

Factors determining the sustainability of selected small and medium-sized enterprises

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Mini-dissertation submitted in partial fulfilment of the requirements for the degree *Magister in Business Administration* at the Potchefstroom Campus of the North-West University

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May 2014



ABSTRACT

Small and medium sized enterprises (SMEs) are a definitive driving force of economic stability in the marketplace due to the number of jobs created by the small and medium sized business sector and there is a positive influence on a country's national economy. While a considerable amount of research focuses on SME sustainability, empirical tests on the factors influencing sustainability of SMEs have not been piloted and researched to the completest prospective.

The primary purpose of this study was to identify the determining factors that influence the sustainability of selected small and medium-sized enterprises.

The empirical investigation was conducted among 135 SME owners and/or managers in the Potchefstroom area of the North West province of South Africa. The methodology included the sampling procedure, data collection, questionnaire development and statistical techniques later used due to the nature of responses. Results were analysed with regard to the descriptive statistics and correlations between questions included in the questionnaire.

The results of this study concluded that there are certain factors considered as important contributors for SME sustainability. The importance of this study is the contribution of a sustainability framework which will aid SMEs in the management of sustainability within their enterprises. The further development of a SME programme to equip the management members could be derived from the results in an attempt to ensure the encouragement of this very important commercial driver of the economy.

Keywords: SME, factors, sustainability, economic, Potchefstroom, international, global, enterprises, determining.

ACKNOWLEDGEMENTS

I would never have been able to finish my dissertation without the guidance, support and prayers of the following important role-players:

- God, for giving me the talents and ability to complete this opportunity;
- My wife, Marina, for taking on the challenge with me and supporting me throughout the duration of the studies;
- My parents, who taught me from childhood to recognise opportunities, to seize them and to overcome challenges;
- Ferdie and Carla, for their continuous support and hospitality;
- The broader family and friends for their understanding and support;
- The Xtreme Bi-Octa syndicate group for motivation, cooperation and encouragement;
- My advisor and supervisor, Prof Ronnie Lotriet, for his guidance and motivation throughout the mini-dissertation;
- Mrs Cecile van Zyl for the language, technical and typographical editing of the mini-dissertation;
- Statistical Consultation Services of the North West University, Potchefstroom Campus, for their assistance in analysing the statistical data component; and
- The Chamber of Commerce for the support and cooperation throughout the study.

The Author

November 2013

TABLE OF CONTENTS

CHAPTER 1: NATURE AND SCOPE OF STUDY

1.1 Introduction	1
1.2 Background	2
1.3 Problem statement	4
1.4 Objectives of the study	5
1.4.1 Primary objective	5
1.4.2 Secondary objectives	5
1.5 Research methodology	5
1.5.1 Literature study	6
1.5.2 Empirical investigation	6
1.6 Scope of the study	7
1.7 Limitations	7
1.8 Contribution of the study	7
1.9 Layout of the study	8
1.9.1 Chapter 1: Scope and nature	8
1.9.2 Chapter 2: The sustainability of SMEs	8
1.9.3 Chapter 3: Empirical investigation	8
1.9.4 Chapter 4: Conclusions and recommendations	8
1.10 Summary	9

CHAPTER 2: THE SUSTAINABILITY OF SMEs

2.1 Introduction	9
2.2 Conceptualisation of SMEs	9
2.3 Importance of small businesses for the economy	22

2.4 National policies and SME development	17
2.4.1 National Budget Speech	20
2.4.2 White Paper on Small Businesses	21
2.4.3 SEDA	23
2.4.4 The National Development Plan	25
2.5 Small business management	27
2.5.1 Requirements for sustainability	28
2.5.2 Lifecycle- and growth model for SMEs	30
2.5.3 SME performance	33
2.5.4 Characteristics of sustainable SMEs	35
2.6 Reasons for SME failure	38
2.7 Small business sustainability issues	42
2.8 Summary	45
CHAPTER 3: EMPIRICAL INVESTIGATION	
3.1 Introduction	46
3.2 Research methodology	46
3.2.1 Literature study	46
3.2.2 Empirical investigation	47
3.2.2.1 Measuring instrument	47
3.3 Research findings	48
3.3.1 Section A: Biographic profile	48
3.3.2 Section B: Sustainability factors	50
3.3.3 Section C: Open questions.....	67
3.4 Measures of association.....	68
3.4.1 Cramer's V	68

3.4.2 T-test	77
3.5 Summary	96
CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS	
4.1 Introduction	98
4.2 Main findings of the study.....	98
4.2.1 Demographic profile	98
4.2.2 Sustainability factors of SMEs	99
4.3 Evaluation of the study.....	101
4.4 Recommendations	102
4.5 Conclusion.....	102
List of references	104
Appendix 1: Questionnaire	121

LIST OF TABLES

Table 2.1:	Some international definitions of SMEs	10
Table 2.2:	Broad definition of SMEs in South Africa	12
Table 2.3:	SME economic contributions for selected countries	15
Table 2.4:	SME economic contributions in South Africa (1997 – 2012)	15
Table 2.5:	An overview of South African government policies for SME development.....	18
Table 2.6:	SME tax relief for 2011 – 2012	21
Table 2.7:	Elements of the strategic management model	29
Table 2.8:	Organisational lifecycle model	32
Table 2.9:	Environmental factors influencing the performance of SMEs	34
Table 2.10:	Key factors constraining entrepreneurship in South Africa	40
Table 2.11:	Sustainability issues for SMEs	43
Table 3.1:	Demographic profile of respondents	48
Table 3.2:	Characteristic rating	50
Table 3.3:	Management criteria rating	57
Table 3.4:	Product and service features rating	58
Table 3.5:	Customers and markets rating	58
Table 3.6:	The moral way of doing business rating	59
Table 3.7:	Resource and finance availability rating	60
Table 3.8:	Factors important to business sustainability	64
Table 3.9:	Business financial knowledge	64
Table 3.10:	Strategy implementation rating	65
Table 3.11:	Technology used rating	66
Table 3.12:	External environment rating	66
Table 3.13:	Cramer’s V for questions 16 & 17.....	69
Table 3.14:	Association of subsections for questions 16 & 17	70
Table 3.15:	Cramer’s V for questions 16 & 29	70

