding the keys to success, these can then be used to assist emerging small businesses.

1.5 Research Objectives

- Objective One:
To seek the opinions of small business owners on the importance of a range of facets of business and management.
- Objective Two:
To determine the level of knowledge that successful small business owners had on each of the range of facets of business management when they started their businesses.
- Objective Three
To identify pitfalls that small business owners need to avoid, if they hope to prosper.
- Objective Four:
To determine key issues that posed a threat to the owners of small businesses when they started out.
- Objective Five:
To determine critical success factors which have resulted in business success.
- Objective Six:
To ascertain what people who venture into business must do to survive and succeed

As a result of this research, suitable proposals have been made that will be of value to people venturing into business for the first time. The research has identified specific areas that successful business owners value as important to their success and recommendations have been made based on the responses. If applied, these recommendations are bound to reduce the risk of new business failure and contribute towards the success of new businesses.

1.6 Factors Flowing From the Objectives

Based on the objectives a questionnaire was composed. Small business owners were asked to complete a questionnaire, rating their opinion of the degree of importance (knowledge) of several management issues when they started their businesses. They were then asked how important they perceive those issues to be now, having been in business for many years.

This research was concerned with determining which characteristics and aspects of business are of importance to the small business owner to ensure the survival and growth of the business. It was therefore essential to target people who owned small businesses to glean such information.

Based on literature search of business management related topics, the following areas were pinpointed for study:

- Strategy
- Marketing
- Human Resources
- Control Systems/Procedures to be followed
- Management
- Budgeting
- Cash Flow
- Accounting, Legal and Tax Implications
- Sales
- Service Quality
- Product Quality
- Image
- Reputation
- Supplier Relationships

1.7 Research Methodology

As the problems investigated were perceived ones, it was necessary to determine if they were in fact valid problems. Once this was established, the research could begin in earnest. This research is not an historical review examining developments and improvements over time but rather a methodological and contextual review. The research has identified which aspects of business have been key factors to the success of established small businesses in order to make recommendations which may assist people in fledgling businesses to avoid the pitfalls and have a better chance of success. This approach is supported by Neuman (2003: 142).

Field research was conducted in the city of uMhlatuze in Central Zululand, KwaZulu-Natal. This site was chosen as it is a growth node and also, it was possible to identify numerous numbers of target respondents of established small business owners. In order to secure names of people to contact concerning the planned research, contact was made with individuals who are involved in mentorship initiatives and business networking organisations.

The research tool that was used to investigate the perceived problems and to elicit primary data was a closed questionnaire, based on a Likert scale. A few open-ended questions were added at the end to ensure depth to the research. Questions sought to determine the length of time that the business has been in operation, its success level and the owners' level of business knowledge when starting out.

In addition to the questionnaire process, interviews and in-depth discussions with individuals involved in mentorship organisations were held. These interviews sought to discover if any common faults or trends existed concerning failed entrepreneurial ventures. Reasons for such failures were sought.

Secondary data was sourced through a literature review, which included consulting academic, peer reviewed, journal articles.

1.8 Literature Review

The literature search consisted of various sources, including academic journals, reports, publications, media reports and expert individuals involved in entrepreneurial mentorship programmes.

Key concepts and terms such as entrepreneurship and small business owner were focussed on. Organisations which mentor aspiring entrepreneurs will be discussed along with what expert individuals in this field believe to be common faults as well as key factors that result in small business success. By understanding how these organisations help entrepreneurs, one may begin to understand why there is still a high failure rate in spite of these initiatives by government.

1.9 Significance and Value of the Research

This research identified which areas successful small business owners believe are of significant value to ensure success. Interviews and discussions with people running entrepreneur mentorship organisations, sought to discover possible mistakes that people who are new to business make. Recommendations have been made to ensure that these areas are given greater attention to assist aspiring small business owners in the future.

This research did uncover various critical success factors which successful small business owners value as key to their success. Often a lack of capital or access to it is blamed for business failure or

lack of steady growth. These have been excluded from this study as the intention was to identify other possible faults or weakness of small business owners beyond the oft heard cry of inadequate capital.

The findings will be presented to various non-profit and commercial organisations, in the hope that they will draw from this research and use their influence (direction/framework) to assist emerging and new business people in order to facilitate their success. The hope is that this research will enlighten small business owners and entrepreneurs and especially people venturing into business, about the pitfalls in business so that they can and will avoid them. In addition, this research will inform such entrepreneurs about critical success factors for business. If the recommendations are heeded, it is hoped that fewer people who are new to the business world will fail, because they have paid attention to key success factors.

The intended recipients of the completed work are organisations which play a role in assisting and advising people who venture into business. Examples of potential recipients being:

- Black Management Forum
- ESS
- SEDA Richards Bay
- uMhlatuze Municipality
- Uthungulu District Municipality
- Zululand Chamber of Business Foundation
- Zululand Chamber of Commerce and Industries

It is hoped that this research will encourage further research into the problem by an organisation with a larger budget and greater sphere of influence, such as the Chamber of Commerce, SEDA and the Department of Trade and Industries.

The intended result is that aspiring entrepreneurs and business people will prevail and that the failure rate of small business will decrease, leading to more growth and job creation. Entrepreneurs need to take risks, but with greater understanding of crucial areas which need attention, such risks would be calculated ones and not leaps of faith into the unknown. In ensuring that the chances of business success are greater, this research will help in reducing the numbers of people who rely on government grants as they will be employed.

1.10 Limitations of the Research

This research was confined to a small geographic area, focussing on small businesses within the city of uMhlatuze. This research did not look into the issue of funding for businesses as there appears to be considerable research that has covered that aspect. In addition, because there is not a comprehensive

and accurate data base of small businesses and entrepreneurs, the research had to accept the estimates from the Chamber of Commerce that there were about 800 businesses in the area that fitted the focus of this research. The sampling process was random and therefore only represents a small segment of the total population. As such the recommendations made here are based on the results of this study. If implemented, the results will need to be closely monitored in case there are deviations from the expected end result.

This is a small scale study and a larger one with greater funding done over a wider area would be more comprehensive and might yield additional insights. The fieldwork for this research was self-funded and was conducted on meagre resources which limited the amount of research that could be undertaken. Another limitation of the study is that some people who were approached to participate, were too busy and out of respect for their right to conduct business and to serve their clients, they were not harassed to be part of the study.

It should be noted that another limitation of this study is that it recognises the importance of sufficient capital to found a business and the issue of access to capital. These are certainly mentioned, but they are not the focus of this study. Instead, the issue of financial inexperience and mismanagement are presented as possible alternative reasons for business failure.

Another aspect which was taken into account is that each owner/entrepreneur is a unique individual and his/her personal experience and the way s/he conducts and manages his/her business varies from other entrepreneurs, providing different results. This study has ascertained the common areas of importance.

Other limitations include the fact that the views of the numerous informal traders in the city were not sought. This was partly due to potential language barriers issues, the probable reluctance of many of such traders to be interviewed and the fact that this work was planned to specifically focus on formal traders.

The above limitations are noted as this research specifically sought to uncover and identify the factors which could undermine a business and factors which are important in determining success levels. It was felt that such information would be found by targeting people in business and those involved in mentorship programmes.

1.11 Chapter Overview

Chapter One presents the perceived problem and objectives of the research, discussing briefly why and how the study is being done. Chapter Two contains the literature review of appropriate and relevant material. Chapter Three discusses the research methodology which was employed and fieldwork that was carried out. The results and findings are presented and analysed in Chapter Four. Chapter Five contains the conclusions reached and the recommendations made to reduce the risk of business failure and to enhance chances of business success. Suggestions for further research are also made in this chapter.

1.12 Concluding Remarks

The research problem has been discussed and introduced with suitable research issues motivated. The reasons for conducting the research have been explained together with what the objectives intended to discover. An appropriate research methodology has been stated. Data was gathered from people who have been in business for some time and who were therefore in a position to respond based on experience. The administered questionnaires contained a few open-ended questions. In addition to the questionnaire, interviews were conducted with mentors of people involved in entrepreneurial ventures to augment the questionnaire process. The value of these results and the limitations of the study have been outlined.

The next chapter examines appropriate and contemporary literature relevant to this research study.

Chapter Two

Literature Review

2.1 Introduction

This chapter covers the literature on subjects pertinent to the research being undertaken. Amongst the subjects covered are: unemployment, business mentorship initiatives, the geographic area where research was undertaken, measuring instruments, small business, Small Medium Micro Enterprises (SMME's), mentorship and entrepreneurship. Areas crucial to entrepreneurial ventures are detailed.

The literature review includes books, journal articles, newspapers, magazines, reports, websites, theses and detailed interview discussions with business mentorship experts. These have been well organised and have been found to be relative, topical and although some sources may be dated, they too are backed up by current reliable sources as suggested by Mouton, (2008: 91).

Definitions relating to small business and entrepreneurship are detailed to provide a base for this research. Methods to measure and monitor entrepreneurship have been explained. The weak nature of entrepreneurship and small business in South Africa is discussed along with the issue of unemployment and how government plans to address these problems.

2.2 Small Medium Micro Enterprises

Steyn (2006: 2) provides a definition of Small Medium and Micro Enterprises (SMME's) based on the Small Business Act, 102 of 1996, as follows: "business entity employing a maximum of 100 employees". Other definitions state that the owner will be directly involved in management and that the annual turn-over does not exceed R5 million Rand with capital assets of less than R2 million (Cronje, Du Toit, Mol and Van Reenen, 1997: 450).

According to Diederichs (2002: 64) small, medium and micro enterprises (SMME's) are responsible for 97.5 % of business in South Africa and they contribute 35.8 % of the nation's Gross Domestic Product (GDP). SMME's are responsible for the employment of 54.5 % of all formal private sector employees. That is just over 40 % of all wages and salaries paid per year.

SMME's are able to react sooner to changes in the market. It is this skill of the entrepreneur to adapt to his ever changing surrounding which allows him to survive during hard times despite his lack of financial depth (Tahir, 2011: 521). Government supports small business creation because it creates

jobs, reduces the numbers of people reliant on welfare and adds to the tax bases. Large industrial business must invest approximately R20 million to create one single job position while only R20 000 is needed to create a job position in an SMME (uMhlathuze, 2008: 12).

As most entrepreneurial activity within the economy is generated by SMME's, it may be said that entrepreneurship has been identified as a vital part of the contemporary South African economy. "The importance of entrepreneurs is therefore crucial for the improvement of the South African economy and it is the best way that employment is created in South Africa" (Hough, Nieman, Nieuwenhuizen, 2007: 4).

The failure rate of new and small business is significant, and it has been found that there is a need for business and management training. Support in the form of counselling and mentorship have also been shown to be important for the survival of SMME's. Accessibility and effectiveness of services provided by the municipality, government, the Department of Trade and Industry (DTI) and other organisations to SMME's should be addressed (uMhlathuze, 2008: 20).

Lans, Biemans, Mulder and Verstegen (2010: 147) state that within the European Union (EU) small businesses of fewer than 50 employees are responsible for more than half the employment and 40% of value added tax. This demonstrate's the importance of SMME's in terms of job creation and the economy.

2.3 Entrepreneurship

The term entrepreneurship is a commonly used word yet there are many different definitions for the term and how it should be understood. The following definitions will both show how the term has developed. Some of them allude to the qualities that an entrepreneur should possess which differentiates him/her from a manager or business owner.

Hisrich and Peters (2002: 7-72) expand on this, stating that an entrepreneur is in business for personal gain through innovation. An entrepreneur needs to consistently improve and create in order to better his product or service compared to that of others. An entrepreneur creates value by accepting risk in order to obtain wealth, personal gratification and sovereignty.

According to Shane (2003:4) entrepreneurship involves the process of "the discovery, evaluation, and exploitation of opportunities that previously had not existed". This implies that an entrepreneur is creative and innovative in finding a way to make use of an identified opportunity.

2.3.1 Types of Entrepreneurs

There are many forms of entrepreneurs but two distinct types can be identified based on their motivation. An entrepreneur may either seize an opportunity that exists, or has to start his own business through necessity because he has failed to find employment which was more rewarding or appealing (GEM, 2004).

2.3.1.1 Opportunity Entrepreneurs

An opportunity entrepreneur is more likely to experience greater success because s/he is motivated by the prospect of making high returns and establishing a sustainable business with potential for growth. This would mean that the business has a better chance of being in a situation of needing to employ more staff. The innovator is one who tends to operate in an expanding market and is someone who has intentions to develop further in time (Tahir, 2011: 520).

Opportunity entrepreneurs have true entrepreneurial flair and passion and demonstrate innovation and risk taking traits. These businesses will grow and create further employment (Hough, J., Nieman, G., Nieuwenhuizen, C. 2007: 30). High expectancy entrepreneurs are defined by the GEM as new business which are likely to employ at least 20 employees within five years (GEM, 2005).

2.3.1.2 Necessity Entrepreneurs

These survivalist entrepreneurs are simply in business in order to make enough income to live. These subsistence businesses are often isolated from markets and work hard to sustain themselves. (Hough *et al.*, 2007: 28). They have little aspirations for growth and are comfortable as they are (Tahir, 2011: 520).

This high percentage of non-opportunity entrepreneurs represents a large number of people who do not have the flair or tendency to be natural/opportunity entrepreneurs. This therefore suggests that such people need greater exposure to formal business training, with which they may become more successful. Increased training, along with initiatives to help individuals to reach their potential, develop their businesses and develop their survivalist businesses into the mainstream economy, is essential (GEM, 2004).

2.3.2 Entrepreneurial Characteristics

Begley and Boyd's (1987: 102) definition of what constitutes an entrepreneur is that which describes the character and behaviour of a person:

- Initiative
- Organising and reorganising of both social and economical mechanisms in order to turn resources and situations to practical account

- Acceptance of the risk of failure.

According to (Nieman and Bennett, 2002: 58) there are seven key aspects which have been associated with entrepreneurship. A successful entrepreneur would possess or pursue all of these identified characteristics:

- The ability to identify a real business opportunity, based upon a niche market need and then be able to evaluate the idea and determine its viability by examining and understanding the market and target group. This opportunity is often based on other skills of the entrepreneur, common needs of the public, unsolved problems and outsourcing by large organisations.
- Creativity and innovation which will ensure that the product or service remains unique, alternatively, the ability to adapt to changing market demands to retain a competitive advantage and meet current needs. By being innovative, growth rate is able to exceed inflation.
- Access to the labour, technical skills, technology, location and financial resources needed to operate.
- Business acumen, including the skills and experience to equip one to successful start-up or turn around an already established business. It is a good idea to seek advice in this area from trusted experts
- Management skill and authority is not only necessary for the daily control and functioning of the business but also for leadership, organisation and future planning. An entrepreneur enjoys being his own boss with the freedom to make decisions.
- Calculated risk taking is a reality for the entrepreneurial owner and any other investors, both personally and financially.
- Reward is usually the main attraction or motivation for the entrepreneur because any profit or added value of the business is directly related to input. Through perseverance and a positive attitude, turnover becomes the entrepreneur's reward, which is then reinvested into the business or put towards a salary increase.

2.4 Entrepreneurship versus Small Business Owner

The distinction between an entrepreneur and an individual who is effectively self-employed has been discussed. For this research, they will be considered as one category of people. The reason for this is that the focus of this research is on what areas are considered of greatest importance to ensure that a new business has the opportunity to be successful.

Small business entrepreneurs must constantly monitor their competitors and analyse and assess their strengths and weaknesses against the opposition. Competitive advantage should be understood, not a

reflection based on mere quality and price, but also based on performance, service and convenience among other factors which must be met to ensure the target group's satisfaction. It is also used to attract prospect clients, retain them and guarantee increased sales (Hough *et al.*, 2007: 92).

Wheelen and Hunger (2004: 303) differentiate the entrepreneur from the small business owner based upon the fundamental understanding of growth and innovation. "The entrepreneur is the ultimate strategist", he is a strategic planner without realising it.

Entrepreneurs are interested in engaging with their specific target customer on a one-to-one basis. This is done by giving customers information about the product or service, encouraging complaints and advice which are then used to make changes and to improve quality and service in order to satisfy the client. Knowing one's target market well and establishing strong relationships with valuable clients is essential, (Scarborough, Wilson and Zimmerer. 2006: 308).

2.4.1 Successful Small Business Entrepreneur

Success may be measured in many ways, but for this research it is understood as a business which has been trading for longer than five years, has proven itself to be stable and is turning a constant profit, is known within the community and or industry within which it operates and has good relations with its customers.

The following are signs that a business is performing well and shows promise of business success (Hough *et al.*, 2007: 277):

- Sensible financing structure utilising debt and equity
- Strong cash position
- Above average profits or return on assets
- Rapid growth in sales revenue
- Good market segment with possibilities for expansion
- Specialist, leading the industry
- Solid image and reputation
- Research budget
- Competitive advantage based on factors other than price
- Close relationship with customers
- Well managed with expertise

2.5 Monitoring Instruments

There are several instruments which can be used to measure the level of entrepreneurial activity, such as performance, business success, sales of new products amongst others. These allow one to determine what changes in policy need to be made and to compare how effective policies are around the world in different markets. There are, however, few authorities which monitor entrepreneurial activity and provide annual feed-back.

GDP should be understood as the nation's total production value within its geographical boundaries and is not only used to compare with other countries, but for the most part to establish whether the economy is in decline or growth phase (Hough *et al.*, 2007: 4). By comparing year on year or quarterly growth, one is able to determine the growth rate, which is closely related with employment opportunities (Hough *et al.*, 2007: 4). SMME's contribute to economic growth, prosperity creation, increased flow of capital, creation of jobs and opportunity for new ventures (Hough *et al.*, 2007: 22).

2.5.1 Global Entrepreneurship Monitor

The Global Entrepreneurship Monitor (GEM, 2005) defines entrepreneurship as any attempt at a new business venture such as self-employment, business start-up or expansion by individuals, a team or an established business. GEM studies which government policies and initiatives have shown to be likely to generate high levels of entrepreneurial activity and which are related to a positive growth in GDP and job creation. GEM suggests the following (GEM, 2005):

- Develop a culture which promotes entrepreneurship.
- Facilitate the availability of resources, particularly to disadvantaged groups such as women.
- Establish specific programmes to promote entrepreneurship.
- Provide support to aspiring small business entrepreneurs.
- Long term post-secondary education in business skills and training.
- Place emphasis on developing the ability to recognise a business opportunity.
- Understanding and mentorship on how to make use of an identified opportunity.
- Ensure that society will be able to contain a lifestyle with higher levels of income.

2.5.2 Global Entrepreneurship Week

Global Entrepreneurship Week (GEW) is a Kauffman Foundation Initiative which takes place every year around the world. In 2009 our first national conference was held, entitled „The State of Entrepreneurship in South Africa“ with 86 other states globally having their own discussions (Gordon Institute of Business Science, 2010: 2). The Kauffman Centre for Entrepreneurial Leadership believes the GEW to be crucial to the study of entrepreneurship (Steyn, 2006: 5).

During these talks it was announced that South Africa did not fare badly, but still had much work to do to promote entrepreneurial growth compared to other emerging economies. The key aspect raised during the first conference was the definite link between entrepreneurial growth, economic expansion and job creation. Secondly, the severe lack of entrepreneurial skill in South Africa was highlighted. The lack of foresight in business plans, particularly when it came to saturated markets and a lack of understanding of the importance of cash flow were highlighted by local financial institutions as the reasons for most loan applications being turned down (Gordon Institute of Business Science, 2010: 7-15).