Table 3.16:	Association of subsections for questions 16 & 29	71
Table 3.17:	Cramer's V for questions 33 & 4	72
Table 3.18:	Correlation for questions 33 & 4	72
Table 3.19:	Cramer's V for questions 33 & 5	73
Table 3.20:	Correlation for questions 33 & 5	74
Table 3.21:	Cramer's V for questions 33 & 32	74
Table 3.22:	Association of subsections for questions 33 & 32	75
Table 3.23:	Cramer's V for questions 4 & 39	76
Table 3.24:	Association of subsections for questions 4 & 39	76
Table 3.25:	Gross profit-test	78
Table 3.26:	Gross profit % t-test	79
Table 3.27:	Net profit t-test	81
Table 3.28:	Net profit % t-test	83
Table 3.29:	ROI t-test	85
Table 3.30:	Future value t-test	87
Table 3.31:	Current ratio t-test	89
Table 3.32:	Average of payables (in days) t-test	91
Table 3.33:	Average of receivables (in days) t-test	93
Table 3.34:	EBIT t-test	95

LIST OF FIGURES

Figure 2.1:	Process of SME growth pattern	31
Figure 3.1:	Business entity	51
Figure 3.2:	Franchise	52
Figure 3.3:	Family business	52
Figure 3.4:	Number of employees	53
Figure 3.5:	Job creating prospects	53
Figure 3.6:	Years in business	54
Figure 3.7:	Business development stage	54
Figure 3.8:	Business location	55
Figure 3.9:	Business sector	56
Figure 3.10:	Business management	56
Figure 3.11:	Ethical code	59
Figure 3.12:	Access to finance	60
Figure 3.13:	Further access to funding	61
Figure 3.14:	Finance uses	61
Figure 3.15:	Business financing	62
Figure 3.16:	Strategy/strategic plan	62
Figure 3.17:	Generic strategy	63

LIST OF ACRONYMS

ABSA:	Amalgamated Banks of South Africa
ACCA:	Association of Chartered Certified Accountants
BRIC:	Brazil, Russia, India and China
CASP:	Comprehensive Agricultural Support Programme
CBD:	Central Business District
CSF's:	Critical Success Factors
CTCIP:	Clothing and Textile Competitiveness Programme
DOC:	Department of Communication
DTI:	The Department of Trade and Industry
EFCs:	Entrepreneurial Framework Conditions
EIP:	Enterprise Investment Programme
FMCG:	Fast Moving Consumer Goods
GDP:	Gross Domestic Product
GEM:	Global Entrepreneurship Monitor
HR:	Human Resources
ICT:	Information and Communication Technology
IPAP:	Industrial Policy Action Plan
MAFISA:	Micro-Agricultural Financial Institutions of South Africa
MIP:	Manufacturing Investment Programme
NDP:	National Development Plan

NES:	National Expert Survey
NTSIKA:	Ntsika Enterprise Promotion Agency
OECD:	Organisation for Economic Co-operation and Development
SARS:	South African Revenue Service
SEDA:	Small Enterprise Development Agency
SEFA:	Small Enterprise Finance Agency
SME:	Small and Medium Enterprise
SMEs:	Small and Medium Enterprises
SMEDI:	The Small and Medium Enterprise Development Initiative
SMEDP:	Small and Medium Enterprise Development Programme
SMME:	Small-, Micro- and Medium-sized Enterprise
SMME's:	Small-, Micro- and Medium-sized Enterprises
SPII:	Support Programme for Industrial Innovation
TEP:	Tourism Enterprise Programme

CHAPTER 1

NATURE AND SCOPE OF STUDY

1.1 Introduction

“We should be setting the target to create one-million new businesses by 2020, rather than trying to create the five million jobs”

Clem Sunter (2012), Chairman of the Anglo American Chairman's Fund.

Contemplation for an immediate action plan should be a priority to avoid a shortage of new entrepreneurs that could lead to a slowdown of the South African economy in the near future. Businesses ranging from start-up businesses to established businesses are not sufficient to sustain the growth rates in South Africa and some economists are even concerned about the prospects for economic growth in South Africa. The latest results of the Global Entrepreneurship Monitor (GEM) Report show that South Africa's position on the global ranking continues to deteriorate relative to other similar emerging countries (Herrington, 2013). Kolver (2012) also realises the importance of the small business sector, and therefore suggests that one million new small businesses should rather be created instead of trying to create five million jobs as proposed. According to the Human Settlements Minister, Mr Tokyo Sexwale, discovering new ways to improve and develop South Africa's small business sector contributes significantly to ascertain sustainable solutions for the country's economy. (Sowetan Live, 2012).

At the moment, entrepreneurship is not a natural process in South Africa and should therefore be approached in a more formal and integrated way until it becomes an ordinary part of our daily existence. The solution lies in more start-up and new businesses making significant contributions to the country's economy as a whole (Herrington, 2013).

1.2 Background

Small and medium enterprises (SMEs) comprise a very broad range of initiatives, from the established, traditional family businesses that employ more than a hundred people (this usually refers to medium-sized enterprises), to the mere survivalist, self-employed individual who originates from the poorest of the population (this usually refers to an informal micro enterprise) (Berry *et al.*, 2002:1).

A small enterprise can be described as an organisation that consists of up to 50 employees, whereas a medium enterprise comprises 51 to 200 employees. Companies with up to 20 employees are categorised as a very small enterprise. The reported number of registered companies in South Africa ranges between 1.2 million to 2.4 million. However, it has also been found that the number of actual active entities is considerably smaller and rather estimated at between 600 000 and 675 000 (Goldstuck, 2012:9). World Wide Worx currently estimates a total of 650 000 active SMEs within the South African economy. SMEs in South Africa contribute between 52 and 57% of the gross domestic product (GDP) and also provide approximately 61% of the country's employment figure. The Department of Trade and Industry (DTI) indicated that micro-enterprises (consisting of 1-5 employees) provide employment for 17% of the South African workforce, whereas small enterprises (consisting of 21-50 employees) contribute 21%, and medium-sized enterprises comprise 18% of the employment contribution, therefore totalling 56% of the current South African employment rate. Larger enterprises balance the remaining percentage (Goldstuck, 2012:9).

The SME sector is not just a required complement to stimulate growth in the high productivity sector as well as a multiplier of productivity, but holds the key to whether the country will fail or succeed in confronting the employment challenge (Nieuwenhuizen & Kroon, 2003:1). According to Vermeulen (2011), the four most important drivers of SMEs were identified, which reiterates the current rationale emphasising the significance of SMEs in the expansive structure of economies as the following (Vermeulen, 2011):

- SMEs are the growth drivers in the economy;

- SMEs are crucial for a competitive and efficient market;
- SMEs are critical for decreasing poverty; and
- SMEs play a fundamental role in developing countries.

Therefore, SMEs transpire not only from a productivity point of view, but also with an interest to distribute income, as the most auspicious section of South Africa's economy (Berry *et al.*, 2002:4-5). South Africa presents a large quantity of low-skilled and semi-skilled workers and an attempt to maximise the average labour productivity of those currently employed, might be the incorrect route to follow at this stage if the necessary steps are to be ignored and proper policies and procedures are to be neglected. This kind of strategy could, in turn, yield a high rate of unemployment and contribute to variation in income distribution among employees. Micro-enterprises would traditionally absorb some of the unemployed, and therefore slightly increase the overall productivity of the economy, but it would be more desirable to have SMEs produce the majority of employment, which would be more productive, and therefore have the ability to pay increased wages. Specifically formulated guidance is needed for SMEs for the creation of applicable and desired jobs in sustainable businesses. The guidance must be focused on creating the right conditions for SMEs to create jobs; stimulating entrepreneurs to fulfil their motivation to start and build businesses; and encouraging sustainable workplaces with increased productivity and improved working conditions (Poschen, 2010:4). The upgrading of skills in the labour force is fundamental to a sustainable SME sector, and therefore the overall economic success of a country such as South Africa relies heavily on the effective implementation of SME support policies (Berry *et al.*, 2002:10-11).

Sustainability of businesses could be interpreted in many ways and may in turn lead to adding value to the environment, communities, customers and the bottom line for businesses of different sizes. Companies recognise that successful business performance is the result of successful sustainability, as stated by Rainville (2012:3).

The reasoning of Spence (2012) states that sustainable businesses have the ability to adapt superiorly to change and usually create long-term financial value. In South Africa, a high rate of business failures exists due to the lack of an adequate entrepreneurial culture and -education and therefore a definite need exists to maintain the sustainability of businesses in the long term. According to Booyens (2011:76), SMEs need to be creative with newly introduced products and services in order to gain business sustainability.

1.3 Problem statement

In order to achieve the necessary objectives of economic growth through competitiveness on the one hand, and the creation of employment and income redistribution as a result of this growth on the other, South Africa's small-, micro- and medium-sized enterprise (SMME) economy has been actively promoted since 1995. (Berry *et al.*, 2002:1). The South African government introduced and implemented the concept of SMEs after being elected in 1994. This was done as a focused attempt to stimulate and improve the South African economy and to furthermore reduce the already high unemployment rate and also aim to alleviate the poverty situation within South Africa (Bruwer & Watkins, 2010:3550). However, in the years gone by, the sustainability of these entities is at a low point (Bruwer & Watkins, 2010:3553). According to Kolver (2012), it is disappointing that the National Planning Commission chairperson, Trevor Manuel, did not place enough emphasis during the unveiling of the National Development Plan (NDP) on the importance of the small business sector and the resources required to grow and support this sector. South Africa has an undecided approach towards entrepreneurs, opposite to the notion that small businesses should rather be the centre of the National Development Plan.

According to Bruwer and Watkins (2010:3550), an estimated 1 080 000 fast moving consumer goods (FMCG) in the form of small, micro and medium-enterprises (SMMEs) operated in South Africa during 2003 and all of these organisations were striving towards business sustainability. Only apart from Mexico, South Africa reports the highest failure rate for newly established businesses of which most collapse after only

three months of operation (Goodall, 2006). According to Bruwer and Watkins (2010:3550), altogether 80% of small businesses fail within the first five years.

1.4 Objectives of the study

1.4.1 Primary objective

The primary objective of this study is to identify factors that influence the sustainability of selected small and medium-sized enterprises.

1.4.2 Secondary objectives

The secondary objectives of this study are to:

- empirically validate the factors that influence the sustainability of SMEs;
- formulate a profile of SMEs according to research that was conducted;
- determine the reliability of the factors that influence the sustainability of SMEs; and
- draw conclusions and offer recommendations based on the findings of this study.

1.5 Research methodology

The research methods of this study consist of a literature- and an empirical investigation. The success factors of successful small businesses were identified from a comprehensive literature overview from various authors. A preparatory study was conducted in the form of a pilot questionnaire to formulate a workable document. The preparatory study consisted of 10 questionnaires that were distributed to senior managers of various small businesses in the Potchefstroom area in South Africa. The aim was to identify the questions related to the success of small industries. Questionnaires were then sent to 450 respondents and 90 were returned as a document completed by hand and 45 were returned via web-based media (survey monkey website).

1.5.1 Literature study

The literature study's main focus is on the theory of SMEs with regard to the sustainability of these businesses, as well as the factors influencing the sustainability. The background of SMEs is provided, with specific attention to SMEs in the Potchefstroom area in the North West Province of South Africa in order to contextualise the study to a specific geographic area.