2.5.3 Total Entrepreneurial Agency

One measure of Entrepreneurship is the Total Entrepreneurial Activity (TEA). This measures the percentage of the economically active population between 25 and 64 years of age who are entrepreneurs themselves (Gordon Institute of Business Science, 2010: 6).

In 2005, South Africa's TEA measured 5.1% while the average of the then 35 countries was 8.4%, with developing nations having an average 16.4%. South Africa's TEA is steadily dropping each year while other developing nations have managed to maintain their levels (Steyn, 2006: 5). This trend continues to this day (GEM, 2010).

2.6 State of Entrepreneurship in South Africa

Entrepreneurial activity in SA is not increasing (Steyn, 2006: 72). This may be because entrepreneurial activity is commonly engaged in as a means of survival rather than as an opportunity to improve one's life. A survivalist entrepreneur is less likely to employ people as the business is in all probability stagnant and not able to grow. Approximately a third of small business entrepreneurs claim to have gone into business due the fact that they could not find employment (Turner, Varghese and Walker, 2008: 16).

In the year 2004, opportunity entrepreneurs accounted for half of the total entrepreneurial activity for South Africa. At this time the international ratio of necessity versus opportunity was 1:4. This shows that even though there is entrepreneurship activity, these positive efforts to earn an honest living, are undertaken because there is no other option and people were forced to become survivalist entrepreneurs (GEM, 2004).

Women represent more than 50% of the population across all racial groups and provinces (StatsSA, 2010: 12). However, according to (Scarborough *et al.*, 2006: 16) women only own 33% of small businesses. This research bore this ratio in mind when seeking respondents.

2.7 Unemployment

Schiller (2000: 106) defines unemployment as those people who are within labour age, currently with no personal source of income and are actively seeking employment. The labour age includes all individuals from the age of 16 years who are willing to work. Persons working without payment, such as those doing voluntary or family work, are also considered employed. Unemployed individuals who are not actively seeking employment are deemed not part of the labour seeking force. This could be understood as anyone except children, students and retired people who are looking for work but cannot find employment. South Africa faces a drastic problem in terms of its high unemployment rate, since unemployment results in under-development and poverty (Fourier, 1997: 361).

The unemployment rate in South Africa is currently estimated at 30%, the highest recorded in recent history. The South African economy has been in a decline prior to the country becoming truly democratic in 1994 with a meagre 2,2% growth rate in the 1980's and no growth in the early 1990's (Hough *et al.*, 2007: 4). Since 1994 the economy has experienced more rapid growth and disposable income has risen, but in spite of this, the unemployment rate remains high (Hough *et al.*, 2007: 4). This view is implied and supported by both the Gordon Institute of Business Science, (2010: 6) and GEM (2010).

The Chairman of Business South Africa made some crucial statements during an address to the NEDLAC summit in 1997 pointing out that:

- High unemployment is South Africa's greatest socio-economic problem as it inhibits government from providing a better quality of life to all.
- The economy needs to grow at approximately 6 percent in an attempt to create employment for the 30 percent unemployed labour force.
- Private industry is crucial to develop employment opportunities. "The importance of the role of new black business and small business in the job creation process also cannot be stressed enough. This is not only a means to job creation, but also a way of accelerating the economic empowerment of previously disadvantaged South Africans". Skills development and flexibility with the labour market have been key to the success of these new enterprises. (NEDLAC, 1997).

2.8 Government's Solution

The MEC of Finance and Economic Development for KwaZulu-Natal, Dr Zweli Mkhize MPP said, "The focus of this department is thus set on fighting poverty among these people by creating increased work opportunities and speeding up real empowerment.... In this desirable investment location... in the northern reaches of KwaZulu-Natal" (Impact, 2008: 2).

Bozas (2008: 4) identifies government's goals as to eradicate poverty, create jobs and support small business development while reducing the high unemployment rate. The importance of new and small business in terms of job creation and employment opportunity cannot be stressed enough. The importance of small business to the development of the economy cannot be ignored (Tahir, 2011: 520).

Skills development and flexibility with the labour market have been key to the success of these new enterprises. As capital funding is difficult to obtain, foreign investment should be encouraged and managed strictly to ensure success. All this, along with our prudent fiscal and monetary policy and export driven macroeconomic strategy towards external markets should be effective in creating stable and sustainable growth throughout the nation (NEDLAC, 1997).

The KwaZulu-Natal Department of Economic Development (KZNDED) has acknowledged that 20% of the nation's population resides in KwaZulu-Natal, one of the smallest of the nine provinces. The KZNDED's mission statement claims that they "will formulate and implement effective economic development strategies that create sustainable jobs in KwaZulu-Natal" (KZNDED, 2007: 9).

Government has stated its objectives when tackling small business development and has identified the importance of skills development (uMhlathuze, 2008: 20). These strategies will be implemented by the Department of Trade and Industry through Local Economic Development policies established by municipalities and in partnership with Business Retention and Expansion projects administered in partnership with major business. The need for small business mentorship programmes on a micro level is of critical importance (ZCBF, 2010: 15).

The Department of Trade and Industry (DTI) have adopted several initiatives aimed at promoting SMME development. This is ensured by providing support and guidance to these aspiring small business entrepreneurs in the following ways (DTI, 2010):

- Facilitating access to finance
- Training and development
- Access to information and research
- Knowledge of markets and networks

The Small Enterprise Development Agency (SEDA) is a national government initiative concerned with helping SMMEs and aspiring entrepreneurs by providing them with information and guidance (SEDA, 2010).

SEDA (2010) state that their main function is to assist SMMEs to develop their business into a registered business by providing them with information and helping them to gain access to markets and clients. This is done by advising aspiring and struggling businesses on what steps they should take to ensure that the business is profitable. SEDA falls under the control of the DTI, assisting them and building skills.

2.8.1 Skills Development

Human skills are based on flair and talent and can be enhanced with appropriate and relevant training with practical work experience. These skills and training enable the entrepreneur to provide efficient, quality service while managing his/her business. Business skills can be said to be the most defining factor in the success of a business and are crucial to any small business entrepreneur (Steyn, 2006: 7). Ladzani and van Vuuren, (2002: 156) speak of how it is possible that certain entrepreneurial qualities develop over time and hence the value of entrepreneurial education and training.

In his findings on the reason for the lack of entrepreneurial growth in South Africa, Steyn (2006, 82) calls for youth entrepreneurial skills development. These should begin at school level, so that upon leaving school, learners should be aware of where they may seek advice and guidance. Regional competitions are needed along with entrepreneurship courses at tertiary institutions.

It is all good and well to argue that skills training is important in developing an entrepreneur. However, one should not overlook the significance of culture and social influence. Likewise, the environment within which one is raised is most likely to have great influence. Role models and innovative mentors who demonstrate an ability to adapt to change efficiently, will have a strong entrepreneurial influence on the youth (Krueger and Brazeal, 1994: 91).

2.8.2 Business Support and Mentorship

The large manufacturing sector in Zululand has set up advice centres to benefit SMMEs and help them emerge and be sustainable. Details of these projects follow later in this work. Agriculture is also an important economic sector which directly affects the SMMEs and creates employment opportunity and further economic activity. This is more so should agricultural development occur in the densely populated rural areas, and if such agricultural extension were to be labour intensive as opposed to being capital intensive (Impact, 2008: 25).

If business “sense” and entrepreneurial skills were taught in these cases, this would help individuals to better negotiate and market their produce and, with their knowledge, they would remain motivated to make use of their agriculture skill to make increasing profit. The Zululand Chamber of Business Foundation (ZCBF) has taken the initiative to implement many such projects aimed at alleviating

poverty by educating and training the community to develop the necessary business skills and to create employment for themselves and others (ZCBF, 2007: 4).

Steyn (2006: 86) emphasises the need for greater public knowledge of the initiatives provided by the Department of Trade and Industry (DTI), particularly those available to school leavers who often struggle to find employment and enter the job market. He suggests that regional competitions and expositions should be arranged by local municipalities and “big business,” to encourage entrepreneurial activity among the youth.

In 2006 the Umsobomvu Youth Fund launched „The Volunteers in Action Youth Enterprise Mentorship Programme“ which aims to help aspiring entrepreneurs between the ages of 18 and 35 years of age or any female entrepreneur who has a minimum of 26% ownership in a business. These small business owners may be in either the start-up phase or may already be established. A volunteer will be provided to work together with the business owner to grow and develop the business. These volunteers are experienced business people who demonstrate good business acumen and are able to mentor these aspiring entrepreneurs in terms of restructuring, sustaining or growing their enterprises (Trade Invest SA, 2010).

Moipone Molotsi, Director of the Business Development Services division of Umsobomvu says the process has shown success through experienced advice and the transfer of skills to entrepreneurs. By keeping contact with both parties, it helps ensure that neither falls short on the goals ahead and that the expert advice which is provided, supports the needs of the business. The specific support in this mentorship relationship should focus on sustainability and growth (Trade Invest SA, 2010).

2.8.2.1 Small Business Incubators

Boyd (2006) speaks of the importance of Small Business Incubators (SBIs) which provide first hand assistance to aspiring entrepreneurs. With the guidance of experts who mentor these small business owners during early stages, they are able to assist with matters such as managerial skills, legal requirements, access to finance and help with planning.

The South African Business and Technology Incubation Association (SABTIA) is non-profit organisation which creates awareness of SBI nationwide. Often these agencies also provide cheap rentals for premises, and the use of office equipment. The idea is to be a supportive base during the start-up phase of a new business, providing advice as issues arise until the stage when the entrepreneur is confident and knowledgeable enough to go on his own. This is done not only to encourage entrepreneurship, but to ensure that the small business has a better chance of beating initial

obstacles and barriers and does not become another statistic of a short lived, failed entrepreneurial venture (SABITA, 2010)

2.9 Background to the Area

The city of uMhlatuze serves a population of some 300,000 (uMhlatuze, 2008:12)

2.9.1 Local Economic Development Strategy

The city of uMhlatuze released their three year Local Economic Development Strategy which will operate until 2011. This area covers Empangeni, Esikhawini, Ngwelezane, Nseleni, Richards Bay and Vulindlela. An economic SWOT analysis of the city of uMhlatuze found that agriculture, forestry, tourism and SMME support were its strengths compared to other districts in Zululand. Tourism, including water sport, cultural, heritage and eco-tourism was identified as a major opportunity for growth by SMMEs (uMhlatuze, 2008: 10).

A community survey conducted during the IDP Public Participation Sessions (uMhlatuze, 2008: 9) found that among the many needs were:

- Community skills training and development
- Training of small business entrepreneurs
- Establishment of skills training centre
- Skilled people need help to obtain employment
- Graduate job allocation
- Assistance for SMMEs into business networks

2.9.2 Business Retention and Expansion Programme

In partnership with the City of uMhlatuze, Trade and Investment KwaZulu-Natal (TIKN), the Zululand Chamber of Business Foundation (ZCBF) and Business Development Centre (BDC) have established a Business Retention and Expansion programme (BR and E). Amongst other objectives, the aims are to:

- Identify opportunity for business growth
- Create new businesses
- Generate new jobs through the growth of existing local business
- Identify local business concerns and needs to survive (BRandE, 2007:11)

A 2007 survey conducted by BR and E which targeted wide range of SMME's and larger businesses in Empangeni (BR and E, 2007: 4) found that 75% of businesses agreed that customer loyalty was a

major factor in the survival of their business. A lack of skill within the labour force was found to be problem in 25% of business. Expansion plans were in place for 49% of businesses.

According to the BR and E survey (2007: 8) SMME's showed both a need for and interest in gaining further information through workshops and correspondence on the:

- Skills Development Levy
- Business planning advice
- Guidance with marketing
- Business networking
- How to obtain finance

The BR and E (2007: 10) survey concurred with Boyd (2006) and identified six key elements to be addressed in order to meet their objectives. Three of these included

- Development of skills
- Accesses to information
- Business support and guidance

Efforts to address issues of skills shortages as identified by Boyd (2006) and Zikulise (2009) and to supply information and support have been made since the findings (BR and E, 2007: 12):

- These include information provided by ZCBF and the BDC on the topics of marketing, recruitment practices, effective websites and e-commerce, merchandising for retailers, the Skills Development Levy and Sector Education and Training Authorities (SETA).
- Customer Care workshops for frontline, support staff and management.
- Business management training short-courses by the DTI and the University of Zululand (UNIZUL).
- Sales training programme for sales people.
- Businesses have been encouraged to become members of a network with satellite offices in all major centres within Zululand.
- Register all SMMEs with the BDC to encourage support and provide visibility to larger business.
- Establish a local micro-enterprise small loan financing agency.

2.10 Local SMME Support Agencies

Organisations concerned with skills training, support, guidance and mentorship programmes for existing and aspiring small business entrepreneurs within the city of uMhlatuze are covered below.

2.10.1 Uthungulu District Municipality

The uThungulu District Municipality (UDM) has released a handbook to provide training and assistance to SMMEs. It provides direction to all organisations which an entrepreneur may seek help and support from within his local municipality (UDM, 2011).

In uMhlathuze, any individual with a perceived viable business idea is directed towards the Zululand Chamber of Business Foundation (ZCBF) in Richards Bay for assistance in the development and assessment of a business plan, as this organisation works closely with the Business Development Centre (BDC) and the Zululand Chamber of Commerce and Industries (ZCCI) who regularly hold networking functions for business to showcase themselves (UDM, 2011).

2.10.2 Zululand Chamber of Business Foundation

The Zululand Chamber of Business Foundation (ZCBF) situated at the ZCBF Community Park offers business advice through the BDC and the Zululand Chamber of Commerce and Industries. The Umfolozi College for Further Education and Training which has a campus on the ZCBF grounds runs a careers centre. The University of Zululand (UNIZUL) also on the ZCBF property, runs an assessment service to determine suitable educational and career paths for prospective students and entrepreneurs (ZCBF, 2010).

The ZCBF leases out offices and warehousing space to emerging business people at rates that are below market rates until the business has found its feet. The Business Development Centre runs an entrepreneurial test on applicants who approached them for funding to determine if the applicants were natural entrepreneurs. This test was developed by a British university (ZCBF, 2010).

2.10.3 Entrepreneurial Support Services

Entrepreneurial Support Service (ESS) is a business development consulting company. ESS (2010) provides practical strategies for sustainable business through mentorship, advice and business skills training (ESS, 2010):

- Mentorship and business skills transfer
- Business management advice
- Help with financial statements, budgeting and cash flow
- Link entrepreneurs to business networks
- Assist with access to financial institutions
- Promote sustainable business development
- Support job creation projects

Short courses for start-up and existing SMME are offered in (ESS, 2010):

- Designing your business
- Business Management tools for business owners
- Performance management for SMME's
- Project Management
- Time Management
- Market Research
- Marketing on a Budget
- Basic Financials
- Customer and Service
- Selling Skills
- Negotiating Skills

2.10.4 Business Studies Unit

The Business Studies Unit (BSU) runs a series of courses to develop people so that they are more competent and thus have greater potential for promotion. A number of these self-employed people are natural entrepreneurs who have followed their passion and instincts and have established their own businesses but seek further education to better equip themselves to cope in the business world (BSU, 2009).

BSU courses are designed for people who have entrepreneurial skills and flair, but lack adequate knowledge concerning subjects such as marketing, strategy, logistics, service excellence and compliance with legislation amongst others. The BSU runs a variety of courses ranging from short courses to degree programmes. The state subsidises accredited training and a number of Sector Education and Training Authorities (SETA) in existence that have accredited courses (BSU, 2009).

2.10.5 Zikulise

Zikulise Community Upliftment Project is a non-profit organisation which provides entrepreneurial skills training and support for small business owners. The aim of the organisation is to educate and train people in order to empower them to stand on their own. They focus on tackling, among other things, unemployment and the high failure rate of SMME's (Zikulise, 2009).

Support and guidance for any small business entrepreneur is available on request, but this is limited as the organisation lacks extensive knowledge to provide decisive advice. Mentorship, support and advice for small business owners are available with the focus of the project being on the creation of

new sustainable small enterprises. Skills programmes, including basic to intermediary computer courses, offer business skills to equip one to start-up one's own business (Zikulise, 2009).

2.11 Business Tools

Numerous business tools exist which owners and managers can and should use to analyse their markets, industry and businesses. Some can be used to improve efficiency or morale. Some of them are a SWOT analysis, Porter's Five Forces, Pestle, Value Chain, creating competitive advantage and the just-in-time concept.

2.11.1 SWOT Analysis

The success of any business can be assessed without going into much depth by briefly examining both the internal and external environment to determine its limitations and where improvement is needed. Strategically, one should identify the opportunities available for business and one's strengths over competitors, and make use of them to one's advantage, while also being aware of external threats and internal weaknesses. A SWOT (strengths, weaknesses, opportunities and threats) analysis is appropriate as it examines both internal micro aspects of a business along with external macro elements of the market (Ehlers and Lazenby, 2007: 81).

A SWOT analysis is used to evaluate the:

- Internal aspects of one's business - the strengths and the weaknesses,
- External issues – the threats and the opportunities (Wheelen and Hunger, 2004:8).

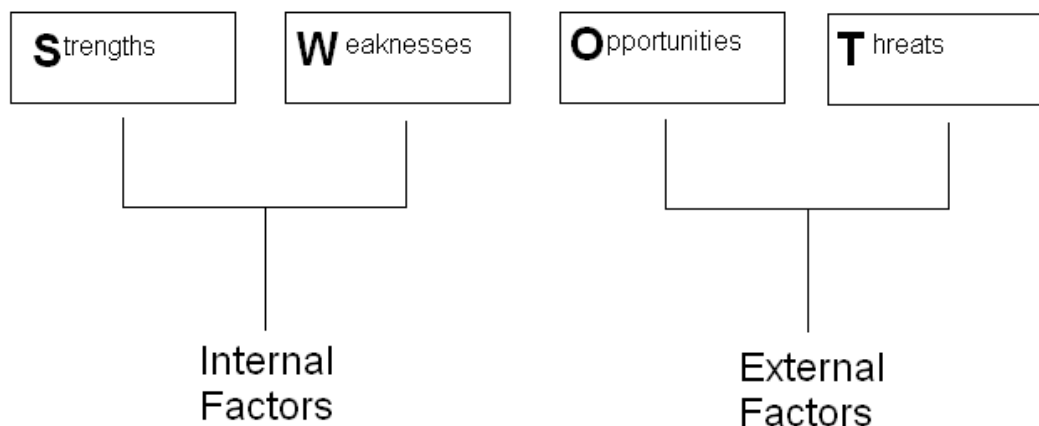


Figure 2.1 A SWOT analysis (Adapted from Ehlers and Lazenby, 2007: 82).

An internal analysis of a business on a micro level may find that weaknesses include limited access to finances or a lack of skill or experience, which could make it difficult to gain a competitive advantage within the specific market. The internal analysis will also help identify one's own strengths which

could be utilised to gain an element of competitive advantage over rivals or merely be the definitive factor which ensures sustainability and ability to survive in the industry through reputation (Ehlers and Lazenby, 2007: 82).

Table 2.1 Positive-Strengths and Negative-Weaknesses of an Internal Analysis (Adapted from Longenecker, Moore, Petty and Palich, 2006: 56).

STRENGTHS [positive]	WEAKNESSES [negative]
Important core competencies	Inadequate financial resources
Solid finances	Poorly planned strategy
Creative and innovative	Lack of management skill or experience
Skilled and experienced management	Insufficient innovation
Well planned strategy	Negative reputation in marketplace
Effective entry into market	Insufficient facilities
Protection from other competitors	Poor distribution network
Good brand recognition and reputation	Production inefficiencies
Proprietary technology	Poor marketing

The external analysis of the market would focus upon „the bigger macro picture“. Any favourable conditions such the closing down of a competitor or a decrease in the interest rate on an outstanding loan can be understood as opportunity to increase profit. A threat is something external which the business has no control over and which often relates to a decrease in cash flow which is major concern facing small business entrepreneurs (Ehlers and Lazenby, 2007: 82).

Table 2.2 Positive-Opportunities and Negative-Threats of an External Analysis (Adapted from Longenecker *et al.*, 2006: 56).

OPPORTUNITIES [positive]	THREATS [negative]
Untapped niche market potential	New competitors
New product / greater geographic market	Increased demands of buyers / suppliers
Change in industry dynamics to benefit	Shifts in business cycle
Potential market growth	Substitute products
Emerging technologies	Decrease in market growth
Deregulation	Increased government regulation
Increased market fragmentation	Demographic shifts
Foreign market expansion	Ever changing customer preferences

2.11.2 Porter's Five Forces

This is a tool to assess the industry one is in, the suppliers, the clients, the threat of new entrants and the risk of substitute products (Grundy, 2006: 215).

2.11.3 PESTLE

This tool is used to assess the external environment in terms of the following factors (Lloyd, 2007:28):

- Political situation
- Economic
- Socio-cultural
- Technological
- Legal
- Environmental issues

2.11.4 Value Chain

This tool can be used to help one to see where and how value can be added to the inputs into the system and how various functional departments are involved in the production of goods and, or services (Wheelen and Hunger, 2004:86).

2.11.5 Creating Competitive Advantage

Jones and George (2009:305) state that businesses need to develop competitive edges or advantages over their competitors. To this end, they list the following as important:

- Superior levels of efficiency
- Superior quality
- Superior innovation, speed and flexibility
- Superior responsiveness

2.11.6 Just in Time Concept

Jones and George (2009:321) point out that this management concept can be used to reduce wastage and to ensure that out of stock situations do not occur.

2.12 Reasons for Success

Based upon extensive research, certain elements which are key to the success of small business, have been identified. These include certain areas of business management.

According to Roggoff, Lee and Suh (2004: 371) factors which contribute to the success of small businesses are hard work, good ethics, knowledge, dedication, professional service, good management skills (Planning, leading, organising and controlling), marketing and good financial management. Islam, Keawchana and Yusuf (2011: 180) state that attention to the following factors increases one's chances of success: the characteristic of the enterprise, the management, the know-how, the quality and range of products and services, the customer, the market, the ways of doing business, co-operation, resources, finance strategy and the external environment. Hellriegel, Jackson and Slocum, (2005:5) support the authors by stating that communication, planning, administration, teamwork, strategic action, global awareness and self-management are also key managerial success factors.

Hartman (2010: 2) cites the following factors as aspects that if well managed will contribute to the success of a firm: ensuring that one receives timeous payment for goods sold, monitoring and managing debt, inventory control and the management of assets and investments.

In addition to all of these, certain characteristic of an entrepreneur which come through in his business daily operations will be discussed due to their positive effects. Methods and practices which are essential to the business interacting with its environment are mentioned.

2.12.1 Strategy and Management

Strategy involves managerial decisions which determine performance and the long term goals of a business (Nieman, Hough and Nieuwenhuizen, 2003: 245). They also explain that it is not a mere business policy which generally focuses on the internal management of activities, but also external elements of the bigger picture. Strengths and weaknesses are evaluated against external opportunities and threats. Implementing, evaluating and controlling procedures are one aspect, while planning alternative contingency plans for possible scenarios allow for primary goals to be achieved (Wheelen and Hunger, 2004: 2).

Management is the series of activities which are necessary for a business to achieve its goals and objectives through human, financial, physical, informational resources to deliver a service or a product (Cronje, Du Toit, Mol and Van Reenen, 1997: 91).

Asikhia (2010: 197) details how the small business entrepreneur places customer orientation as the strategic focus of the business. Customer service and satisfaction should be individualised to each clients' needs, as this marketing process is a social and personal one.

2.12.2 Marketing

Marketing is understood in many different ways. Longenecker, Moore, Petty and Palich (2009: 127) define small business marketing as "Business activities that direct the creation, development, and delivery of a bundle of satisfaction from the creator to the targeted user and that satisfy the targeted user." This emphasis demonstrates how the product or service is not merely tangible but is accompanied by customer satisfaction. Tahir (2011: 525) discusses how marketing has "a crucial role in determining the success of SME's". Marketing efforts are often directed at attracting new customers while current loyal clients are ignored and may be lost to the opposition as it is unlikely that clients will return once they have left. There are several benefits of maintaining strong relationships with current clients which include:

- Loyal customers will spend more money than new clients
- Word-of-mouth referrals from satisfied clients and colleagues will attract new customers
- Old clients will be willing to pay more for the product or service as it is perceived to be value-for-money

The cost of obtaining new clients is greater because:

- Marketing to attract new clients is expensive
- Order-processing costs are higher for new clients
- In order for the public to try out one's business, one should have an established reputation, offering higher quality at cheaper prices

Ted Levitt a well-known and respected entrepreneur and marketing specialist said that the most important aspect of a business is not to generate profit but to attract and retain customers. "The rest, given reasonable good sense, will take care of itself" (Scarborough, Wilson and Zimmerer, 2006: 302). This is the essence of marketing for the SMME's which should be designed to generate maximum attention in the quickest and most effective manner with minimal input at the lowest expense.

2.12.3 Human Resources

Human Resources Management (HRM) ensures that labour resources are efficient and effective by attracting and retaining staff, who contribute to the business goals. Remuneration, performance appraisal, safety and labour relations are all important (Jones and George, 2009: 423). HRM is responsible for having the correct labour supply when it is needed. It involves ensuring that the

business acquires and trains staff to be competent in their posts. The HRM function also manages the employer–employee/trade union relationship (Hannagan, 2005: 309). Jones and George (2009: 423) demonstrate how a happy employee leads to a happy workplace and ultimately a satisfied customer.

2.12.4 Systems

According to Jones and George (2009: 387), systems are measures put into place to control actions and define procedures within the workplace. These systems are monitored to determine how effective they are in regulating the efficiency and effectiveness of the task which needs to be carried out. It is this structure which allows for the level of control which enables management to organise and focus the business on achieving its goals. The possibility of problems arising is reduced and performance is increased. Systems also can be used for greater security and to restrict or limit misuse of resources (Cronje, Du Toit, Mol and Van Reenen, 1997: 456).

2.12.5 Budgeting and Cash Flow

When budgeting, one should always keep some savings for lean time or for emergencies. A business's best customer may not always pay on time. However, it would be wise to give them leeway in paying what is owed to keep the relationship strong. On the other hand, it is important to be vigilant when collecting monies owed to one (Illetschko, 2005: 61). Planning for growth and the business future needs funds and this is why budgeting for certain things in day to day trade, along with savings for future plans and unforeseen circumstances is important (Moi and Smith, 2008: 67). Scarborough, Wilson and Zimmerer (2009: 267) describe cash flow as what drives the engine of the business. The greatest threat to cash flow is when a business is moving or growing too fast as it needs more cash to outlay and stay moving. A small business is more adaptable to change, enabling it to react and be able to grow faster than larger business (Sahin, Kitao, Cororaton and Laiu: 2010). According to Richard Branson (Illetschko, 2005: 58) "In business, money comes in and money goes out. We use cash flow to pay our bills. And if there is anything left after everyone has been paid, that's profit.". Moi and Smith (2008: 48) describe cash as the oxygen of a small business which needs to be monitored and managed carefully as one cannot survive long without it.

2.12.6 Accounting, Legal and Tax Implications

Accounting, legal and tax compliance and implications are often overlooked in the early growth stages of business but are important and should be done by a professional or with their assistance to avoid penalties (Bagla, 2008: 158). Mistakes made during the initial stages of business may have hefty costly consequences down the road. Entrepreneurs often over estimate their knowledge of legal and accounting matters (Barringer and Ireland, 2008: 192). Tax concessions are available for small businesses, such as only 15% of a small business's first R150, 000 of taxable income is payable (Moi and Smith, 2008). There are further tax reliefs in place for Small Business (SARS, 2011).

Employment legislation is another aspect of business which needs to be complied with to avoid recourse. The Acts governing the workplace are accessible via the Department of Labour website (Zulu, 2010: 161). As there are many laws governing the employee-employer relationship so are there many tax obligations which must be adhered to (Zulu, 2010: 192).

2.12.7 Sales and Suppliers

Sales are necessary for a business to survive and it is imperative that price levels are structured to ensure that a profit is obtainable based on volume sold and the exchange value of the product or service (Lloyd, 2007: 95). Sales also are based upon what supply/time one has to offer, these may be limited to a certain shelf-life before being of no value to a customer (Levy and Weitz, 2007: 335). One may either be focused upon sales or alternatively focused on profit (Illetschko, 2005: 59).

Table 2.3 Sales Driven Versus Profit Driven Business

APPROACH	SALES DRIVEN	PROFIT DRIVEN
Key criteria for success	Sales	Profitability
Price Strategy	Low prices and discounts	Value without sacrificing profit
Financial Analysis and Planning	Poor	Recognised as management tool but not to drive the business
Marketing	Focus on sales	Importance of the brand is fully appreciated and business is built around this
Job roles	Disjointed divisions and lines of communication blurred	Everyone works as a team expected to contribute towards clearly identified goals
Strategy	No strategy for change unless it becomes unavoidable	Market leadership with clear change strategy in place
Employees	Little training offered and non-existent or outdated job descriptions.	Emphasis on staff training and development. Detailed job descriptions and career paths.
Systems	Poor and not followed strictly	Well designed and need for compliance understood
Planning	Little and growth happens by chance	Growth follows a carefully mapped out process
Debtors	Credit is extended easily and inconsistently resulting in frequent bad debt	Bad debt are rare through proper management

(Illetschko, 2005: 59).

Suppliers and your business rapport with them are also important relationships as without them you will not have products to sell. It is always a good idea to have several different suppliers to ensure a

backup plan for alternative materials or products which may vary from those of a competitor thus offering greater variety and enticing potential customers (Smit, 2000: 78). One usually develops a mutually beneficial relationship with suppliers so price, terms of payment and delivery can be negotiated (Zulu, 2010: 188).

2.12.8 Customer Focus

Service and product quality are not merely the value or superiority of a tangible good or service offered. The entire relationship between the entrepreneur and potential client comes into play (Scarborough, Wilson and Zimmerer, 2009: 319). The perceived quality of a product and service offered determines not only the price a customer is willing to pay, but also has a direct impact on the customers' perception of the businesses image (Scarborough, Wilson and Zimmerer, 2009: 210). The entrepreneur must continuously evaluate the quality of his service and procedures to improve and perfect them in order to have a competitive advantage, ensuring that every customer is satisfied, and becomes a return customer (Scarborough, Wilson and Zimmerer, 2009: 600).

The image of a business is important as it determines what type of customers may be drawn to it. There is a need to be professional along with good ethical practice to keep positive business relationships with suppliers and customers (Scarborough, Wilson and Zimmerer, 2006: 157). This image is largely physical and tangible relating to appearance, which immediately provides a perceived level of service quality to a potential customer (Levy and Weitz, 2007: 525).

The reputation of a business is developed and established over time. It creates a sense of knowing what value can be expected. In order to have a good reputation, the entrepreneur must subscribe to the values of customer satisfaction to attract customers to come back and also to promote one's business to others (Scarborough, Wilson and Zimmerer, 2006: 173).

It is strongly recommended that any small business in the start-up phase focus on consumer satisfaction as opposed to production efficiency or immediate sales targets. The reason for this is that in the long term, a customer whose needs have been satisfied will return with more business, and a relationship develops. A market analysis allows this by identifying and locating the specific target of potential customers (Longenecker *et al.*, 2006: 128). Entrepreneurs allow their customers' needs to dictate/determine how their business evolves and grows (Asikhia, 2010: 205).

For any small business the importance of maintaining current customers is a matter of sustainability of the business while obtaining new customers allows for increased turnover and the opportunity for growth. It is therefore crucial that the small business entrepreneur develops and maintains a strong relationship with clients to ensure that their expectations are met. Word-of-mouth is often a great

source of promotion for small business as a satisfied customer will return and will also let potential clients know of their approval and the business's reputation is upheld (Longenecker *et al.*, 2006: 260).

Dedication to customer service and efficiency is very important to entrepreneurial principles, the creation of superior value specifically for the customer is vital if one is to succeed (Asikhia, 2010: 205). By offering a superior service, with a strong relationship, speed and use of technology, and always investigating new innovative ideas to the business, will help it to succeed. Jeff Bezos, the founder of Amazon.com claims that "We see our customers as invited guests to a party and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better." (Scarborough, Wilson and Zimmerer, 2006: 299). The recommendation of this research should enable people venturing into business to be better equipped to exploit opportunities, address problems and be more adept at managing their businesses.

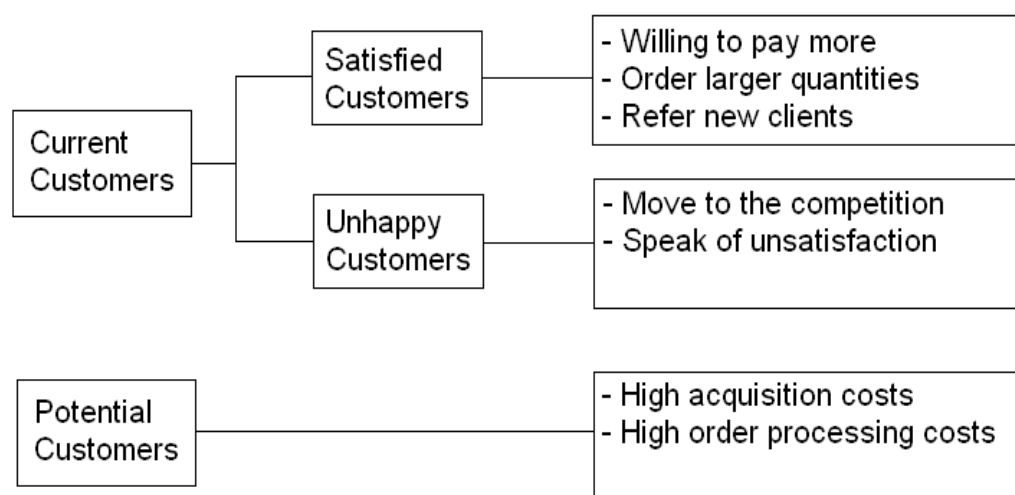


Figure 2.2 The Importance of Customer Relationships (Adapted from Longenecker *et al.*, 2006: 260).

A transactional relationship between the customer and the business goes beyond a mere sale or service which is rendered, it becomes an association. Offering superior customer service to one's competitors ensures that the customer's expectation is met by knowing the client's needs. This customer satisfaction will develop into sense of loyalty within the relationship. It is essential for the survival of any small business that this transactional relationship and personal attention is maintained as it is the main factor which distinguishes the SMMs' service from that of larger nationwide firms (Longenecker *et al.*, 2006: 261).

2.13 Reasons for Failure

Reasons for business failure may be due to the lack of attention paid to elements found to be essential to the success of a small business. The following aspects were identified by examining previous research on the subject. They are discussed and are followed by a more specific breakdown of threats to a business and what should be avoided by the small business entrepreneur.

Many businesses fail because the owners are over optimistic, there is inadequate board composition, nepotism, inability to delegate, failure to develop employees, failure to comprehend the business that the owners are in and thus failing to serve the target market, the inability to understand the economic situation, failing to plan ahead to ensure growth and opting to focus on what one likes to do rather than manage the enterprise (Abdelsamed and Kindling, 2001: 25). These authors also cite the failure of owners to monitor the enterprise. Gaskill, van Auken and Manning (1993: 25) cite similar factors for failure but add the following to the list: the failure to develop a long term business plan, the lack of a target market, high overheads, poor cash flow control, poor communications, bad relationships with vendors, poor managerial experience and skills, lack of product experience, inability to be competitive. Theng and Boon (1989: 57) stress that businesses fail due to lack of entrepreneurial judgement, lack of management skills, lack of product knowledge, lack of vitality and enthusiasm and the lack of or weak planning. In addition, they cite factors such as the lack of inventory control, poor record keeping, bad cash flow management, lack of forecasts and budgets, high operating costs, poor productivity and inappropriate marketing. Sheldon (1994: 536) concurs with the above authors and adds that out of control accounts receivable to the list of failure factors.

Factors that potentially lead to failure also include the lack of funding, high costs of borrowed finance, inadequate technology and external issues such as economic decline, government regulation and competition (Roggoff, Lee and Suh, 2004: 371). The failure to train staff is another factor that impacts adversely on productivity and service quality (Howell and Boxx, n.d.; 1). Poor planning, under-capitalisation, the lack of expertise and low levels of credibility are factors that lead to failure as do poor management of finances, non-compliance with laws and inferior management skills (Sauser, 2001: 33). Peterson, Kozmetsky and Ridgeway, (1983: 18) had similar findings and added high interest rates and the need for better management education.

It must be borne in mind that failure and success factors are opposing sides of the same coin and that they could have been listed under one heading. They were listed under separate headings based on the works of the authors quoted.

2.13.1 Threats

Just as any business should be aware of its strengths, so it should know its weaknesses. A threat is any external force which distracts, restricts or slows down a business from achieving its goals and objectives. These forces include (Scarborough, Wilson and Zimmerer, 2006: 64):

- Technological advancements which may make the business product or service obsolete
- Competition entering the market with alternative or cheaper product or service
- Political and regulatory
- Economic
- Social and demographic

2.13.2 What To Avoid

As a business owner, one must avoid withdrawing cash from the business for personal use (Sausser, 2001:33). Spending cash on luxury self-rewards such as a new personal vehicle because things are going well is not wise (Abdelsamed and Kindling, 2001: 30). That cash should be budgeted for future use and one must not confuse cash and profit (Moi and Parker, 2008: 50)

There needs to be a healthy financial balance in the functions of a business. Under-capitalisation and over-extension of loans should be avoided to reduce the possibility of causing the business terminal problems (Peterson, Kozmetsky and Ridgeway, 1983: 17). High overheads are difficult to rectify later on (Gaskill, Van Auken and Manning: 1993: 31).

Employing friends or unqualified, incompetent staff will not only be detrimental to business operations and service quality, but will possibly create future problems in terms of HR issues and the business reputation. Ultimately meaning that business is lost (Zulu, 2010: 160). Entrusting staff with access to business cash flow also poses risks (Rogoff, Lee and Suh, 2004: 371).