1.5.2 Empirical investigation

Quantitative research collected data by means of a questionnaire that was distributed among SME owners or managers in Potchefstroom, in the North West Province of South Africa.

Questionnaires were available online on the Survey Monkey website. Respondents were invited via an email to complete the online survey. This was done in collaboration with the Potch-Tlokwe Chamber of Commerce. Three hundred emails were sent and 45 respondents reacted positively and completed the online survey. The survey was available on the Survey Monkey web page from 1 August to 1 November to be completed by respondents. Questionnaires were also distributed to business owners or managers in the Potchefstroom area, focusing on the shopping malls, industrial- and central business district (CBD) areas, and 90 questionnaires were completed out of the 150 circulated questionnaires. In total 135 questionnaires were completed overall.

1.6 Scope of the study

The research is based on factors influencing the sustainability of SMEs. The scope of this study would be SME companies in the Potchefstroom area of the North West Province in South Africa. A sample of 450 participants from SME companies in Potchefstroom were selected to complete a questionnaire and were given a week to complete the survey before the questionnaires were collected again. The online survey was active for three months.

1.7 Limitations of the study

One of the limitations of this study is that it only focuses on the SMEs in the Potchefstroom area of South Africa. Since the SME sector varies slightly in different regions, a national proposal for determining factors that influence the sustainability of small and medium-sized enterprises will not be possible unless the study is expanded to include research from other areas in South Africa.

Another limitation is the size of the population, since only 135 out of approximately 300 SMEs in the Potchefstroom area took part in the study. This can mainly be contributed to the Potch-Tlokwe Chamber of Commerce that faced some administrative issues and questionnaires were not properly distributed to members of the Potch-Tlokwe Chamber of Commerce who demanded that the process must be delegated by the Chamber itself. Therefore, some of the control that the researcher had was diluted in the process.

1.8 Contribution of the study

This study aims to contribute and elaborate on research done in the past about SMEs and will intend to place more emphasis on the sustainability issues that could aid SME businesses in being more successful. There will also be a focused goal to profile the SME owner or manager to position certain aspects as to create better understanding of these sustainability issues presented.

1.9 Layout of the study

1.9.1 Chapter 1: Scope and nature

This chapter formulates the background of the study, a problem statement, the primary and secondary objectives as well as a description of the research design and methodology used in the study. The chapter is concluded with a layout of the mini-dissertation.

1.9.2 Chapter 2: The sustainability of SMEs

Chapter 2 exhibits an in-depth study on determining the factors that influence the sustainability of SMEs. The background of the small to medium-sized business sector in South Africa, and specifically the Potchefstroom area will receive attention, while certain factors influencing SMEs as a whole will be described and mainly focused on.

1.9.3 Chapter 3: Empirical investigation

This chapter empirically examines and applies the theory of the literature study done in Chapter 2. The research methodology and empirical results will determine how factors influence the sustainability of SMEs.

1.9.4 Chapter 4: Conclusions and recommendations

Chapter 4 provides a summary of the results with regard to the theoretical framework from Chapter 2 and Chapter 3. Also in this chapter, conclusions and recommendations are made for the sustainability of SMEs. Furthermore, additional areas for future research will be identified and proposed in Chapter 4.

1.10 Summary

Chapter 1 evidently serves as an introduction to the research project on factors determining the sustainability of SMEs as well as the origin of SMEs; growth and challenges is described as well as the importance of SMEs within the Potchefstroom context. The problem statement, study objectives, research design and methodology are also presented.

Chapter 2 will deal with the literature foundation that this study aims to disseminate further.

CHAPTER 2

THE SUSTAINABILITY OF SMEs

2.1. Introduction

The growth of SMEs is a major economic driver as SMEs contribute to employment growth at a higher rate than larger businesses do. The important economic contribution of SMEs has aroused significant interest from both international organisations and academic researchers, whose goals include using national policies to generate growth in the SME sector. Despite the considerable attention paid to SME growth, no theories have been able to effectively explain why certain SMEs grow and others fail (Farouk & Saleh, 2011:2). Overall, the sustainability of SMEs is considered as an essential ingredient for long-term success, since the failure of having a culture of sustainability is seen as a source of competitive disadvantage (Eccles, 2012).

SMEs are considered to play a pivotal role in promoting grassroots economic growth and reasonable sustainable development. High prevalence of economic growth contributes to economic- and social development. The quality of growth is also important and includes the composition of growth, the spread and distribution and the degree of sustainability and therefore it is important to understand various factors responsible for quality growth and the sustainability of SMEs (Pandya, 2012:427).

In an attempt to shed light on this phenomenon, Chapter 2 includes literature regarding the importance of SMEs for the economy, national policies and SME development, small business management, the reasons why SMEs fail and addresses the sustainability issues for SMEs.

2.2 Conceptualisation of SMEs

Mahembe (2011:22) reported that the importance of the SME sector is internationally acknowledged, but the challenge exists in defining the SME sector globally. There is no single SME definition uniformly accepted around the world. Gibson and Van der Vaart

(2008:4) also state that no single definition of SMEs appears to be universally recognised, but it is found that SMEs are in general:

- formally registered with government- or other registration bodies;
- obligated to pay taxes and social security charges;
- able to allow their employees to take sick- and annual leave while receiving compensation;
- able to provide skills training for their employees;
- able to invest in capital with a payback of longer than twelve months;
- able and inclined to contribute to the local community.

In order to consider the various differences between countries and even between different business sectors, Rogowsky *et al.* (2010:2) suggest that the number of employees and annual revenue are used as criteria to develop a definition. In practice, the global definition uses the number of employees combined with annual business turnover, and then applied to a specific region or industry (Mahembe, 2011:24). SME definitions by region are summarised in Table 2.1.

Table 2.1: Some international definitions of SMEs

					BRIC					
	EU	USA	Egypt	Ghana	Brazil Industrial	Brazil Commercial	Russia	India	China	South Africa
Number of employees										
Small	<50	<100	5-14	6-29	20-99	10-49	15-100	0	<300	50-99
Medium	<250	<500	15-49	30-99	100-499	50-99	101-250	0	300-2000	100-200
Turnover										
Small	\$13m	0	0	\$100k	0	0	400 m RUB max	Rs50-60m	<Y30	R2m to R4.5m
Medium	\$67m	0	0	\$1million	0	0	1 B RUB max	Rs60-99m	Y30 to Y300m	R4.5 to R50m

(Source: Mahembe, 2011:23)

BRIC is a label used these for four developing countries: Brazil, Russia, India and China, with promising emerging markets and economies (BusinessDictionary, 2013). The BRIC countries, together with a few other countries, are used to illustrate the differences between countries' employee- and turnover ranges. From Table 2.1 it is clear that the official definition of an SME used by national governments can significantly differ from country to country, when focusing on the number of employees. Countries using the number of employees to define SMEs run the risk of incorrectly indicating that the larger the business, they must undertake to employ even more employees in order to grow (Gibson & Van der Vaart, 2008:6&12). Mahembe (2011:22) is also concerned that definitions employing measures of size, in terms of number of employees and turnover, might classify a business in one sector as small, in a different categorisation with another indicator.

In short the definitions of SMEs are therefore non-subsidary, independent businesses with a certain number of employees. According to the Organisation for Economic Co-operation and Development (OECD), the number of employees varies across countries and varies according to national statistical systems (OECD, 2000:2). For example, the European Union's upper limit is 250 employees, while the United States considers SMEs to include businesses with fewer than 500 employees, whereas Mahembe (2011:22) states that SMEs are characterised by means of an economical and statistical definition. In the case of the economic definition, a business is regarded as small when the following criteria are met:

- The business has a small market share in terms of the total market;
- The management team consists of owners or part-owners; and
- The business operates independently since it is not part of a larger enterprise.

The statistical definition uses three main areas to describe an SME:

- Quantifying the size of the sector and its contribution to GDP, exports and employment;

- Comparing the extent to which the sector's economic contribution varies and changes over time; and
- A cross-country comparison of the business's economic contribution.

Other than with the case globally, the issue of what constitutes an SME is a major concern in South Africa and a general description of a South African SME is registered businesses with fewer than 250 employees (Mahembe, 2011:24). Furthermore, the South African context defines an SME using the number of employees, the annual turnover and the gross assets (Mahembe, 2011:24). Table 2.2 summarises the broad definitions of an SME in South Africa:

Table 2.2: Broad definition of SMEs in South Africa

Enterprise size	Number of employees	Annual turnover	Gross assets (excluding fixed property)
Small	Fewer than 50	Less than R2m to R25m depending on the industry	Less than R2m to R4.5m depending on the industry
Medium	Fewer than 100 to 200, depending on the industry	Less than R4 million to R50 m depending upon the industry	Less than R2 m to R18 m depending on the industry

(Source: Mahembe, 2011:25).

For the purpose of this study, an SME is defined as a registered business with fewer than 250 employees (IFC, 2009:9). Since the definitions for SMEs internationally and nationally are unclear, the next section will discuss the importance of SMEs for the economy, internationally and nationally.

2.3 Importance of small businesses for the economy

The entire world is facing a recovery stage since the financial crisis in 2008, and SMEs are the centre of the debate and also considered a key driver for growth in any economy, according to Jain and Chen (2013:1). D'Imperio (2012:7) believes that the 2008 financial crisis created new challenges for SMEs, but SMEs are evidently contributing towards the gross domestic product (GDP) and employment in almost every country globally.

Bouri *et al.* (2011:7) further state that the SME sector is the backbone of any economy, especially in high-income countries, although the sector is less developed in lower-income countries. D'Imperio (2012:7-8) furthermore states that the contribution of SMEs to economic fundamentals, such as contribution to GDP, varies across countries. The reason for this being that richer countries have larger SME sectors and smaller informal sectors than poorer countries do, and that open economies tend to have smaller SME sectors than their relatively closed counterparts (The Association of Chartered Certified Accountants, 2010:8). It is also indicated that SMEs contribute 16% to GDP in low-income countries, while the contribution of GDP is 51% in high-income countries. Although SMEs play key roles in high-income countries, it is also important for low-income countries, as it contributes to both employment and GDP.

Jain and Chen (2013:2) refer to SMEs as the employment multiplier, since the new jobs created by SMEs further create more jobs, which, for industries such as manufacturing could be closer to a multiplier of three. For example, a business with 50 employees in 1965 and 100 in 1994 will have multiplied its workforce by two (OECD, 2002:62). SMEs are also boosting overall domestic consumption, and therefore SMEs are referred to as a local multiplier effect. SMEs could have two to three times the impact on domestic spending when compared to spending at larger businesses. Since SMEs are creating jobs and fostering a competitive business environment, Shinozaki (2012:2) considers it a driving force of economic stability, with a positive impact on a country's national economy. According to SouthAfrica.info (2012), the cost to create a job in the small business sector is less than creating a job in the large business sector, because larger

businesses are usually more capital intensive and, according to Edmidton (2007:74), larger businesses also offer better jobs in terms of stability, quality and compensation in the form of both benefits and salary.

Consequently, SMEs are also widely recognised as the most important driver of innovation in most countries and account for a high share of real innovation since it makes SMEs relevant to investors and customers. Economic growth founded on innovation would be sustainable and uplift the overall economy, according to Jain and Chen (2013:2). Small businesses are more likely to engage in innovative activity such as research and development resulting in spending in high technology industries, and 90% of businesses engaging in these activities are SMEs (Connolly *et al.*, 2012:3).