Having too much stock could be costly as it opens up possibilities loss of stock through theft and expired shelf-life (Sheldon, 1994: 533). A lack of variety of products and overlooking products which are complementary could mean that customers will go elsewhere to find a greater selection and all the items that they need at one place (Moi and Smith, 2008: 44). However, diversifying products and service beyond areas of expertise is potentially dangerous and a may be a waste of cash and time (Sausser, 2001:34).

A poor or non-existent relationship with suppliers could be costly, especially when one needs them to act timeously to fill an urgent order. Relying on only one or a few suppliers could also be detrimental,

because if that supplier is unable to help one then one does not have relationships with alternative suppliers (Zulu, 2010: 188). Relationships with customers should neither be too relaxed nor overly professional. There needs to be a balance between personal social interaction and expert service within small business (Rogoff, Lee and Suh, 2004: 365). One should avoid price wars with competitors as these do not benefit either parties but merely create future expectations from customers for low prices which may not be sustainable to the business. Extending too much credit to one's customers and not being aggressive enough when collecting money due to one is also dangerous (Illetschko, 2005: 61) as it could negatively impact on the cash flow situation.

Entrepreneurs are characterised by optimism and enthusiasm. However, they must avoid not paying attention to signs that the business may be in trouble (Sauser, 2001:33). They must avoid spending too much time at work and constantly dealing with the business because at some point the entrepreneur will burn out or lose interest or their passion for the business. Failure to delegate responsibility to others leads to fatigue (Abdelsamed and Kindling, 2001: 30).

2.14 Conclusion

This chapter has covered the situation of small businesses and entrepreneurship in South Africa. Recognition of the small business's role in meeting government's objectives of job creation has been identified along with what efforts need to be addressed to make this possible. Local policy and agencies focussing on these specific issues by developing entrepreneurs have been mentioned. SWOT analysis and customer orientation along with other key areas important to the success factors of small business entrepreneurs were discussed in detail providing evidence of their importance through previous research.

It is clear from the above review that skills shortages, inexperience, poor planning and the lack of suitable mentorship undermine the efforts of individuals to succeed in business.

The chapter that follows deals with the research methodology employed in the study.

Chapter Three

Research Methodology

3.1 Introduction

This chapter contains the framework of the research methodology employed in this research study. It begins with an explanation of the selected research design and a discussion of the quantitative nature of the study. Although the research is quantitative, it contains a degree of qualitative research. The reasons for and relevance of this are explained in this chapter.

The geographic area, population and selected sample are discussed as are reasons why the target respondents were identified and selected. A questionnaire was devised and administered, asking the respondents to rate specific business related factors in relation to his/her business knowledge and experience. Data gathered shows a difference in how the respondents' attitudes towards these factors have changed, from the time when they started out in business and how valuable they rate the importance of these factors now.

In support of the questionnaire process which targeted successful small business people, semi-structured personal interviews were conducted with people involved in business mentorship. This helped to determine if the responses from the business people were of value or not. There were no discrepancies between the sets of results.

The discussions with consultants or experts with first-hand experience in mentoring entrepreneurs and start-up businesses were valuable in confirming what the questionnaire participants had identified as the important pitfalls and good points on which budding entrepreneurs must focus in order to succeed. The responses covered issues that are paramount in explaining why some small businesses are successes and why some entrepreneurial/small business ventures fail. The data yielded valuable information that has been included in the recommendations made in this research.

Interview aids, the pilot study and ethical concerns are discussed. Finally, the importance of validity and reliability, along with the challenges experienced and the limitations of the research are discussed.

Whilst it is advantageous to refer to recent publications for academic work, the research methodology employed in this research was designed using the works of Babbie (1989) and Bailey (1987) which are old sources. It was noted that there are later editions but neither authors have made any significant changes in terms of research methodology and as such the older editions were used. Babbie and

Bailey both recommend the same approach to that of Cooper and Schindler (2001: 64) and Sekaran (2003: 117). The research methodology espoused by both Babbie and Bailey are also supported by Struwig and Stead (2004: 20); and Mouton (2008: 56). In the light of this the use of dated sources is justified as the fundamentals of research remain the same.

3.2 Research Design

The following can be understood as the blueprint of the research carried out to execute the objectives of the research. The use of a multi-method research or diverse methodologies secures a greater insight than the other more common single method (Cooper and Schindler, 2006: 71) There are two forms of research, namely quantitative and secondly qualitative research.

Social researchers are often commissioned to conduct applied research such as an evaluation of a certain programme, process or initiative to assess how effective it is in addressing its objectives or purpose. These research findings are then used to determine a future course of action by adding general scientific knowledge from findings with policy implications (Babbie, 1989: 34). By applying the results of the findings to resolve specific identified problems which are currently being experienced within Zululand, the researcher was not only attempting to identify problems, but also to provide a possible solution to the situation (Sekaran, 2003: 8).

3.2.1 Quantitative Research

According to Bailey (1987: 51), quantitative research tends to draw on „hard“ data in such that responses are evaluated in terms of numbers. This could be the number of people who said „yes“ to a question or as in the case of this research, how strongly they agreed or disagreed with a statement based on a Likert scale. Cooper and Schindler (2006: 198) expand on this saying that quantitative research is often used to measure knowledge, opinions or attitudes, questions concern „how much, how often, how many, when and who“.

3.2.2 Qualitative Research

Qualitative data on the other hand tends to go beyond hard numbers and looks at reasons why things are as they are. This is usually achieved through more open-ended personal interviews (Bailey, 1987:57). Qualitative research normally begins with a wide variety of vague questions based upon a carefully designed questionnaire. It is qualitative in nature seeking detailed data and new insights into problems and how they could be addressed (Sekaran, 2003: 119).

The topic for a research study emerges from analysing early data collected. This data is usually collected in pilot studies in which a questionnaire or interview schedule is refined and improved to ensure that it is appropriate and that it elicits information that will answer the research questions

(Cooper and Schindler, 2006: 76). This then allows for researchers to plan and focus more narrowly on their line of questioning (Neuman, 2003: 142).

It may be said that qualitative research is the more flexible of the two approaches since it allows for the refining and sharpening of questions based on preliminary results collected and allows the research topic to adapt. It is also open to unexpected data which may lead to a change or modification of questioning. This occurs where one has open-ended questions or where the respondent elaborates and includes valuable information during the interview which is not directly covered by a specific question (Cooper and Schindler, 2006: 198). This approach intends to find differences in data collected and make comparisons with the intention to discover new insights to allow for a more conclusive result.

According to Neuman (2003: 146) “Qualitative research emphasises the social context for understanding the social world”. This style of research requires “the ability to draw on variety of skills, materials and approaches”. This flexibility comes from the skills of a researcher with expert experience.

Qualitative research usually does not include numeric tables and figure, but rather uses visual diagrams or pictures which are then interrelated into the words, or quotes of results (Cooper & Schindler, 2006: 199). Any numeric data is given as a supplement to enhance and help translate and make data understandable. Qualitative researchers do this in an attempt to explain how they interpret and come to their theoretical conclusions (Neuman, 2003: 148).

3.2.3 The Adopted Methodology

This research methodology, whilst largely quantitative, has a few open-ended questions in order to elicit detail and depth on key issues.

The insights resulted in the determination of the key areas where small businesses need be vigilant in the initial and later stages of business development, to ensure success. There were no disparities when comparing the responses from the fieldwork conducted on business people, against those of the mentors.

Social researchers are often commissioned to conduct applied research such as an evaluation of a certain programme, process or initiative to assess how effective it is in addressing its objectives or purpose. These research findings are then used to determine a future course of action by adding general scientific knowledge from findings with policy implications (Babbie, 1989: 34). Through

examination of the results and findings of this research, certain keys to the success of small business were uncovered. This resulted in a possible solution to the research problem (Sekaran, 2003: 8).

Government has acknowledged that there is a need and drive towards the promotion of SMME's in contemporary South Africa (NEDLAC, 1997). Through direct observation over the past six years, the perception developed that many small business fail. In informal discussions with people who had failed in business, they often blamed the lack of access to capital as the reason for their failure. However, it was apparent that the business failed as a result of other shortfalls that the owner should have paid more attention to. This research investigated several of these identified elements in the hope of finding which ones are considered by successful entrepreneurs to be most important. Once this has been established, suitable recommendations can be made to assist people starting a business and advise them on how to avoid pitfalls and to succeed.

Through discussions with experts who have mentored small business ventures it was found failure follows a certain pattern, just like success does. The research has provided a framework which mentorship organisations and others may draw on and use to ensure greater success rates in new business ventures and to ensure that new entrepreneurs pay attention to the key elements to success.

Discussions with specialists/experts based on the findings helped to confirm the most universal and crucial elements need for small business success. The most important factors of business were discussed and attempts were made to determine just how important they are at the beginning start-up phase of a small business and then, as it grows, which elements become key for continued success. This approach ensured that the findings of the research accurately met the objectives of the study by covering all possible angles, points of view from individual concerned.

3.3 Geographic Area

The research was conducted on existing, formal, small businesses trading in the City of Umhlathuze. The geographic region was selected because it has been identified as a provincial growth point. Based on this valuable access to potential respondents in the area through business contacts in the region, and inside knowledge and understanding of the area, it made sense to target the area and the people concerned. The city of uMhlathuze, which falls within the uThungulu district, has a population of approximately 300 000 people, the majority of whom are concentrated in the rural areas. This area has an economic growth rate of 6% which is faster than the national growth rate (TIKZN, 2006). In the uMhlathuze municipal district there are approximately 40 000 people actively seeking employment (uMhlathuze, 2008: 12).

uMhlathuze in essence is the two towns of Empangeni and Richards Bay combined. They are considered to be major road, rail and sea vessel terminals. The neighbouring district of uMkhanyakude only contributes 1%, despite being the province's major tourist destination in terms of wildlife. As such, side by side are one of the richest and one of the poorest districts in the province of KwaZulu-Natal. As neighbours, the districts often work together in economic development initiatives with foreign investors (TIKZN, 2006).

The research was conducted within these two towns. According to the Port of Richards Bay Handbook (2009) Africa represents 3.9% of global exports while importing 6.4%. Richards Bay is a major contributor to these export figures with the deepest port in the country (Transnet, 2009: 24). The district contributes 7% towards the province's GDP. This has been attributed to its industrial sector however there is a new trend to focus SMME development within the area (Impact, 2008: 7).

It has been recognised that the economy is divided into two distinct communities, urban and rural. It is important to promote an entrepreneurial culture, to help reduce the poverty in these precarious and survivalist rural communities. This will be done through the promotion of sustainable economic activity by bringing these rural communities into the mainstream economy (KZNDED, 2007: 101).

In the uThungulu district, over 80% of the population lives in the rural areas which are characterised by high levels of poverty and under-development with subsistence farming for survival being common in most tribal authority areas (Impact, 2008: 5).

The city has made an effort to promote the region to global investors and visitors as modern and vibrant with potential opportunity for great growth, in the hope that these major business investments will create demands for newer SMME opportunities (uMhlathuze, 2008: 12). Bozas (2008: 14) argues that greater attention should be paid to SMMEs.

3.4 Sample

As it was difficult to determine the population, it was decided to use judgmental sampling to obtain suggestions from people with business skills regarding questions for the questionnaire. This involved carefully selecting specific individuals or target respondent who would best be able to provide valuable data to ensure a valid questionnaire. This approach was adopted as it was the most effective method to obtain data from a specific and limited number persons who were able to provide expert experience and knowledge of the topic.

With regard to the population, based on discussions held with leaders at the Zululand Chamber of Commerce and Industries and also people in the business advisory field, it was realised that the

population of small business owners and entrepreneurs in the target group and area total approximately 550. Fifty questionnaires were taken into the field and due to the research being conducted face to face, forty six (46) completed questionnaires were received back for analysis. Four questionnaires were left with respondents as they were busy at the appointed time, two of which were returned however they were received after the analysis had been done.

The target group was specifically limited to formal, established traders in order to determine factors that lead to success or failure in business.

Random sampling of business owners was conducted. Time was made to identify, locate and gain an appointment with selected individuals within the Zululand community (Sekaran, 2003: 277). Targeted respondents were made up of two groups: firstly successful small business owners and secondly identified experts who mentored aspiring entrepreneurs through various initiatives and organisations. The latter group provided insights that added value in terms of suitable questions and guidelines on business success and failure factors.

In a quantitative research study it is important to have a large enough sample to ensure that one's results are statistically sound (Struwig and Stead, 2004: 110). Most certainly a study with fewer than thirty respondents is in almost all instances too small to be sound and as such results cannot be applied to all cases in the field with certainty (Sekaran, 2003: 296). This is the reason why the first target audience is large and the second group is small as they are a few and considered experts on the subject. It may then be said that the sample size of both the respondent types is appropriate and relevant to this study.

The sample size for this research was 46 business owners. Though a small sample the fact that it exceeds 30 respondents means that the results are such that they are statistically acceptable and as such the results are generalisable to the wider population. Having said that, as this was a small scale study anyone implementing the recommendations made would need to do so with caution and would need to closely monitor the process in order to detect any deviation from plan and thus take remedial action.

3.5 Fieldwork

The primary data collection method employed involved conducting field research in the form of a questionnaire process where owners of small businesses were canvassed. This was augmented by a process of interviewing people involved in running mentorship programmes for entrepreneurs. To this end semi-structured interviews with the selected identified respondents were conducted. These

interviews covered the key issues from the questionnaire without being leading in any way. Respondents were asked to sign an informed consent clause.

It was initially decided that it would be preferable to undertake all fieldwork alone as this is a small scale study. The initial research undertaken in canvassing views of people involved in mentorship was conducted alone. Due to the need to complete the work within the specified timeframe a small team of three people was assembled to conduct the fieldwork. Each team member was fully briefed on the nature of the research and the need to adhere to ethical standards. The resultant field work was completed in fifteen days.

Questionnaires were given to the respondents and each issue/topic and question was explained personally on a face-to-face basis to ensure clarity. Making appointments to see people with regard to interviewing them ensured that questionnaires were completed during the meeting. This resulted in an exceptionally good response rate with only two individuals being busy with clients at the pre-arranged time and these interviews had to be postponed to afford the business owner the opportunity to attend to the customer. In four instances forms were left for the target respondents to complete. Two of the four respondents completed their questionnaires but they were returned after the statistical tests had been done. The remaining two potential respondents failed to return their forms.

The second set of interviews were conducted with people who mentor new business. The interview schedule closely followed the questionnaire format but allowed for broader conversation and care was taken to ensure that respondents were free to answer without being influenced in any way.

3.5.1 Assessment

These methods ensured a higher response rate because the respondents were approached ahead of the interview time and time was allocated for the research process to take place. It also allowed for questions to be fully explained and comprehended during these personal interactions. Clarification of the answers they provided could also be made while allowing for the interviewee to expand on key topics. This personal interaction probably resulted in greater honesty in terms of the responses. In addition, valuable comments were made as a result of free speech and interaction as well as the build-up of trust (Babbie, 1989: 244).

Personal interviews and face-to-face communication between the interviewer and respondents conducted successfully is an excellent and preferable data collection technique with clarity of questions and answers (Cooper and Schindler, 2001: 297). Greater depth and detail was abstracted from responses because the interviewer had the ability to improve the quality of information received. One has to be prepared to travel to unfamiliar areas to meet respondents.

To ensure that sound results would be obtained and that a good rapport would develop, respondents were appraised of the significance of the study by pointing out that their knowledge and experience in business and, or mentorship would improve someone else's chances of being successful in business.

The experience needed to be pleasant and constructive with interest shown as well as a level of insight into the current situation. By allowing respondents to talk freely, they became satisfied with the interview process and provided valuable data. This approach is suggested by Cooper and Schindler, (2001: 302). This was done even when questionnaires were being administered as many respondents felt they had more insight to offer and this made them feel more comfortable. With the second group of respondents, the mentorship experts, broader questions were asked based on the initial findings as well as questions on specific issues which were raised by the business owners who had completed the questionnaires. Care was taken to ensure that the mentors were neither mislead nor lead in any way. Notes taken were transcribed as soon as possible after the interview to ensure that no valuable response or thought was lost. This process is supported by Sekaran, (2003: 232).

3.6 Questionnaire Design

Two types of questions were used, namely Likert Scale questions in a five point range to deliver quantitative responses and three open-ended questions to explore issues and gain deeper insight into the issues being researched. In addition to written questions on the questionnaire, the respondents' details in terms of gender, race and location of business were recorded by the interviewer.

As implied below, based on Bailey (1987: 93), Babbie (1989: 139), Cooper and Schindler (2001: 337) and Sekaran (2003: 237), whichever of the methods or tools the researcher utilises, it is imperative that the questions are appropriate, are suited to the subject matter and will elicit responses that will attempt to answer the key research questions.

3.6.1 Likert Scale

A Likert scale was decided on as it is a good test of a person's attitude towards a statement/question. The respondent is required to evaluate the question and select the most appropriate response. According to Wyatt and Meyers (1987: 30) in Steyn, (2006: 46) the five point Likert scale was determined to give the most accurate results. The Likert scale allows for two responses at both extremes, a neutral third and then a further two options between an extreme and the neutral.

3.6.2 Open-ended Questions

The second part of the questionnaire consisted of open-ended questions to allow the respondent to expand and give greater insight based on his/her personal experiences.

3.7 Semi-Structured Personal Interviews

The semi-structured nature of the interview process was ideal to gain valuable qualitative data. Having a standardised prepared interview schedule ensured that all issues were addressed while the interviewer made use of his initiative and open-ended questions to direct discussion to discover new insight into questions asked (Bailey, 1987: 235).

It has been found that questionnaires left to be completed and then collected at a later date have far lower response rates than those administered in an individual personal interview. The cost per completed personal interview versus the administered survey is greater, but it provides more valuable data if conducted successfully (Cooper and Schindler, 2001: 309).

According to Bailey (1987: 157) with specific regard to the interview schedule process, there are several advantages of carrying out personal interviews with selected individuals. Personal interviews were important to this research due to the fact that:

- The respondent is able to explain and describe things and to clarify questions and answers, as well as expand on the issue in the question. .
- The response rate was increased as respondents completed the questionnaire face to face. They were also willing to talk freely and openly on the topic as opposed to selecting an answer from list of possibilities.
- Non-verbal behaviour observation provided insights about the validity of the respondents' comments when a topic was probed further. In a few instances, respondents were initially reluctant to say much, however being able to talk to them ensured that they were soon placated and keen to contribute positively. This occurred in two instances.
- The environment was controlled by travelling to the respondents for their convenience, for the sake of privacy of the interview and having it done at particular point in time instead of „maybe later“.
- Question order was controlled and modified in cases where responses triggered a later question to be followed before returning to the schedule. This created a continuous rapport instead of a strictly followed structure.
- Spontaneity of responses allowed for more informative answers to questions and elicited discussion.
- Completeness of questions was ensured and so too the issue of validity by ensuring that the questions posed were relevant to the study and by ensuring that the correct target respondent was surveyed.

The complexity and depth of topics discussed were increased to gain greater insight from the respondent.

The questionnaire as developed was found to have face validity when tested by peers and its reliability was exceptionally high with a Cronbach Alpha of 0.9 (Pallant, 2006). The high Cronbach Alpha score was achieved due to sound research and consultation with people in the business world prior to the compilation of the questionnaire. The five point scale afforded respondents scope to “strongly agree, agree, uncertain, disagree and strongly disagree”. It was decided to avoid a seven point scale as that could give respondents too wide a choice. The five point afforded respondents enough scope to be mildly positive/negative or be strongly so.

3.8 Pilot Study

A pilot study of the questionnaire was undertaken with the assistance of seven people in an attempt to detect flaws and discover any unforeseen problems or unclear understanding of questions. Based on the comments of the pilot study respondents, minor changes were made to the questionnaire. These changes entailed improving clarity. Every effort was made to ensure that the questionnaire was clear and precise and that during administration of the instrument, the guidelines were fully explained prior to commencement of completing the questionnaire.

3.9 Ethical Issues

Respondents were contacted telephonically and appointments were made to meet with them. They were fully apprised of the reasons for the research and their right to refrain from participating or to withdraw should they choose to do so.

All appointments were kept and arrival prior to the appointed time was ensured. A suitable dress code was adhered to. Respondents were greeted and briefed about the study and they were all asked to sign an informed consent clause prior to commencement of the research. They were assured of confidentiality and that the completed documents would be stored securely and would ultimately be destroyed in accordance with university rules. The appearance of the interviewer must be clean and neat and suitably dressed to give a sense of neutrality and to allow respondents to identify with the interviewer as someone similar to them, hence making the interaction more comfortable (Babbie, 1989: 246). The demeanour of interviewer must be pleasant, displaying a genuine interest in what the respondents have to say while creating a friendly, relaxed environment that was not too casual but instead allowed for a rapport which sought personal insight from the respondent (Cooper and Schindler, 2001: 302). These requirements were complied with and respondents were thanked for volunteering their time and for their contributions to the research process.

Ethical clearance to conduct this research was obtained from the University of KwaZulu-Natal (Appendix A).

3.10 Validity and Reliability

Researchers need to ensure that work they undertake is credible and part of being credible is to ensure absolute honesty when presenting the research method and the results. Often researchers attempt to manipulate results to suit their research goals and they are eventually exposed as frauds (Mouton, 2008: 240). For research to be valid it needs to have measured what it set out to do. It is thus crucial that one's questionnaires and interview schedules are well designed in order to achieve this. In terms of reliability all that is required to be reliable is that, should the research be repeated, by the same or other researchers, there will be certainty that similar results will be obtained. For some reason personal pride and egos can over-ride the truth in such cases and researchers fail to remember that there is no disgrace in one's research not proving what one had hoped to prove (Mouton, 2008:240).

It was crucial that the interview was portrayed as a neutral occurrence, separate from any agency or organisation in order to ensure that responses were true as opposed to respondents attempting to say what should be said so as to not hurt the research effort and possibly harm funding prospects from key investors such as government and foreign agencies.

Bias in questioning was avoided by ensuring that no question was directed so that a respondent would either agree or disagree with a particular statement to satisfy the research aims. Instead, questions were designed so that they could be answered with ease and the respondents were encouraged to tell the truth when answering questions about an issue in line with Sekaran, (2003: 230). Efforts were made to ensure that the respondents did not feel encouraged to give a response which would please or displease the researcher. Instead, respondents were advised that it was imperative that honest answers were given as the aim of the research was to discover the respondent's experiences, perceptions and opinions on the topic. This step is supported by Babbie, (1989: 245).

Familiarity with the interview schedule was crucial for a continuous, natural flow to the process and to allow specific notes to be made. These notes were used to highlight and revisit more probing questions at a later point in the interview. This was helpful as often responses went off topic and had to be redirected, as this made it difficult to decode what was relevant from audio recording. This approach was based on the writings of Babbie, (1989: 246).

Validity was ensured as a result of the face validity testing done when the questionnaire was constructed. The panel of respondents used was satisfied that the questionnaire as constructed contained questions that were relevant to the various objectives of the study.

Reliability was confirmed when the Cronbach Alpha score was computed. A score of 7 is deemed to reflect good reliability according to Pallant (2006) the score achieved was higher being at 9.

3.11 Challenges and Limitations

The fieldwork was conducted personally by three well-briefed and trained researchers. This method however was costly but did save on time. Having trained, experienced fieldworkers ensured that any nuances in respondents' replies were detected and they were then probed to elaborate, thus adding value to the research. A problem experienced in two instances being the inconvenience and accessibility of interviewees. On two occasions appointments were postponed at the last minute due to the potential respondent being busy with a customer. No real problems were experienced whilst administering questionnaires or conducting the interviews.

With a larger budget the research could have been undertaken on a larger scale and the scope could have been widened to include people who had undergone mentorship programmes. That option had to be ruled out due to the problems of trying to locate individuals within the time available. Instead, it was decided to speak directly to successful small business owners and interview key people involved in the field of mentorship. As such, this study has limitations and readers need to be mindful of them although every effort has been made to address the objectives.

3.12 Conclusion

This study with a self-funded budget of nine thousand Rand, was of essence small and the results, from the research; which was designed to be a valid and reliable study, cannot be applied across the field with any statistical certainty. In spite of that, it is contended that the research was soundly planned, designed and conducted and that the analysis was objective and scientific, with the result that suitable conclusions were drawn. Recommendations made to address the various research issues should be introduced gradually and should be monitored so that in the event of any error in this research, corrective measures may be taken.

This chapter has touched on the pertinent issues concerning research methodology and has demonstrated in great detail why both a quantitative approach which was used by administering questionnaires to the first respondents and the quantitative findings obtained through discussions of these results with experts on the topic provides the best answers to the objectives of the study.

Theory behind each aspect of research has been discussed and where appropriate, reference has been made to the practical situation concerning the research as designed and conducted. The following chapter will provide insight into the content of the interviews conducted the results of the field work.

Chapter Four

Findings and Discussion of Findings

4.1 Introduction

In this chapter the results from the questionnaires are presented in the form of tables and figures such as bar graphs and pie charts. Matrices have been drawn up to summarise results for ease of reading. Given the volume of analysis, this chapter contains the core, necessary information. The complete statistical analysis on the research questionnaire and its responses are presented in the appendices. The results give insight into questions asked and provide a breakdown of the demographics of the respondents.

These results are then discussed and considered in line with the interview process, where expert mentors were canvassed for their views. Results of this process are that the mentors' answers concur with the results of the questionnaire process.

4.2 Methodology Adopted

The data from completed survey questionnaires were coded and captured in SPSS (Statistical Package for Social Science) Version 18, for Windows and used for descriptive and inferential analysis. Key results from the data analysis are presented with the complete statistical analysis in the appendices. The findings of the research are discussed in the light of the literature reviewed.

A total of 46 completed questionnaires were received out of the 50 questionnaires that were distributed. Of the four that were not included in the research, two were received well after the statistical analysis had been done. The 46 questionnaires received represent a 100% usability rate. The return rate of usable responses was 46 out of 50 being 92%.

The high response rate is attributed to the fact that other than the four "missing" responses, all of the others were undertaken on a face to face basis. Two of the four "missing" questionnaires were returned late due to the workloads of the individuals concerned. Although these ones were not factored into the research, the responses were very similar to those of the other respondents.

The entire population from whom information was sought comprised owners of small, formal businesses in Empangeni and Richards Bay, which are constituent parts of the City of uMhlatuze, comprising a population of 550 businesses. The demographic details of the respondents were recorded and included age, gender, tenure, length of service in the industry/organisation.

The results are presented in various ways given the format of the questionnaire. In the first section the demographics are presented. Thereafter the questionnaire is broken down into three parts, the first part contains questions 1 to 13, part one, as these questions concern aspects of business that are relevant to objective one which establishes the respondents' opinions on the importance of selected critical success factors for businesses, based on literature sources. Having done that, for objective two, the respondents were required to indicate their level of knowledge of the subject/item when they started out in business.

The next section covers questions 14 to 18 where the format of the question changed from being a two part question to being a single question requiring respondents to explain their situation when starting out in business and how long it took to achieve success. Analysis of these questions is presented in figures.

The last portion focused on questions 19 to 21 which were open-ended questions. Results are presented in tabular form.

4.3 Statistics – An Overview

Having consulted a statistician it was decided to conduct Pearson's correlations on questions 1 to 13.

Nonparametric, or *distribution free* tests are so-called because the assumptions underlying their use are "fewer and weaker than those associated with parametric tests" (Siegel and Castellan, 1988, p. 34). To put it another way, nonparametric tests require few if any assumptions about the shapes of the underlying population distributions. For this reason, they are often used in place of parametric tests if/when one feels that the assumptions of the parametric test have been too grossly violated (e.g., if the distributions are too severely skewed.)

In a parametric test a sample statistic is obtained to estimate the population parameter.

Because this estimation process involves a sample, a sampling distribution, and a population, certain parametric assumptions are required to ensure all components are compatible with each other (Yu, 2002).

Interrogating the study's research questions allowed for descriptive data to collate information concerning which key factors or areas an entrepreneur should pay attention to in the development of his small business to reduce the chance of failure. The process of building solid theory begins by describing the phenomena that one wants to understand, after which once the phenomena has been thoroughly characterised, the researcher can begin to classify the phenomena into categories. This is done to more meaningfully understand the complex array of relationships between the phenomena and then articulate a theory that asserts what causes the phenomena and why (Street and Cameron, 2007).

4.4 Results

4.4.1 Assessment of Research Process and the Questionnaire

The research process was scientific and objectively planned and conducted. Questions had face validity and statistical validity. The process avoided bias and as such the research is sound.

4.4.1.1 Reliability

Reliability refers to whether or not the results can be considered reliable and if the same research were to be conducted by a different team, whether the results would be similar or not (Cooper and Schindler, 2006:321). This research was planned based on guidelines from various research methodology authors such as Cooper and Schindler, Babbie, Bailey and Mouton. The research process was scientifically designed. A small team was used to conduct the face to face interviews and the team was trained to ensure that respondents were not influenced to answer in any specific manner. As such, the research was both scientific and objective.

Cronbach's Alpha is a test to determine the validity level of the questionnaire. A level above 0.7 is considered adequate to declare a question/questionnaire valid (Pallant; 2006), though Pallant goes on to say that with scales with fewer than ten items it is common to find lower values, even as low as 0.5

Cronbach Alpha was conducted on the questionnaire and the results are as follows:

Table 4.1: Cronbach Validity.

		Number	Percentage
Cases	Valid	46	100.0
	Excluded ^a	0	.0
	Total	46	100.0

- a. Listwise deletion based on all variables in the procedure.

Table 4.2: Reliability Statistics.

Cronbach's Alpha	Number of Items
.919	31

At 0.919 the reliability and stability of the research is confirmed. The questions in the questionnaire were drawn up based on the literature review. Cronbach's Alpha was used to measure the issue of reliability in order to understand whether the questions in the questionnaire all reliably measure the same underlying variable. Table 4.1 and Table 4.2 above contain the results. Cronbach's Alpha was calculated at 0.919 which is above 0.7, so the scale can be considered reliable with the samples (Pallant, 2006). The Cronbach Alpha co-efficient of 0.919 shows that the questionnaire was sound.

4.4.1.2 Validity

Seven businessmen and businesswomen assessed the draft questionnaire for face validity. Minor changes were made based on their feedback. The eight individuals who assessed the questionnaire all hold degrees and have business experience and three of the people consulted have academic backgrounds and experience in research. The revised questionnaire has face/content validity based on feedback from those who assessed it (Cooper and Schindler, 2006:318).

4.5 Demographics

Tables 4.3 to 4.6 and Figures 4.1 to 4.4 present the biographic data of the respondents. Gender, race, age group and the location of each respondent are presented.

4.5.1 Gender

Table 4.3: Gender Dispersion of Respondents.

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	71.7	71.7	71.7
	Female	13	28.3	28.3	100.0
	Total	46	100.0	100.0	

Table 4.3 shows the gender dispersion of respondents in this research. The participants in this research are 71.7% male and 28.3% female. Given that South Africa is a male dominated society, the result was to be expected. The fact that 33% of small businesses in South Africa are owned by women shows that a good representation in terms of gender was obtained in this research (Scarborough *et al.*, 2006: 16).

4.5.2 Race

Table 4.4: Racial Profile of Respondents.

Race		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Asian (Indian Descent)	11	23.9	23.9	23.9
	Black	3	6.5	6.5	30.4
	Coloured	3	6.5	6.5	37.0
	White	29	63.0	63.0	100.0
	Total	46	100.0	100.0	

According to the data gathered for this study the dominating race in the business industry are Whites at 63% followed by the Asians at 23.9%, with Blacks and Coloureds at both 6.5% each. The results are as anticipated given this country's racially divided past and the difficulty that people of "colour" had to contend with when trying to access capital.

4.5.3 Age

Table 4.5: Age Dispersion of Respondents.

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	3	6.5	6.5	6.5
31-40	6	13.0	13.0	19.6
41-50	11	23.9	23.9	43.5
51-60	20	43.5	43.5	87.0
60+	6	13.0	13.0	100.0
Total	46	100.0	100.0	

Table 4.5 reveals the age dispersion of respondents in this research. The largest percentage of the respondents fell in the 51-60 years group (43.5%), followed by the groups 41-50 years (23.9%), with both 60+ years and 31-40 years at (13%) and 20-30 years (6.5%).

Respondents were chosen randomly, yet the pattern supports the literature which records that there is a high failure rate of start-up businesses and that even in the second and third year of operating, economic casualties are high. The figure above supports the view that over time businesses become more established and viable, hence there are fewer respondents under 40 years of age and very few under 30.

Another reality is that in order to trade in the formal sector one needs to rent or buy premises. This means that one needs to be cleared by estate agents who cross check one's credit records and credit history and one needs to comply with the Financial Intelligence Centre Act (FICA), before one is able to rent property, thus making it difficult for people to simply start out in business unless they have guarantors.

4.5.4 Geographic Location

Table 4.6: Geographical Location Dispersion of Respondents' Business

Geographic Location		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Empangeni	26	56.5	56.5	56.5
	Richards Bay	20	43.5	43.5	100.0
	Total	46	100.0	100.0	

Table 4.6 shows the geographical location dispersion of respondents in this research. The largest percentages of the respondents are from the Empangeni region with a high level percentage of 56.5% and Richards Bay at 43.5%.

Being a random sample with numerous people who work in both towns and with many who live in the one and work in the other, the results are rather well balanced.

4.6 Questions 1 to 13

A breakdown of the result for the Likert scale questions 1 -13 relating to Objectives One and Two is presented followed by the statistical analysis of these questions.

4.6.1 Objective One

To ascertain the opinions of small business owners on the importance of a range of facets of business and management.

4.6.1.1 Importance Attached to Key Facets of Business Management

Table 4.7: Importance Attached to Key Facets of Business Management

	Irrelevant	Not Important	N/A Unsure	Slightly Important	Extremely Important	Total
Strategy	0	0	1	5	40	46
Marketing	0	1	1	3	41	46
Human Resources	1	1	4	8	32	46
Systems	0	0	0	7	39	46
Management	0	0	1	3	42	46
Budgeting	0	0	0	7	39	46
Accounting, Tax and Other Laws	0	0	2	7	37	46
Cash Flow	0	0	0	4	42	46
Sales	0	0	1	6	39	46
Service and Product Quality	0	0	1	2	43	46
Image	0	0	1	8	37	46
Reputation	0	0	0	3	43	46
Suppliers	0	0	0	3	43	46
TOTALS	1	2	12	66	517	598

The table above was compiled from responses to part one of questions 1 to 13. The questions were devised after consulting literature on critical factors concerning business success.

4.6.1.2 Discussion of the Findings

From the table above one can observe that the respondents accepted that the business management related facets/concepts/disciplines are vitally important issues for people to concentrate their efforts on when opening a new business and when managing a business.

Given the overwhelming responses to the positive categories, the research has confirmed the above factors to be critical to the success of businesses.

The objective was to ascertain the views of small business owners/entrepreneurs on the importance of the factors in questions one to thirteen has thus been achieved. Their responses

confirmed that the 13 items are important issues for business owners to focus on. These factors are augmented by other factors from the open-ended questions which are discussed elsewhere and in the conclusions.

4.6.2 Objective Two

To determine the level of knowledge that successful small business owners had on each of the range of facets of business management when they started their businesses

4.6.2.1 Knowledge Levels of Key Facets of Business Management – Responses

Table 4.8: Knowledge Levels of Key Facets of Business Management

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Strategy	6 (13%)	14 (30%)	12 (26%)	11 (24%)	3 (7%)	46
Marketing	12 (26%)	13 (29%)	7 (15%)	9 (20%)	5 (11%)	46
Human Resources	13 (28%)	12 (26%)	7 (15%)	11 (24%)	3 (11%)	46
Systems	4 (9%)	11 (24%)	10 (22%)	13 (29%)	8 (17%)	46
Management	4 (9%)	12 (26%)	10 (22%)	14 (30%)	6 (13%)	46
Budgeting	6 (13%)	10 (22%)	11 (24%)	11 (24%)	8 (17%)	46
Accounting, Tax and Other Laws	18 (39%)	8 (17%)	8 (17%)	8 (17%)	4 (9%)	46
Cash Flow	5 (11%)	7 (15%)	10 (22%)	13 (29%)	11 (24%)	46
Sales	5 (11%)	2 (2%)	14 (30%)	13 (29%)	12 (26%)	46
Service and Product Quality	2 (4%)	6 (13%)	9 (20%)	10 (22%)	19 (41%)	46
Image	1 (2%)	5 (11%)	12 (26%)	13 (29%)	15 (33%)	46
Reputation	1 (2%)	5 (11%)	11 (24%)	7 (15%)	22 (48%)	46
Supplier Relationships	2 (4%)	4 (9%)	5 (11%)	18 (39%)	17 (37%)	46
TOTALS	79	109	126	151	133	598

This table drawn up from responses of people who have succeeded in business illustrates alarmingly high percentages of the respondents who were grossly under equipped to venture

into business. The fact that they overcame their shortcomings and inadequacies and survived is remarkable.

4.6.2.2 Discussion

These findings related to the knowledge levels respondents had concerning the identified important facets of management prior to starting their businesses are discussed below, numbered as per questionnaire numbering:

Table 4.9: Q1. Strategy

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Strategy	6 (13%)	14 (30%)	12 (26%)	11 (24%)	3 (7%)	46

The fact that 20 respondents (43%) had minimal knowledge about strategising illustrates how at risk they were in terms of failing. The fact that 69% of the respondents had less than “Good” levels of knowledge of strategy and yet they survived. This indicates that they must have learnt the “ropes” quickly.

The 14 respondents (30%) that had good or better levels of knowledge were clearly better able to plan, strategise and cope. It also confirms that these respondents were a good sample to have for this research because, by having overcome deficiencies they were well placed to offer insights. Their responses concerning objectives 3 to 6 further confirm this.

Table 4.10: Q2. Marketing

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Marketing	12 (26%)	13 (29%)	7 (15%)	9 (20%)	5 (11%)	46

An alarmingly high percentage (55%) of the respondents had poor levels of knowledge concerning marketing when they started their businesses. A further 15% claim to have had “some” knowledge.

One finds that 70% of the business owners confirm to having had limitations concerning marketing knowledge when they went into business. It is indeed surprising that they survived.