Grammy (2011:2) believes that SMEs play four major roles in the economy and that they are contributing to the following:

- Creating jobs;
- Producing new products and services;
- Serving larger corporations; and
- Providing specialised, innovative products.

According to D'Imperio (2012:7), more than 95% of enterprises across the world are SMEs, therefore accounting for approximately 60% of private sector employment. Japan accounts for an SME proportion of 99% of total businesses, and is considered as the country with the highest proportion of SMEs among industrialised countries. India had 13 million SMEs in 2008, which accounted for 80% of all the country's businesses. For countries of which reasonable data are available, SMEs account for 52% of the total private sector value, which in turn provides a reasonable estimate for the SME sector's global economic contribution. Table 2.3 illustrates the economic contribution that SMEs have for the United States, Germany, China, the United Kingdom and South Africa.

Table 2.3: SME economic contributions for selected countries

Country	Contribution to GDP	Job creation (% of total jobs created)	Representation of total businesses
United States	46%	65%	98%
Germany	50%	52%	99.6%
China	60%	80%	99%
United Kingdom	Over 50%	67%	99.9%

(Adapted from sources: Kobe (2012:1); Jain and Chen (2013:2); Clark and Saade (2010:6); Kajeepeta (2011:1); ANON (2013:1), Li (2012:1); Shah (2012), Department for Business Innovation and Skills (2012); Goldstuck (2012:9) & D’Imperio (2012:7)

Table 2.3 presents the most recent economic contributions by the SME sector. The South African economic contributions over time are illustrated in Table 2.4.

Table 2.4: SME economic contributions in South Africa (1997 – 2012)

Year	Contribution for GDP	Job creation	Representation of total businesses
1997	32-42%	62%	99.3%
2001	36%	56%	97.65%
2006	40%-50%	More than 50%	91%
2012	57%	61%	91%

(Adapted from sources: Falkena (2001:42), Lloyd (2002:21&23), Von Ketelhodt and Wöcke (2008:4), Fatoki and Odeyemi (2010:128), Ahiawodzi and Adade (2012:39)

Table 2.4 indicate that the contribution to GDP increased from 1997 to the present. Bouri *et al.* (2011:13) believe that, due to increased value, output and profits, an increase in SME growth has a direct effect on GDP growth. The percentage of jobs created by the SME sector stayed more or less the same, ranging from 50 to 62%. According to the United States Business Council for Sustainable Development (2011:1), attention must be paid to the importance of business sustainability when SMEs want to succeed and create more jobs. The SME sector in South Africa represented over 90%

of total businesses since 1997, yet with a slight decrease. According to the ABSA (Amalgamated Banks of South Africa) SME Index (2013), expresses concern about the decrease in SMEs in South Africa, since the sector is the backbone and driver of the South African economy.

In 1997, the SME contribution to GDP, job creation and the representation of total businesses was higher than the years to follow (see Table 2.4). Thomas (2000:43) states that prior to the 1994 political election in South Africa, SME support policies had little importance for the government and small business development did not receive the necessary attention. It was felt that the government neglected the black-owned SMEs and the needs of SMEs in rural areas and townships were not addressed. In 1995, the newly-elected government compiled a White Paper aiming to create public awareness about the significance of the SME sector and highlighting the government's commitments towards support to the sector, especially for previously disadvantaged groups (Thomas, 2000:46). The assumption can be made that the reason for these economic achievements in 1997 is because of the implementation of the White Paper in 1995 since Irwin (2011:1) states that the implementation of a strategic plan takes three to five years to show results. Thomas (2000:52) mentioned that reform planners were concerned about the sustainability of the government's strategies for the SME sector, which can be assumed as the reason for the slight decrease in the economic contributions since 1997.

Despite the importance of the SME sector for the economy, as discussed previously, Khalique *et al.* (2011:74) are concerned about the serious issues and threats SMEs have to face. In the globalised environment, the issues include recessions, heavy regulatory burden, lack of managerial capabilities, barrier from global sourcing, lack of financing and low productivity (Khalique *et al.*, 2011:75). Therefore, promoting small businesses makes sense as an economic development strategy, but with some cautions. Small businesses are creating many jobs, but it might be due to job losses at larger businesses and not necessarily due to job creation by small businesses. Larger businesses also offer better jobs than small businesses do in terms of stability, quality

and compensation (Edmiston, 2007:74). Therefore, a concern arises since small businesses are not the fountainhead of job creation, especially when it comes to stable jobs with high compensation and good benefits, according to Edmiston (2007:91).

According to Shinozaki (2012:4), not all SMEs are eligible to be key drivers for economic growth. SMEs can be classified into two types for their role in the national economy, namely stability-orientated and growth-orientated. Stability-orientated SMEs have no interest in growth, since they are typically self-employed businesses or family businesses providing only for moderate needs. Growth-orientated SMEs are small but growing businesses, exploring new business opportunities with innovative technology and ideas. Tomlinson (2011:7) suggests that growth-orientated SMEs must apply strategies for sustainability. These strategies include effective sustainability policies, open and effective markets, equality of opportunities, access to infrastructure and skilled human capital. Shinozaki (2012:5) suggests that national policies for SMEs should include policies for scaling-up SME funding opportunities, which will enhance macro-economic stability and sustainable economic growth. By enhancing financial accessibility, the SME sector is vitalised in support of a balanced global economy.

2.4 National policies and SME development

The importance of SMEs is recognised internationally, and therefore countries can coordinate the relevant activities and prioritise goals by positioning SME development policy against national targets (Luetkenhorst & Geiger (2004:32). Lilischkis (2011:4) believes that policy-makers show increased interest in the development of SMEs, since they are considered a key driver for national and international growth.