Table 4.11: Q3. Human Resources

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Human Resources	13 (28%)	12 (26%)	7 (15%)	11 (24%)	3 (11%)	46

Yet again the responses indicate poor levels of knowledge of HR issues from a high percentage (54%) of the respondents.

Table 4.12: Q4. Systems

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Systems	4 (9%)	11 (24%)	10 (22%)	13 (29%)	8 (17%)	46

The above responses indicate that the respondents were aware of the need for good systems and that 68% of them had some to greater knowledge of systems. Thirty three percent did not have good levels of knowledge.

Table 4.13: Q5. Management

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Management	4 (9%)	12 (26%)	10 (22%)	14 (30%)	6 (13%)	46

To find that 35% of respondents went into business with no management knowledge is surprising and again these percentages indicate that the sample of respondents must have realised their poor levels of knowledge and must have addressed them to survive.

Table 4.14: Q6. Budgeting

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Budgeting	6 (13%)	10 (22%)	11 (24%)	11 (24%)	8 (17%)	46

The 35% with limited or no knowledge of the discipline (budgeting) is consistent with previous responses.

Table 4.15: Q7. Accounting, Legal and Tax Issues

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Accounting, Tax and Other Laws	18 (39%)	8 (17%)	8 (17%)	8 (17%)	4 (9%)	46

The lack of knowledge concerning important administrative and indeed compliance areas, is confirmed by the fact that 56% of the respondents had poor levels of knowledge. Only 25% claimed to be suitably aware of the above issues.

Table 4.16: Q8.Cash Flow

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Cash Flow	5 (11%)	7 (15%)	10 (22%)	13 (29%)	11 (24%)	46

Twenty six percent of the respondents had limited or no knowledge of the importance of cash flow. This statistic is close to responses on other items analysed.

Table 4.17: Q9. Sales

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Sales	5 (11%)	2 (2%)	14 (30%)	13 (29%)	12 (26%)	46

Thirteen percent of the respondents lacked experience in the sales field. With 85% of respondents claiming to have knowledge concerning sales it is not surprising that the respondents managed to make a success of their businesses.

Table 4.18: Q10. Service and Product Quality

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Service and Product Quality	2 (4%)	6 (13%)	9 (20%)	10 (22%)	19 (41%)	46

From the above it is clear that the respondents comprehended the need to focus on service and product quality and this is yet another reason why they survived their early years in business.

Table 4.19: Q11. Image

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Image	1 (2%)	5 (11%)	12 (26%)	13 (29%)	15 (33%)	46

With 88% of respondents knowing that it is important to build a good image, the respondents must have concentrated on this factor when building their businesses.

Table 4.20: Q12. Reputation

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Reputation	1 (2%)	5 (11%)	11 (24%)	7 (15%)	22 (48%)	46

To have 29 respondents (63%) claim to have good and better levels of knowledge of the importance in having a good reputation indicates that being aware of this success factor, they must have ensured that they conducted their business dealings in such a way as to build goodwill with their customers. In total 87% of the respondents claimed to be aware of the importance of having a good reputation.

Table 4.21: Q13. Supplier Relationships

	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good Level of Knowledge	Expert/Vast Knowledge	Total
Supplier Relationships	2 (4%)	4 (9%)	5 (11%)	18 (39%)	17 (37%)	46

The above results imply that most respondents must have had some exposure to sales and procurement prior to going into business for their own account, for them to claim to be so knowledgeable.

With 87% of the respondents being aware of the importance of this factor, this is probably one of the reasons why these business people survived.

With regard to objective two, each of the questionnaire factors relevant to the objective that comprised this section of the questionnaire has been discussed independently.

4.7 Questions 14 - 18

These questions sought to determine the background and success levels of the respondents.

Question14

Table 4.22: Level of Success in Business

– Would You Have Been Better Off Being Employed?

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Definitely not	19	41.3	41.3	41.3
No	17	37.0	37.0	78.3
Unsure	2	4.3	4.3	82.6
Possibly	5	10.9	10.9	93.5
Most definitely	3	6.5	6.5	100.0
Total	46	100.0	100.0	

Table 4.22 indicates respondents rating of their success in business. The largest percentage of the respondents was at 41.3% of Definitely Not, followed by No at 37% with “Possibly” at 10.9% and Most Definitely at 6.5% and the lowest percentage was the respondents who were Unsure at 4.3%.

This question was designed to determine whether or not people would have been better off remaining in someone else’s employ and the answers were emphatic with over 78% being adamant that they were better off running their own firm. This corresponds with the trend as far as age of respondents goes, where 79% were over forty.

Question 15

Table 4.23: Years to Achieve Business Success.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-4	15	32.6	32.6	32.6
5-9	24	52.2	52.2	84.8
10-14	6	13.0	13.0	97.8
20+	1	2.2	2.2	100.0
Total	46	100.0	100.0	

Table 4.23 reveals the years of achieving business success dispersion of respondents in this research.

The largest percentage of the respondents at 52.2% took 5 to 9 years is, followed by 1-4 years 32.6%, 10-14 years is at 13% and the lowest percentage is for 20+ years at 2.2%.

There appears to be a slight anomaly in this result especially when one compares it to the high rate of new business failures as confirmed by Mulholland, (2011:55). This may be due to the fact that a number of the respondents started their own business after having secure jobs where they had built up external and internal contacts and were thus able to be viable in such a short period of time.

This may be because some of the respondents were trading in fields where huge capital amounts were not required and they thus did not have the burden of interest bills to pay.

Question 16

Table 4.24: When You Started Your Business, Were/Did You?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Clueless/totally in the dark	7	15.2	15.2	15.2
Have very little idea of what to do	13	28.3	28.3	43.5
Fairly aware of what to do	15	32.6	32.6	76.1
Absolutely certain of what needed to be done and how to do it	11	23.9	23.9	100.0
Total	46	100.0	100.0	

Table 4.24 indicates the level of experience that respondents had when they started their business. The largest percentage of the respondents was in the category of those who stated that they were fairly aware of what to do at 32.6%, followed by those who claimed to have had a little idea what to do at 28.3%. Respondents who were absolutely certain of what to when starting out made up 23.9% of responses, whilst 15.2% claimed to have been clueless/totally in the dark.

Given the large percentage of the random respondents who were over 40 years of age, it is interesting to note that with so many of them being obvious success cases, the fact that they tended to have a fairly good idea of what was required of them before going into business must have contributed towards their success.

Question 17

Table 4.25: Describe Your Situation When You First Went into Business.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No previous business experience	20	43.5	43.5	43.5
Some business experience	14	30.4	30.4	73.9
Limited experience but holding a Certificate/diploma/degree in management	1	2.2	2.2	76.1
Previously a manager with considerable experience	11	23.9	23.9	100.0
Total	46	100.0	100.0	

Table 4.25 shows the situation of the respondents when they first went into business. The largest percentages of the respondents had no previous business experience at 43.5%, followed by some business experience 30.4%, previously a manager with considerable experience at 23.9% and the lowest is limited experience but holding a Certificate/Diploma/Degree in management at 2.2%.

With 43.5% of respondents with no previous business experience, it is surprising that so many survived the initial years.

Question 18

Table 4.26 Importance of Mentorship, Guidance and Support.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not important	3	6.5	6.5	6.5
	Unsure	1	2.2	2.2	8.7
	Slightly important	13	28.3	28.3	37.0
	Extremely important	29	63.0	63.0	100.0
	Total	46	100.0	100.0	

Table 4.26 illustrates the responses for mentorship guidance and support. The largest percentage of the respondents said it was extremely important at 63%, followed by slightly important at 28.3%, with 6.5% saying it's not important and the lowest in unsure at 2.2%.

These results concur with the literature which demonstrates the need for mentorship and support of people going into business for the first time (Steyn, 2006: 86).

4.8 Questions 19 – 21

These questions are pertinent to objectives 3 to 6 and are presented individually.

4.8.1 Question 19 - What Are the Greatest Issues That Contributed to Your Success?

Table 4.27 Greatest Issues That Contributed To Your Success (Objective 5).

Factor> Respon- Dent	Hard Work Be Positive	Good Ethics, Honesty and Trust	Superior Service Quality Satisfaction	Planning, Low Overheads	Strong Relationship With Customers	Contacts	Mentorship Industry Knowledge	Be Visible, Location	Evolve, Be Different to Other Firms
1		X							
2							X		
3	X								
4							X		
5							X		
6							X		
7	X			X			X		
8				X					
9						X			X
10	X			X			X		
11			X		X				X
12						X			
13		X	X						
14				X	X				
15			X						
16	X	X							
17			X		X				
18					X				
19	X								
20	X		X						
21					X				X
22	X		X	X					
23						X			
24		X							
25							X		
26			X				X		
27	X			X					
28						X			
29	X					X	X	X	
30		X							
31						X			
32	X								
33						X			
34						X			
35				X					X
36				X	X			X	
37			X			X			
38									
39							X		
40	X		X						
41						X	X		
42		X			X				
43			X				X		
44	X	X	X		X				
45			X					X	X
46						X	X		
TOTAL	12	7	12	8	8	11	13	3	5

A positive attitude, hard work along with industry knowledge and mentorship were found to be essential. Service quality, customer satisfaction and good business contacts are important.

4.8.2 Question 20 - Describe the Key Issues That Threatened Your Business

Table 4.28: Describe the Key Issues That Threatened Your Business (Objective 4).

Factor>> Respon- Dent	Crime, Theft, Burglary	Cash Flow	Poor Manage ment	Staff Dis- honesty, Incompet ency	Finances/ Funding	Spending profits on self	Bad Debtors	Superior Compe- tition	Being Comp- lacent
1		X		X					
2					X				
3			X		X				
4	X								
5									
6				X				X	
7								X	X
8	X								
9		X		X			X		
10		X	X	X					
11								X	
12		X			X				
13				X			X		
14		X	X						X
15	X						X		
16								X	
17		X					X		
18									X
19								X	
20	X		X						
21								X	
22						X			
23					X		X		
24		X							
25					X			X	
26	X			X					
27				X				X	
28								X	
29	X				X				X
30			X						
31			X		X	X			
32		X							
33								X	
34					X				
35			X	X					
36					X			X	
37					X				
38	X			X					X
39								X	X
40	X	X			X				
41					X			X	
42			X	X					
43					X				
44		X						X	
45									X
46									X
TOTAL	8	10	8	10	13	2	5	14	8

Poor funding and the management of finances and cash flow threatened most businesses followed by staff dishonesty or incompetence. Crime in terms of theft and burglary also threatened businesses largely due to the fact that business insurance is overlooked by owners as being too expensive.

4.8.3 Question 21 a – What Advice Would You Give People Starting up a New Business?

Table 4.29 Things People Must Do When Starting A Business (Objective 6).

Factor>> Respondent	Location, Visibility	Know Industry and Product	On Top of Finances, Pay Bills, Cash Flow, Charge Correctly	Aware of Legislation	Plan, Expand and grow over time	Attitude, Confident Capable, Persevere	Control Measures	Research if there is a need for the service you plan to provide	Be Aware of Competitors	Staff Training	Seek Assistance, Guidance	Personal Relationships with clients
1	X	X	X									
2		X				X						
3			X				X					
4		X						X				
5		X						X				
6		X							X			
7		X				X					X	
8												X
9	X											
10							X			X	X	
11	X									X		
12	X		X									
13		X			X	X						
14					X		X					
15					X							
16		X			X							
17			X									X
18		X				X						
19					X						X	
20			X									X
21												X
22		X	X		X							
23			X				X					
24						X						
25		X	X					X				
26				X								
27			X				X		X			
28			X			X		X				X
29		X			X		X					
30							X	X	X			
31		X	X								X	
32					X	X						
33		X					X					X
34		X					X	X				
35			X				X					
36									X		X	
37					X	X		X				
38		X					X		X	X		
39			X		X					X		X
40		X								X		
41								X			X	
42			X		X		X					
43		X	X							X		
44		X	X								X	
45		X	X						X			
46			X						X	X	X	
TOTAL	4	20	18	1	11	8	12	8	7	7	8	7

Aspiring entrepreneurs need to do extensive research to be sure that there is a need for their services. They need to know their industry and their product well. Management of finances, loans, cash flow, debtors and correct pricing of goods and services is of great importance.

One should seek assistance if needed. A positive attitude, confidence in oneself and persistence are further characteristics of an entrepreneur.

One needs to plan, have control measures and grow over time.

4.8.4 Question 21 b

- What Advice Would You Give People Starting up a New Business?

Table 4.30 People Must Avoid When Starting a Business (Objective 3).

Factor>>> Respondent	Large Debt, Over Capitalising	Incompetent or untrustworthy staff	Not being able to deliver service as promised	Spending cash unnecessarily, Poor cash flow, Failing to collect money due to one	Failure to Budget, poor planning, Poor Control	Do not enter a Saturated Market	Lack of knowledge of the industry	Poor relations with suppliers	Unhappy, lazy staff, Negative attitudes	Growing too fast, Incorrect stock	Spending Profits on self too soon	Unclean business, Poor image, Unprofessional
1	X											
2	X											
3		X										
4	X											
5			X									
6		X		X	X							
7	X					X	X					
8								X				
9		X	X									
10		X		X								
11			X					X	X			
12	X									X		
13				X	X							
14												
15											X	
16	X											
17				X								
18							X					
19		X										
20											X	
21			X									
22	X				X							
23									X			
24											X	
25	X								X			
26			X									
27				X	X					X		
28			X		X							
29			X		X				X	X		X
30			X									
31				X	X							
32	X											
33												X
34				X								
35				X	X							
36					X		X					
37							X					
38				X	X					X		
39		X	X		X							
40	X	X										
41		X								X		
42		X			X			X				
43			X									
44	X		X	X	X					X		
45										X		
46	X		X									
TOTAL	12	9	12	10	13	1	4	3	4	7	3	2

Failure to implement good control measures, planning and budgeting will be the downfall of a new business. One should always be able to deliver what one promises to the clients. Collection of money owed is of great importance to the cash flow situation of a business

while spending the business's cash on one's self is a problem. Staff need to be trustworthy and competent in their positions. Over capitalisation could cripple the business quickly and over time.

4.8.5 Question 21 - What Advice Would You Give People Starting up a New Business?

C. Additional Comments

Only 12 out of the 46 respondents chose to answer this question, comments from the questionnaires received late have been included in these findings. Some of these issues raised were mentioned by others and found to be key topics in the previous questions but are only accounted for here.

Aspiring entrepreneurs need to question:

- Why no one else has been able to open such a business or thought of this type of business before?
- What they will offer that is different and unique?
- Is there enough capital to grow?
- Is timing right to enter the market?
- What the primary product or service focus is and then consider expanding and offering more?

New business ventures need to be either unique or need to fill a gap within the market. If taking on a family business, adopt the same principle and know what went wrong in the past. Make sure you do not under value your service/time, price correctly. Be professional at all times and remember to enjoy it.

Important factors which enable the business to survive over time:

- Start small and grow with the business
- Do a thorough assessment of the business
- Be strategic and plan
- Control of cash flow
- Seek advice
- Hard work and determination
- Having a loyal honest relationship with clients and knowing their needs
- Customer satisfaction is most important for return business
- Make time for your family while setting aside time to unwind

Avoid:

- Starting a price war with the opposition
- Rewarding oneself by taking cash from the business
- Being lenient and not collecting money that is owed to you aggressively enough
- Neglecting to acknowledge staff efforts and not rewarding/sharing profits with staff
- Growing too quickly

4.9 Expert Insight

Interviews with three expert mentors from organisations offering mentorship to aspiring entrepreneurs and small business were conducted. The questionnaire was used as a template interview schedule to ensure all areas were covered. These interviews were open-ended discussions and it was found that there is a definite need for certain entrepreneurial, business and management skills to be taught. Experts provided insight and examples of reasons they perceived as the causes of failure for some entrepreneurial ventures. A comparison of the three most important skills found to be absent or extremely poor have been identified by each group offering mentorship programmes has been made.

Table 4.31 Mentor Comments.

MENTOR COMMENTS	ESS	SEDA	Zikulise
Basic Financial Skill	*		*
Cash Flow Management		*	
Develop a Strong Competitive Advantage	*		
Identify Potential Customers		*	*
Pricing and Product Distribution	*		*
Ability to Understand Future Growth Potential		*	

Table 4.31 demonstrates that that there is a need for basic financial skills, and help with marketing in terms identifying target markets and the price for which a product should be sold. This provides insight into skills problems behind the inability to identify competitors, and financials to ensure a positive turnover or cash flow. Only once this has been achieved through an established competitive advantage, should the business focus its attention on future growth.

This reinforces the argument that much is still needed in terms of mentorship for SMME's and any aspiring entrepreneurs. These skills cannot be expected to be understood, grasped and perfected quickly but instead it is a continuous process of learning.

4.10 Conclusion

The findings have been presented and discussed. Each objective has been discussed within the context of the relevant question/s. The results closely relate to the findings from the literature review.

Objective One:

It was found that the respondents agreed that the 13 items presented are important and are critical success factors as far as businesses are concerned. The literature search resulted in these items being identified.

Objective Two:

With each of the 13 critical success factors having been presented, responses varied with regard to the levels of knowledge that the respondents had concerning each item when they started their businesses. These were discussed in detail. In many instances respondents did not have enough prior knowledge of the relevant success factor. These success factors were drawn from the literature review.

Objective Three:

Things business people must avoid, Question 21 b.

Responses to this open-ended question yielded a large range of factors for business folk to avoid and closely mirrored what many authors have found..

Objective Four:

Question 20, an open-ended question, covered this objective in considering threats to businesses.

Objective Five:

This open-ended question (19) called on respondents to elaborate on the issues that contributed to their success.

Objective Six:

Question 21 a asked respondents what advice they would give people starting their own businesses.

The findings of the research were in line with the findings of the various authors consulted and as outlined in chapter two. In the chapter that follows the findings are elaborated on and discussed relevant to the objectives.

Chapter Five

Conclusions and Recommendations

5.1 Introduction

In this chapter the findings discussed in the previous chapter, are elaborated on and conclusions and recommendations are made. This research was based on a small sample of 46 traders operating in the City of Umhlatuze. Being a quantitative study this research is limited to being able to record the degree to which respondents agree or disagree. The qualitative segments of the questionnaire afforded respondents the opportunity to add depth and reasons for their answers.

5.2 Findings Based on the Literature

5.2.1 Reasons for Failure

Businesses failures occur because entrepreneurs/owners are idealistic and, or overly optimistic and they fail to plan, organise, lead and control their enterprises properly. As has been demonstrated, various authors over the past 20 years have all identified similar reasons for failure. They range from the above issues to the failure to delegate, failure to develop human talent, poor communications, bad cash and financial management and more.

Authors over the years such as Abdelsamed and Kindling, (2001: 25), Roggoff, Lee and Suh, (2004: 371), Gaskill, van Auken and Manning (1993: 25), Sheldon (1994: 536), Theng and Boon (1989: 57), all confirm that businesses fail because of poor entrepreneurial judgement, inadequate management skills, poor product knowledge, bad cash flow management, bad products and, or service, the lack of vitality and enthusiasm and the lack of or weak planning are all factors which lead to the downfall of businesses. These authors are supported by more recent authors such as Islam, Keawchana and Yusuf (2011: 180), Hartman (2010: 2), Jones and George, 2009: 264).