Specific objectives can be set regarding the SME contribution to job creation, poverty reduction, the welfare of specific group and growth to add value. The focus of new small business development projects may also improve by setting targets for SMEs relative to competitiveness. According to AngloGold Ashanti Annual Report (2007), a business's operations and activities should contribute towards the long-term sustainability and development of small businesses (Luetkenhorst & Geiger, 2004:31). AngloGold's

Masakhisane Investments Limited is such a small business development project, raising venture capital to provide funding for the creation of long-term sustainable businesses. The Small and Medium Enterprise Development Initiative (SMEDI) continues to identify people with ability and potential, and enters into a partnership with them to provide education, training and funding. The business repays the loan after a stage of sustainability is reached (usually after three years). Without a link between SMEs and specific macro-goals, policies may drift over time as one priority succeeds the other. By linking the SME policy with the national policies, countries can lead to an impact by the SME sector on (Luetkenhorst & Geiger, 2004:31):

- The quality and quantity of jobs created;
- Business and productivity development targets;
- International competitiveness;
- Local and regional development and regeneration;
- Key industry and service sectors targeted in national plans; and
- Reduction of poverty and inequalities.

The South African Government realises the importance of creating a vibrant business culture to promote SME development by implementing certain policy tools (The Banking Association of South Africa, 2013). Government policies since 1994 are illustrated in Table 2.5.

Table 2.5: An overview of South African government policies for SME development

Policy	Year implemented	Policy goal
Reconstruction and Development Programme (RDP)	1994	Advocate support for SMEs for employment creation, income distribution and growth
1995 White Paper for Small Businesses	1995	Emphasise the need for access to advice, information, finance and physical infrastructure for small

		businesses
National Small Business Act	1996	Provide guidelines for the government to promote small businesses
Khula Enterprise Finance Limited	1996	Promote SME access to finance resources
Ntsika	1996	Provide non-financial support for SMEs
Growth, Employment and Redistribution plan	1998	Promotion of SMEs for employment creation and economic development
Small Enterprise Development Agency	2004	Implement government's small business strategy and integrate government funded small enterprise support agencies across all tiers of government
Accelerated Shared Growth Initiative for South Africa	2006	Promotion of SMEs for employment creation and economic development
New Growth Path	2010	Promotion of SMEs for employment creation and economic development
National Development Plan	2012	Promotion of SMEs for employment creation and economic development
Small Enterprise Finance Agency	2012	Respond to the challenge of access to finance for start-up and expansion by small businesses

(Source: Amra *et al.*, 2013:2-3)

For the purpose of this study, government initiatives for SME development, as described in the following documents, strategies and plans are discussed:

- Budget Speech;
- 1995 White Paper for Small Businesses;
- Small Enterprise Development Agency (SEDA); and
- The National Development Plan.

In the 2014 Budget Speech, the Minister of Finance mentioned that South Africa's strong economic fundamentals and monetary policy will enable the SME sector to grow at a sustainable pace (The Star Online, 2013). The South African Budget Speech and the country's initiatives for SME development and sustainability are discussed in Section 2.4.1.

2.4.1 National Budget Speech

To promote long-term economic growth and jobs in South Africa's current economic climate, the Minister of Finance must address support plans for SME owners in the Budget Speech (Martin, 2013:1).

Gordhan (2013:3), the Minister of Finance, highlighted the importance of job creation as a central priority of the government in the South African Budget Speech of 2013. The Minister of Finance stated that the government must demonstrate that they can meet more demanding milestones annually by creating more jobs, more technological innovation, more enterprises, better housing, and progress in health and education. Gordhan (2013:6-7) further mentions that every sector has to play its role in job creation, investment in infrastructure, increase in productivity, diversification of the economy and overall economic growth. SMEs play a key role in the development of the economy and the SME sector is a significant generator of employment (Gordhan, 2013:12). For this reason, the financing of SMEs has been simplified with the establishment of the Small Enterprise Finance Agency (SEFA) during 2012. The mandate of SEFA is to foster the establishment, survival and growth of SMEs while contributing towards job creation and poverty alleviation (SEFA, 2012).

Small businesses have been an important discussion point in the Budget Speeches over years. In 2011, the Minister of Finance introduced the targeted financial and enterprise development programmes, as well as tax relief measures. Additional funds were allocated in support of industrial and economic development, and R55 million of these funds were allocated for Khula Enterprises to pilot a new approach to small business lending. The Minister suggested further tax relief for SMEs in the 2012 budget

period (Gordhan, 2012:3,15&21). Table 2.6 illustrates the tax relief for the period from 2011 to 2012.

Table 2.6: SME tax relief for 2011 - 2012

	2011	2012
Tax-free threshold minimum	R59 750	R63 556
Tax rate	10%	7%
Tax-free threshold maximum	R300 000	R350 000

(Source: SARS, 2012:6)

The South African Revenue Service (SARS) indicated that during 2012, the tax-free threshold for small businesses was increased from R59 750 to R63 556, the 2011 rate of 10% was reduced to 7% and the threshold up to which this rate applied was increased to R350 000 from R300 000 in 2011 (SARS, 2012:6). One of the main tax proposals for 2013 was a further tax relief for small businesses, including a further increase in the monetary tax threshold (Gordhan, 2013:20). Lundeen (2013) believes that tax relief and reform can lead to sustainable economic growth for business sectors.

2.4.2 White Paper on Small Businesses

The DTI (2003:7) acknowledged the fact that the small business sector in South Africa plays a significant role in the country's economic growth and development. The South African government adopted the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995) after the political transformation of 1994. The focus of the White Paper was to enable an environment for the increasing growth of small businesses. According to Amra *et al.* (2013:3), the White Paper emphasised the need for access to advice, information, finance and physical infrastructure for small businesses.

The DTI (2003:7) additionally stated that the government has introduced development programmes and a range of macro-economic- and sector-specific reforms, since the adoption of the 1995 White Paper, including The National Small Business Act of 1996, which defines SMEs and provides for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency (NTSIKA) and Khula Enterprise Finance, which has a mandate to improve the SME sector's access to finance (BANKSETA, 2012:3). The reason for these actions was to influence the capacity of small businesses to compete in both national and international markets. The roles of the government and stakeholders were set out and the aim was to improve the understanding of the small business sector, therefore the government and stakeholders were in a position to support, facilitate and regulate development in the small business sector.