5.2.2 Reasons for Success

Roggoff, Lee and Suh (2004: 371) identified factors which contribute to the success of small businesses. These include hard work, good ethics, knowledge, dedication, professional service, good management skills (Planning, leading, organising and controlling), marketing and good financial management. Islam, Keawchana and Yusuf (2011: 180) confirmed their

findings in a separate study. Hellriegel, Jackson, and Slocum, (2005:5) support the above authors by stating that communication, planning, administration, teamwork, strategic action, global awareness and self-management are key managerial success factors. In a more recent study, Hartman and Haven (2010: 2) confirmed that the same factors contribute to the success of a firm.

5.2.3 Business Tools

Management experts have devised numerous analytical tools and techniques that entrepreneurs and owners should use to analyse their markets, industry and businesses and to improve efficiency levels. Whilst other tools can be used to improve businesses they are too numerous to mention and business owners need to research such for themselves or consult academics and mentors in this regard. Some of the tools are:

- Porter's Five Forces
- SWOT Analysis
- PESTLE Analysis
- Value Chain
- Just in Time Concept

In addition to the above, owners need to find ways to differentiate their operation from that of competitors and also to find ways to create a Competitive Advantage, such as being more efficient, providing better quality, providing superior service, having a different design, being cheaper.

5.2.4 Conclusions Based on the Literature Review

From the above, business owners need to strategise, plan, lead, organise and control. The need to adequately resource their organisation with people with the right skills, have the right equipment and technology and ensure the suitable systems are in place. Finances need to be monitored closely, management plans must be realistic and by implication they also need to be adequately resourced. Employees need to be trained, skills need to be developed, staff need to be rewarded and motivated. Products and services need to be of good quality.

Owners who manage their businesses well most certainly use some or all of the above analytical tools and concepts in addition to many more such tools to improve the way their businesses are run and are bound to fare better than those who fail to do so.

What is patently clear from the literature review is that there is no magic formula that assures business owners/entrepreneurs of success in business. Running any business is an arduous undertaking that requires vision, planning, controls, organising, monitoring and far more. Managers/owners need to be vigilant, need to ensure things remain on track and need to intervene when their strategy is not being followed/achieved. Management is an all-encompassing function which requires the incumbent to utilise resources optimally, control debt levels and cash flow, be a marketing person, be a public/customer relations champion and more.

The management of an enterprise needs to cover numerous facets and dimensions and as such it has to be holistic and comprehensive. One cannot merely pay attention to a few isolated issues if one hopes to succeed. There are thus no simple remedies or tactics that can be employed to ensure success: the answer lies in sound planning efficient use of resources, positive relationships with suppliers and clients and quality products with management/owners paying attention to all facets of their businesses.

Factors that undermine a business and which potentially lead to failure and factors which potentially result in success are opposing sides of the same coin so owners need to plan and manage things to avert failure and conversely to ensure success.

5.3 Conclusions and Recommendations Based on the Fieldwork

5.3.1 Objective One

This objective sought to determine if respondents considered the 13 success factors used in questions 1 to 13 (part 1) are important.

Findings:

- | | |
|-------------|---|
| Literature: | Literature sources confirmed the factors used in the questionnaire to be important but they are by no means the only factors. |
| Fieldwork: | Respondents provided overwhelming support for all 13 success factors. Respondents raised additional issues, as expected, in the open-ended questions. |

Conclusion: All 13 items were given overwhelming support by the respondents, so much so that little can be added, save to say that the items are critical to success of businesses. Responses to the open-ended questions yielded additional factors which are discussed in the conclusion.

Recommendation: The 13 factors are not the sole critical success factors and issues raised by the respondents in the open-ended questions such as question 21 c, should be added to these factors in order that people venturing into business will be made aware of them.

5.3.2 Objective Two

This objective explored the levels of knowledge each respondent had concerning the 13 success factors, (questions 1 to 13, part 2).

Findings:

Literature: As above the literature supported the range of factors used in the questionnaire though it is acknowledged that the thirteen factors are by no means exhaustive.

Fieldwork: Levels of knowledge of each success factor amongst respondents varied considerably in terms of the degrees of knowledge of each factor. In many instances the respondents' levels of knowledge of the factor were poor.

Conclusion: Based on the responses from successful business people it is clear that people have ventured into business poorly equipped. The fact that the businesses of the respondents who participated in the research survived, indicates that they most certainly were aware of their shortcomings and they addressed them in order to survive and succeed.

Recommendation: It is recommended that prior to going into business people ensure that they study a wide range of business topics and concepts such as the items listed in questions 1 to 13. Doing so will partly equip them for business. On-going learning is an essential aspect of life and indeed of business.

It is imperative that people going into business acquire suitable skills and experience in order to plan, manage, organise and control their businesses well. In addition they will need to learn financial discipline and good public relations skills.

5.3.3 Objective Three

This objective sought to discover things that business people must avoid in order to succeed

Findings:

Literature: Literature sources abound with advice on what should be avoided by businessmen and women.

Fieldwork: This open-ended question yielded an array of factors that business folk should avoid. Though certain factors were mentioned by several respondents, factors which were less obvious/common were mentioned and they are listed as they are valid. Key issues to avoid include:

- Debt, beyond what is a manageable level
- Over capitalising
- Failing to deliver promised service levels
- Poor budgeting and poor financial control
- Incompetent and, or untrustworthy staff
- Staff with negative attitudes
- Poor cash management
- Resisting the temptation to use business funds for personal luxuries such as cars etc.
- Fast growth
- Having the incorrect stock (types and levels)
- Avoid entering a saturated/over traded market
- Having inadequate industry knowledge (Competitors and suppliers)
- Poor relationships with suppliers
- Poor aesthetics, unclean business
- Being unprofessional

Conclusion: The suggestions made by the respondents are indeed valid and worth factoring into one's management planning. They concur with literary sources.

Recommendation: It is clear that the above issues are relevant and that business owners should ensure that they take cognisance of the above factors and ensure that they strategise and plan to avoid such threats to their success. Failure to do so will result in the above factors causing harm to their businesses.

5.3.4 Objective Four

This objective was to determine the threats to businesses, (Q20).

Finding:

Literature: Literature sources confirm that threats to businesses consist of external factors such as the PESTEL forces (political, economic, socio-cultural, technological, environmental and legal environments). Literature sources also note that internal factors such as bad management, poor training, theft and numerous other factors present threats to businesses.

Fieldwork[: Respondents identified key threats as below, some of which are external factors whilst others are internal factors:

Superior competition	Finance and costs of finance
Staff dishonesty	Incompetence
Poor cash flow	Complacency
Theft	Bad debtors
Spending income on self	

Conclusion: Some of the above items overlap with the factors used in the questionnaire and with issues that business folk need to avoid in order to succeed. It was expected that respondents might duplicate items in their responses. The fact that respondents listed items that were in the questionnaire merely confirms their importance. Additional factors such as complacency, superior competition and dishonesty warrant consideration.

Recommendation: It is recommended that people going into business consider the above threats and plan around them to ensure that they are able to avert the risk of the threats causing harm to their businesses.

5.3.5 Objective Five

This question (19) called on respondents to list the critical success factors with regard to their businesses.

Findings:

Literature: Several authors cite factors that result in business success. Some of these factors are, good service, good quality products, honesty, aesthetically pleasing premises, strong corporate identity, branding, good financial management, compliance, good ethics and a good reputation being some of the factors.

Fieldwork: Respondents listed the following as important factors:

- Mentorship
- Knowledge of the industry including one's competitors and products.
- The need to provide superior service and quality products and a good spot/location.
- Hard work, good ethics and honesty
- Sound planning
- Low overheads
- Good relationships with clients and suppliers
- The need to be different to the competitors and to continually evolve.

Conclusion: There is no doubt that the above factors are important and worth heeding. Respondents' views were confirmed by literature sources.

Recommendation: The above factors be considered and be heeded by business owners wishing to be successful.

5.3.6 Objective Six

Respondents were required to list things that businessmen and women must do (Q21 a)

Findings:

- Know the industry and product
- Plan and expand over time
- Positive attitude, confidence, perseverance
- Research the need for the planned business before committing to it
- Know the competition
- Train staff
- Seek assistance and guidance
- Develop good relationships with clients
- Implement good controls
- Know the law
- Be “on top” of one’s finances, cash flow, debtors and creditors

Conclusion: Though there is overlap with the issues listed in the questionnaire and with suggestions from the other questions the above items are relevant to success.

Recommendation: The above items need to be considered and focussed on if business owners hope to succeed.

5.4 Conclusion

This research has uncovered a number of issues that people who are venturing into business need to do and things that they need to avoid, if they hope to prosper and succeed. Responses are supported by the literature search where authors have demonstrated the need for sound management, strategies, controls, good service and more.

Over and above the conclusions presented, the recipe for success depends on owners and entrepreneurs doing the things that matter and that means that they have to strategise, use resources optimally, minimise waste, lower overheads and increase income. To achieve this, owners need to ensure that they monitor and control all aspects of their respective enterprises.

By reading the responses to the questions one is able to discern what to avoid and what to do in order to prosper as so many authors have identified many similar factors, most of which concur with this research.

With regard to conclusions based on the research undertaken, it was anticipated that the open-ended questions would result in a degree of overlap and repetition as respondents were free to answer as they saw fit. In addition, they were not interrupted in instances where their answer was not strictly specific to the question and objective lest they be influenced or forget to list an issue. What was important was to ensure that they answered and volunteered information that would be of value concerning the aims of the research.

The research has yielded valuable information concerning success factors and issues that entrepreneurs and business owners should heed. Much of the research confirmed what the authors quoted in the literature review had discovered. Having stated that there were nuances of areas where people could improve their focus and thus minimise the risk of failure and thus increase prospects of achieving success.

Though much of this research yielded factors previously identified in the literature, the following aspects warrant attention as previous research either did not cite these factors or else paid minimal attention to them. These factors are cited below, drawn from the tables which reported on the various open-ended questions:

- That one should not enter a saturated market
- Ask why no one else has thought of opening such a business before
- Is the timing right?
- The need to be product/service focussed
- The need to grow without over stretching resources and capabilities
- The need to evolve
- The need to be different to others/competitors
- The need to ensure one spends time with family and is not consumed by one's business

- To be aware of and to work to combat crime and theft
- To avoid complacency
- That it is essential that staff are trained and monitored to ensure good service levels and that staff do not become lazy/inefficient
- That it is essential to be confident and capable
- That owners resist the temptation to reward themselves with luxury items such as fancy cars, boats etc.
- That owners need to constantly seek advice and learn from others

With regard to objective one, the respondents confirmed the 13 factors are indeed important issues for business owners to focus on. With regard to objective two, it was apparent that the respondents, who rated themselves as successful all had severe knowledge gaps when starting out, it is imperative that people going into business ensure that they develop the knowledge and skills bases and, or hire such knowledge and skills.

Taken in isolation the 13 factors only represent a face value and budding business owners are advised to consider each item in far more depth, related to the brief definition of each item in the questionnaire at the very least. An example being Question 5, on management where readers are informed that management's function is to monitor business plans and address any deviations. Though respondents were given broader explanations of the terms when the questionnaire was administered, people venturing into running a business for their own account need to realise that true management is to plan, lead, organise and control at the very least and as such they need to gain experience or at least read up on the core aspects of running a business before venturing into the unknown. What is astounding is that people embarking on a travel trip costing say a mere R30 000 will get maps and guides to help them, but when going into business for the first time and often putting all they own at risk for the undertaking, they pay little attention to the details. They fail to read, they fail to get advice from relatively inexpensive sources such as attorneys and accountants. In addition organisations that offer mentorship services should be consulted as should organisations such

as the Chamber of Commerce, the Department of Trade and Industry and one's bankers to name a few.

This research has uncovered a number of issues, cited above, that previous researchers have not reported on and if owners of small businesses factor in these issues together with factors that authors in the literature research have suggested, then such entrepreneurs/small business owners are less likely to fail and more likely to succeed. These factors were all supported by the mentor experts consulted.

5.5 Suggestions for Further Research

It is suggested that an intensive, study be conducted on people who have survived in business in order to elicit great depth from them concerning success factors. A similar study of informal businesses should also be considered. There is merit in researching reasons why people closed their businesses, though such a study would have to be carefully planned to ensure honest answers.

There would be merit in conducting further research to interview the respondents who in spite of having scant knowledge of business management issues when starting out, realised their inadequacies and managed to overcome them.

5.6 Concluding Remarks

This research has added several factors to the list of factors that business owners need to concentrate on in order to avert failure and to thus succeed. These factors are listed in 5.5. It also determined that the factors relating to Objective One are indeed important to business owners and as such should be taken note of by business folk. In addition it is clear that attention to each of the 13 success factors is important and that people should not venture into business if they lack knowledge in these areas (Objective Two).

Objective Three yielded a list of pitfalls that business owners need to avoid and to fail to heed this advice would be folly while Objective Four considered threats to businesses and again business owners need to keep these issues in mind and to plan around them. Responses to objectives three and four overlapped as was expected they might.

Objective Five sought to ascertain what factors existing business owners deemed to be critical to their success. Several important factors and aspects of business were listed which will be of value to people going into business.

Objective Six required respondents to state what owners need to do to succeed. Though there was some overlap with other responses, this question yielded new information which is of value to people who are new to the business environment. Objectives Five and Six had a degree of overlap in terms of the responses.

In conclusion, if business owners and particularly those who are new to the business world, make the effort to absorb the information contained in this dissertation and in particular the issues raised in Chapters Four and Five, they are bound to reduce the risk of failure and greatly improve their chances of success. In doing so they will increase the numbers of people who are self-sufficient and will create jobs, pay taxes and will thus reduce the burden on the state concerning the unemployed and they will contribute to the growth of the South African economy.

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Appendix 1

Statistics on Questions 1 to 13

Question 1

Correlation on how important is strategy?

How important is Strategy?

The table below illustrates the relationship between importance of strategy and level of knowledge of its importance when respondent's started their business.

Correlations

	How important is strategy?	Your level of knowledge of this when you started your business
How important is strategy?	1	.289
Pearson Correlation		.052
Sig. (2-tailed)		
N	46	46
Your level of knowledge of this when you started your business	.289	1
Pearson Correlation		.052
Sig. (2-tailed)		
N	46	46

Table 4.7 Correlation on the importance of Strategy.

The correlation (r) between the importance of strategy and level of knowledge is 0.289. This coefficient shows that there is a weak but positive relationship between the importance of strategy and level of knowledge. The probability (p) of this correlation coefficient which is 0.052 is greater than 0.05 thus implying that there is no statistically significant relationship between the importance of strategy and level of knowledge ($r=0.289$, $p>0.05$). It would appear that the respondents went into business based on contacts and skills without realising the importance of developing a master strategy for their business.

Question 2

Correlation on how important marketing is

How important is marketing?

The table below illustrates the relationship between importance of marketing and level of knowledge of the importance of marketing when respondents started their business.

Correlations

	How important is marketing?	Your level of knowledge of the importance of marketing when you started your business
How important is marketing? Pearson Correlation Sig. (2-tailed) N	1 46	.461** .001 46
Your level of knowledge of the importance of marketing when you started your business Pearson Correlation Sig. (2-tailed) N	.461** .001 46	1 46

Table 4.8 Correlation on the importance of Marketing.

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

The correlation (r) between the importance of marketing and level of knowledge is 0.461. This coefficient shows that there is a medium strength and positive relationship between the importance of marketing and level of knowledge. The probability (p) of this correlation coefficient which is 0.01 is less than 0.05 thus implying that there is a statistically significant relationship between the importance of marketing and level of knowledge when one started the business ($r=0.461$, $p>0.05$).

Though respondents failed to discern the importance of a sound strategy they most certainly realised the need for marketing when starting out.

Question 3

Correlation on the importance of focussing on Human Relations issues

How important is it to focus on Human Relations issues?

Table below illustrates the relationship between importance of Human Relations issues and level of knowledge of the importance of H.R when one started off in business.

Correlations	How important is it to focus on Human Relations Issues?	Your level of the importance of HR when you started your business
How important is it to focus on Human Relations Issues? Pearson Correlation Sig. (2-tailed) N	1 46	.448** .002 46
Your level of the importance of HR when you started your business Pearson Correlation Sig. (2-tailed) N	.448** .001 46	1 46

Table 4.9 Correlation on the importance of Human Relations.

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

The correlation (r) between the importance of Human Resources and level of knowledge of its importance is 0.448. This coefficient shows that there is a weak and positive relationship between the importance of Human Resources and the respondent's level of knowledge of HR. The probability (p) of this correlation coefficient which is 0.01 is less than 0.05 thus implying that there is statistically significant relationship between the importance of human relations issues and the level of knowledge of it when they started the businesses ($r=0.448$, $p>0.05$).

As the questions were not open-ended this response was not elaborated on. With there being so many corporate firms in the area it is probable that the respondents having worked at supervisory or similar levels were exposed to Human Resources and realised the need to attract and retain the right skills from the outset.

Question 4

Correlation concerning the importance of having good systems in place

How important is to have good systems in place?

The table below illustrates the relationship between importance of good systems in place and level of knowledge of the importance of having good systems when respondents started their businesses.

Correlations

	How important is it to have good systems in place?	Your level of understanding the need for good systems when you started your business
How important is it to have good systems in place? Pearson Correlation Sig. (2-tailed) N	1 46	.336* .023 46
Your level of understanding the need for good systems when you started your business Pearson Correlation Sig. (2-tailed) N	.336* .023 46	1 46

Table 4.10 Correlation on the importance of having good Systems in place.

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

The correlation (r) between the importance of having good systems in place and level of knowledge of this when starting out is 0.336. This coefficient shows that there is a strong but positive relationship between the importance of having good systems in place and level of knowledge. The probability (p) of this correlation coefficient which is 0.023 is less than 0.05 thus implying that there is statistically significant relationship between having good systems in place and the level of knowledge ($r=0.336$, $p>0.05$).

Question 5

Correlation on the importance of management

How important is Management?

Table below illustrates the relationship between the importance of management and level of knowledge of the importance of good management when one started out in business.

Correlations

	Is management important?	Your level of knowledge of the importance of good management when you started your business
Is management important?	1	.118
Pearson Correlation		
Sig. (2-tailed)		.434
N	46	46
Your level of knowledge of the importance of good management when you started your business	.118	1
Pearson Correlation		
Sig. (2-tailed)	.434	
N	46	46

Table 4.11 Correlation on the importance of Management.

The correlation (r) between the importance of management and level of respondents' knowledge of its importance when starting out is 0.118. This co-efficient shows that there is a weak but positive relationship between the importance of management and level of knowledge. The probability (p) of this correlation coefficient which is 0.434 is greater than 0.05 thus implying that there is no statistically significant relationship between the years of service and knowledge of the importance of sound management ($r=0.118$, $p>0.05$).

Analysis of the questionnaires shows that respondents now accept that there is a need for good management, yet when starting out they underestimated its importance.

Question 6

Correlation concerning the importance of budgeting

How important is Budgeting?

The table below illustrates the relationship between importance of budgeting and level of knowledge concerning the importance of budgeting when the respondents started their businesses.

Correlations

	Is budgeting important?	Your level of knowledge of the importance of budgeting when you started your business
Is budgeting important? Pearson Correlation	1	.032
Sig. (2-tailed)		.831
N	46	46
Your level of knowledge of the importance of budgeting when you started your business Pearson Correlation	.032	1
Sig. (2-tailed)	.831	
N	46	46

Table 4.12 Correlation on the importance of Budgeting.

The correlation (r) between the importance of budgeting and level of knowledge is 0.032. This coefficient shows that there is a weak but positive relationship between the importance of budgeting and level of knowledge. The probability (p) of this correlation coefficient which is 0.831 is greater than 0.05 thus implying that there is no statistically significant relationship between the importance of budgeting and the knowledge of this when starting out in business ($r=-0.032$, $p>0.05$).

Not having had to fend for oneself before going into business resulted in people failing to appreciate the importance of budgeting.

Question 7

Correlation concerning the importance of being aware of tax and other laws

How important is it to be aware of Tax and other Laws?

Table below illustrates the relationship between importance of tax and other laws and respondent's level of knowledge of the importance when they started their businesses.

Correlations

	Is it important to be aware of tax and other laws?	Your level of knowledge of the importance of being aware of the applicable laws when you started your business
Is it important to be aware of tax and other laws?	1	.004
Pearson Correlation		.977
Sig. (2-tailed)		
N	46	46
Your level of knowledge of the importance of being aware of the applicable laws when you started your business	.004	1
Pearson Correlation	.977	
Sig. (2-tailed)		
N	46	46

Table 4.13 Correlation on the importance of knowing Tax and other Laws.

The correlation (r) between the importance of Tax and other Laws and level of knowledge is 0.004. This coefficient shows that there is a weak but positive relationship between the importance of strategy and level of knowledge. The probability (p) of this correlation coefficient which is 0.977 is greater than 0.05 thus implying that there is no statistically significant relationship between the years of service and treatment by management ($r=-0.004$, $p>0.05$).

With respondents having had no prior business exposure is the probable cause of the low rating given to this question.

Question 8

Correlation concerning the importance of cash flow

How important is Cash Flow?

Table below illustrates the relationship between importance of Cash Flow and level of knowledge of its importance when people started their businesses.

Correlations

		Do you think that Cash Flow is important?	Your level of knowledge of the importance of cash flow when you started your business
Do you think that Cash Flow is important?	Pearson Correlation	1	.129
	Sig. (2-tailed)		.393
	N	46	46
Your level of knowledge of the importance of cash flow when you started your business	Pearson Correlation	.129	1
	Sig. (2-tailed)	.393	
	N	46	46

Table 4.14 Correlation on the importance of Cash Flow.

The correlation (r) between the importance of Cash Flow and level of knowledge is 0.129. This coefficient shows that there is a weak but positive relationship between the importance of strategy and level of knowledge. The probability (p) of this correlation coefficient which is 0.393 is greater than 0.05 thus implying that there is no statistically significant relationship between the Cash Flow and level of importance ($r = -0.289$, $p > 0.05$).

Not having traded for their own account is a probable reason why the respondents failed to realise the importance of cash flow when they started out.

Question 9

Correlation regarding the importance of good sales

How important is to get good sales?

The table below illustrates the relationship between importance of getting good sales and level of knowledge of this when the respondents started their business.

Correlations

	How important is it to get good sales?	Your level of knowledge of this when you started your business
How important is it to get good sales?	1	.237
Pearson Correlation		.113
Sig. (2-tailed)		
N	46	46
Your level of knowledge of this when you started your business	.237	1
Pearson Correlation		.113
Sig. (2-tailed)		
N	46	46

Table 4.15 Correlation on the importance of good Sales.

The correlation (r) between the importance of to getting good sales and level of knowledge is 0.237. This coefficient shows that there is a weak but positive relationship between the importance of good sales and prior level of knowledge of its importance. The probability (p) of this correlation coefficient which is 0.113 is greater than 0.05 thus implying that there is no statistically significant relationship between the importance of to getting good sales and level of knowledge ($r=0.237$, $p>0.05$).

Once again results imply that when starting out the respondents were under informed and under estimated the need to have good sales.

Question 10

Correlation of the importance of good service and product quality

How important are good service and product quality?

The table below illustrates the relationship between the importance of good service and product quality and respondent's level of knowledge of this when they started their businesses.

Correlations

	Are good service and product quality important?	Your level of knowledge of this when you started your business
Are good service and product quality important?	1	.016
Pearson Correlation		.916
Sig. (2-tailed)		
N	46	46
Your level of knowledge of this when you started your business	.016	1
Pearson Correlation		.916
Sig. (2-tailed)		
N	46	46

Table 4.16 Correlation on the importance of good Service and Product Quality.

The correlation (r) between the importance of good service and product quality and level of knowledge is 0.016. This coefficient shows that there is a weak but positive relationship between the importance of good service and product quality and level of knowledge of this issue when starting out. The probability (p) of this correlation coefficient which is 0.916 is greater than 0.05 thus implying that there is no statistically significant relationship between the importance of good service and product quality and level of knowledge concerning it being important ($r=0.016$, $p>0.05$).

These results confirm how under prepared the respondents really were when they went into business.

Question 11

Correlation concerning the importance of the firm's image

How important is the firm's image?

The table below illustrates the relationship between importance of the firm's image and respondent's level of knowledge of this when they started their businesses.

Correlations

	How important is the firm's image?	Your level of knowledge of this when you started your business
How important is the firm's image?	1	.370*
Pearson Correlation		.011
Sig. (2-tailed)		
N	46	46
Your level of knowledge of this when you started your business	.370*	1
Pearson Correlation		
Sig. (2-tailed)	.011	
N	46	46

Table 4.17 Correlation on the importance of Image.

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

The correlation (r) between the importance of the firm's image and level of knowledge is 0.370. This coefficient shows that there is a strong and positive relationship between the importance of the firm's image and respondent's level of awareness (knowledge) of this when they started out in business. The probability (p) of this correlation coefficient which is 0.011 is less than 0.05 thus implying that there is statistically significant relationship between the knowledge that image is important and awareness of this when the respondents started their businesses ($r=0.370$, $p>0.05$).

Respondents appear to have appreciated the need to have a good image from the outset.

Question 12

Correlation of the importance of the firm's reputation

How important is the firm's reputation?

The table below illustrates the relationship between importance of the firm's reputation and level knowledge of how important a factor this is when starting out in business.

Correlations

	How important is the firm's reputation?	Your level of knowledge of this when you started your business
How important is the firm's reputation?	1	.125
Pearson Correlation		.410
Sig. (2-tailed)		
N	46	46
Your level of knowledge of this when you started your business	.125	1
Pearson Correlation		
Sig. (2-tailed)	.410	
N	46	46

Table 4.18 Correlation on the importance of Reputation.

The correlation (r) between the importance of the firm's reputation and level of knowledge is 0.125. This coefficient shows that there is a weak but positive relationship between the importance of the firm's reputation and level of knowledge. The probability (p) of this correlation coefficient which is 0.410 is greater than 0.05 thus implying that there is no statistically significant relationship between the firm's reputation and knowledge of the need for a good reputation ($r=0.125$, $p>0.05$).

This shows just how under prepared for business the respondents were when they started out as they acknowledge that a good reputation is important.

Question 13

Correlation concerning the importance of good relationships with suppliers

How important is to have good relationships with suppliers?

Table below illustrate the relationship between importance of having good relationships with suppliers and level of knowledge when one started their business.

Correlations

	Is it important to have good relationships with suppliers?	Your level of knowledge of this when you started your business
Is it important to have good relationships with suppliers?	1	.562**
Pearson Correlation		.000
Sig. (2-tailed)		
N	46	46
Your level of knowledge of this when you started your business	.562**	1
Pearson Correlation		.000
Sig. (2-tailed)		
N	46	46

Table 4.19 Correlation on the importance of having good Relations with Suppliers.

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

The correlation (r) between the importance of to have good relationships with suppliers and level of knowledge is 0.562. This coefficient shows that there is a strong and positive relationship between the importance of having good relationships with suppliers and level of knowledge. The probability (p) of this correlation coefficient which is 0.000 is less than 0.05 thus implying that there is statistically significant relationship between having good relationships with suppliers and level of knowledge ($r=0.562$ $p>0.05$).

Respondents understood this issue from the outset.

Appendix 2

Research Title Approval



Faculty of Management Studies Higher Degrees Research Proposal Review Committee Proposal Approval

28 March 2011

Student Name: Luke Alexander Bozas

Student No: 208523776

Degree: M.Com

Name of School: School of Management

Title: Key Success Factors for Small Businesses Trading within the City of uMhlathuze

Dear Mr. Bozas

This letter confirms that your proposal was approved by the Faculty Higher Degrees Research Proposal Review Committee on the 17 March 2011 and the decision will be placed on the agenda of the next Higher Degrees & Research Committee meeting to be held on 20 April 2011. This will also be recorded at the Faculty Board meeting to be held on 3 May 2011.

The Committee made the following comments:

- Define small businesses and successful small businesses more clearly so as to assist with the sampling.
- The terms "entrepreneurship" and "small business" should be used carefully.
- Pay careful attention to analyzing the findings so as to present it differently.
- References should be made to scholarly sources rather than the press.

A copy of this letter and the minutes will be placed in your file.

Congratulations and good luck with your studies.

Yours sincerely

A handwritten signature in black ink, appearing to read "Govender".


Prof KK Govender

Chair: Research Proposal Committee

CC: Prof K Bhowan, HoS

Faculty of Management Studies, Postal Address: Private Bag X01, Scottsville, 3209

Telephone: +27 (0) 33 260-6486 Facsimile: 0865613412 E-mail: singhju@ukzn.ac.za

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

Appendix 3

Ethical Clearance



Research Office, Govan Mbeki Centre
Westville Campus
Private Bag x54001
DURBAN, 4000
Tel No: +27 31 260 3587
Fax No: +27 31 260 4609
mohunp@ukzn.ac.za

8 August 2011

Mr LA Bozas (208523776)
School of Management
Faculty of Management Studies
Westville Campus

Dear Mr Bozas

PROTOCOL REFERENCE NUMBER: HSS/0699/011M

PROJECT TITLE: Key Success Factors for Small Businesses Within the City of uMhlatuze

In response to your application dated 5 August 2011, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

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

Yours faithfully

Professor Steven Collings (Chair)
HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

cc. Supervisor: Prof S Perumal

cc: Mrs C Haddon, Faculty of Management Studies, J Block, Westville Campus



Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

Appendix 4

Title Correction



Research Office, Govan Mbeki Centre
Westville Campus
Private Bag x54001
DURBAN, 4000
Tel No: +27 31 260 3587
Fax No: +27 31 260 4609
Ximbap@ukzn.ac.za

14 September 2011

Mr LA Bozas (208523776)
School of Management
Faculty of Management Studies
Westville Campus

Dear Mr Bozas

PROTOCOL REFERENCE NUMBER: HSS/0699/011M

NEW PROJECT TITLE: Key Success Factors for Small Businesses Trading within the City Of uMhlatuze

APPROVAL AND CHANGE OF DISSERTATION TITLE

I wish to confirm that ethical clearance has been granted full approval for the above mentioned project:

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

Best wishes for the successful completion of your research protocol.

Yours faithfully

PROFESSOR STEVEN COLLINGS (CHAIR)
HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

cc. Supervisor : Prof S Perumal
cc. Mrs C Haddon, Faculty of Management Studies, Westville Campus

Appendix 5

Letter of Informed Consent

UNIVERSITY OF KWAZULU-NATAL
School of Management

Dear Respondent,

M Com Research Project

Researcher: Luke Bozas (082 814 9308)

Supervisor: Prof. S. Perumal (031 260 7554)

Research Office: Ms P Ximba 031-2603587

I, Luke Bozas am an (M Com) student in the School of Management, at the University of KwaZulu-Natal. You are invited to participate in a research project entitled *Key Success Factors for Small Businesses Trading within the City of uMhlathuze*.

The aim of this study is to: to identify areas where business can fail and areas which are critical to success. The findings of this research will be made available to the academic, business and state sectors and any interested party.

Through your participation I hope to provide a framework for institutions to use to help better equip potential entrepreneurs to succeed in business by better understanding which key aspects should be focused upon. The results of this survey are intended to contribute towards ensuring that the survival rate of individuals entering into business venture increases.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this research project. Confidentiality and anonymity of records identifying you as a participant will be maintained by the School of Management, UKZN.

If you have any questions or concerns about participating in this study, please contact me or my supervisor at the numbers listed above.

It should take you about ten minutes to complete the questionnaire. I hope you will take the time to complete the questionnaire.

Sincerely

Investigator's signature _____ Date _____

This page is to be retained by participant

**UNIVERSITY OF KWAZULU-NATAL
School of Management**

M Com Research Project

Researcher: Luke Bozas (082 814 9308)

Supervisor: Prof S. Perumal (031 260 7554)

Research Office: Ms P Ximba 031-2603587

CONSENT

I _____ (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of Participant

Date

This page is to be retained by researcher

Appendix 6

QUESTIONNAIRE

Thank you for volunteering to participate in this research, the aim of which is to identify areas where businesses need focus on, in order to survive and to grow. Should you chose to withdraw from the study you are free to do so. The results of this research will be made available to various academic, business and other organisations so that people in business and those that venture into business may benefit from this study.

All answers will be treated with the utmost confidence. Neither respondents nor their businesses will be named. Any information of a confidential nature that comes to light during this research will not be made public. This research will comply with the University's ethics code and at no time will respondents suffer any harm.

Please answer all questions, using an "X" to indicate your choice. Please answer both "Part 1 and Part 2" of each question. The 1st Part is on a 1 to 5 scale ranging from (1) which is "Irrelevant" to (5) which is "Extremely Important". The 2nd Part of each question is on a 1 to 5 ranking based on levels of knowledge about various issues. Please indicate only one answer "X" per each part of each question.

	1	2	3	4	5
1st Part - This is about the subject/discipline	Irrelevant	Not Important	N/A Unsure	Slightly Important	Extremely Important
2nd Part - This is about Your knowledge of the subject when you started the firm	No Knowledge	Very Limited Knowledge	Some Knowledge	A Good level of Knowledge	Expert Vast Knowledge

Each question has an explanation of the heading used to assist you in coming to a decision. Some questions contain a range of factors and you are required to answer based on the entire range of issues, not only one of them. In some instances you will be asked to state your opinion in the space provided, should you need more space you may use the reverse of the opposite page if you run out of space.

QUESTIONS:

1. Strategy

Strategy is a plan of how to start and grow the business. It has a clear vision, goals and objectives based on a timeline. It determines how to utilise the resources (skills finances, experience, machinery, stock, labour) one has to achieve those objectives.

	1	2	3	4	5
How Important Is Strategy?					
Your Level of Knowledge of this When You Started Your Business?					

2. Marketing

The use of various media and other forms to get people to know about your business, its products and services.

	1	2	3	4	5
How Important Is Marketing?					
Your Level of Marketing Knowledge of this When You Started Your Business?					

3. Human Resources (H. R.)

This is ensuring the right job specifications, experience, skills and aptitude are considered when appointing people. Related issues such as career paths, training, incentives and motivation as well as disciplinary measures are also part of H. R.

	1	2	3	4	5
How Important is it to Focus on Human Relations Issues?					
Your Level of H.R. Knowledge of this When You Started Your Business?					

4. Systems

Having systems in place to cover and deal with, amongst other areas: staff (H.R.), cash control, budgeting, marketing, sales, risk management.

	1	2	3	4	5
How Important is it to Have Good Systems in Place?					
Your Level of Knowledge of this When You Started Your Business?					

5. Management

The need to have skills, experience and to have controls in place so that the business is monitored and any deviation from plan results in remedial action being taken.

	1	2	3	4	5
Is Management Important?					
Your Level of Management Knowledge When You Started Your Business?					

6. Budgeting

To have a well prepared budget in place so that management can monitor the business and see where it is going. Such plans assist in highlighting potential problem areas.

	1	2	3	4	5
Is Budgeting Important?					
Your Level of Knowledge of this When You Started Your Business?					

7. Accounting, Legal and Tax Implications

Business people need to know what laws apply in terms of taxation, business registration, labour and other matters. They also need to have insights into cash flows and have reserves to cover expenses such as maintenance, insurance excess and so on. Understanding their own limitations regarding accounting and legal issues is another matter for business people to

consider and they need to realise that it pays to consult accountants and lawyers when they embark on business contracts/ventures.

	1	2	3	4	5
Is it Important to be Aware of Tax and Other Laws?					
Your Level of Knowledge of the Applicable Laws When You Started Your Business?					

8. Cash Flow

The need to have adequate cash on hand to pay for unforeseen expenses, to buy stock and equipment when bargains present themselves and to build up money on hand to pay taxes and other periodic accounts.

	1	2	3	4	5
Do You Think That Cash Flow is Important?					
Your Level of Knowledge of this When You Started Your Business?					

9. Sales

The need to plan sales, in line with production/stock and to monitor stock (especially perishables) and also to ensure sales are made

	1	2	3	4	5
How Important is it to Get Good Sales?					
Your Level of Knowledge of this When You Started Your Business?					

10. Service and Product Quality

Good quality products and services, relevant to price is part of customer satisfaction. Sales staff also need to have product knowledge and offer good back up service.

	1	2	3	4	5
Are Good Service and Product Quality Important?					

Your Level of Knowledge of this When You Started Your Business?					
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11. Image

Some people consider it important that a firm has a good image in terms of its name, in terms of its signage, colours, cleanliness, layout and policies in general

	1	2	3	4	5
How Important is the Firm's Image?					
Your Level of Knowledge of this When You Started Your Business?					

12. Reputation

This is the goodwill factor that a firm develops and to an extent is measured by client loyalty and trust

	1	2	3	4	5
How Important is the Firm's Reputation?					
Your Level of Knowledge of this When You Started Your Business?					

13. Suppliers

Businesses rely on other firms to supply goods and services, such as security, gardening, canteens, accounting amongst other matters.

	1	2	3	4	5
Is it Important to Have Good Relationships With Suppliers?					
Your Level of Knowledge of this When You Started Your Business?					

14. Rate Your Level of Success in Business

Would you have been better off being employed by someone else rather than having your own firm?

Definitely Not	No	Unsure	Possibly	Most Definitely
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15. How Many Years Did You Take to Achieve Success?

1 - 4	5 - 9	10 - 14	15 - 19	20+
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16. When You Started Your Business Were You:

Clueless/Totally in the Dark?	Have Very Little Idea of What to do?	Fairly Aware of What to do?	Absolutely Certain of What Needed to be Done and How to do it?
----------------------------------	--	--------------------------------	--

17. Describe Your Situation When You First Went Into Business

No previous Business Experience	Some Business Experience	Limited Experience But Holding a Certificate/ Diploma/Degree in Management	Previously a Manager With Considerable Experience
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18. Mentorship/Guidance/Support

Rate the Importance of Mentorship, Guidance and, or Support 1 = Irrelevant, 2 = Not Important, 3 = Unsure, 4 = Slightly Important, 5 = Extremely Important	1	2	3	4	5
--	---	---	---	---	---

19. What are the Greatest Issues That Contributed to Your Success?

20. Describe the Key Issues That Threatened Your Business

21. What Advice Would You Give People Starting up a New Business?

a. Things That They Must Do

b. Things That They Must Avoid

c. Any Other Comments?

Thank you for participating in the research