The government's national small business strategy in 1995 was underlined by ten key principles, which include (DTI, 2003:19):

- A joint vision for small, medium and large businesses in South Africa;
- Attention to all the segments of the small business sector;
- Improve the competitiveness and efficiency of small businesses;
- Pay attention to the supply and demand side of small business activities;
- Place special attention on disadvantaged groups, while providing black advancement through small business development;
- Implementing support programmes and the matching of different resources;
- Sector-focused use of public funds;
- Restructure the institutional framework for small business support;
- Increase the responsibility of the DTI to ensure small business development;
- Recognise and set out the important roles that stakeholders play in small business development.

Over the past few years, nation-wide consultations have shown that the strategies contained in the 1995 White Paper need to be reviewed and adjusted in order to adapt to changing needs and to benefit from historical information (DTI, 2003:12).

An Integrated Small Business Development Strategy (2004-2014) was compiled to endorse the direction set in the White Paper of 1995, while applying the information gathered and experience gained during the past years in practice (DTI, 2005:13). According to Mpahlwa (2008:28), the small business development strategy was based on three pillars focusing on increased supply of financial and non-financial support, create demand for SME products and services and reduce regulatory constraints. A ten-year development framework was developed, and included the following objectives according to the DTI (2003:24):

- Increase the contribution by small businesses to the South African economy;
- Create an environment for small businesses that may level the playing field between other businesses, reduces disparities and is conducive to entrepreneurship;
- Create long-term, sustainable jobs in the small business sector;
- Increase the representation of previously disadvantaged individuals in the small business sector;
- Increase the national and international competitiveness of the small business sector; and
- Improve communication between the small business community and the government.

2.4.3 SEDA

SEDA was established as an agency under the DTI, providing SME development and support services through its national network. SEDA also implements programmes targeted at SME development in areas identified by the government. The Small Enterprise Development Agency focuses on aligning South Africa's national policies with strategic framework sustaining the SME development in South Africa (DTI, 2013).

To further align the government's Industrial Policy Action Plan (IPAP) and the New Growth Path, SEDA is currently focusing on developing certain programmes and support products and services for SMEs in economic sectors including, but not limited to: agriculture, manufacturing, information and communication technology (ICT) and tourism (SEDA, 2012:1). Additionally, the South African Agricultural Production Strategy strives to position the country's agricultural sector and to contribute to economic growth and development, and to also ensure national food security. In order to play a role in the development process, SMEs are supported by the following initiatives (SEDA, 2012:15-17):

- The Comprehensive Agricultural Support Programme (CASP) provides support to new farmers in South Africa;
- The Farmers Development Act improves the entry rate of smallholder farmers in order to ensure a growing and competitive agricultural sector;
- The Micro-Agricultural Financial Institutions of South Africa (MAFISA) has been launched in three South African provinces, focusing on the provision of short-term production inputs; and
- Khula offers loans for small businesses in the agricultural sector.

A key policy objective of the South African government is to strengthen the manufacturing sector and the goal is to facilitate the diversification of South Africa's manufacturing sector and to develop the capabilities in manufacturing activities. In order to play a role in the development process, SMEs are supported by the following initiatives (SEDA, 2012:17-18):

- The DTI's Manufacturing Investment Programme (MIP) focuses on enhancing the sustainability of manufacturing investment projects by small businesses;
- DTI's Small and Medium Enterprise Development Programme (SMEDP) provides cash grants to expand operations and support new investments;

- The Clothing and Textile Competitiveness Programme (CTCIP) subsidises small, medium and large business activities in the clothing and textile manufacturing industry.

The ICT sector is considered as a key sector in South Africa, since modern technology can help in increasing natural wealth and in turn ensure a growing economy. In order to play a role in the development process, SMEs are supported by the following initiatives (SEDA, 2012:18-20):

- The Department of Communication (DOC) has devised a number of strategic plans to facilitate greater involvement of SMEs in the ICT sector;
- The Support Programme for Industrial Innovation (SPII) provides more targeted support for technological development;
- The MTN- and Vodacom Foundation looks to assist communities in South Africa to connect to ICT.

The South African government realises the magnitude of the contribution of the tourism sector. The development of the tourism industry is an economic priority since it can result in creating decent jobs, sustainable livelihood and rural development. In order to further contribute to the development process, SMEs are supported by the following initiatives (SEDA, 2012:21-22):

- The DTI's Enterprise Investment Programme (EIP) supplies tourism businesses with financial support;
- The Tourism Enterprise Programme (TEP) assists tourism businesses to grow through its unique development model.

2.4.4 The National Development Plan

The National Development Plan (NDP) (2013:39-40) stated that, among others, support must be provided to small businesses in order to transform the economy and create sustainable expansion for job creation. This will, in turn, lead to an average economic growth of 5% per annum.

There is a significant tendency in South Africa that is shifting towards the service sector in becoming a major contributor to the country's GDP. The Business Report of 2012 reported that the challenge lies in the fact that a service economy requires specific skills and the current situation in South Africa is one of skills shortages and high unemployment levels. The solution could reside in the SME sector as it plays an extremely important role in furthering growth and innovation, with a contribution in terms of employment creation for semiskilled and unskilled citizens (Krugel, 2012:17).

SMEs are a critical driver for South Africa's economic growth and the NDP is ambitious in creating 11 million jobs by 2030. Krugel (2012:18) stated that SMEs should be treated as a central part of the solution for addressing the policy environment, progress in education and reducing unemployment.

The National Development Plan (2013:142-143) suggests the following proposals to support SME development:

- Public and private procurement: Implementing commitments to 30-day payments to smaller suppliers;
- Simplify the regulatory environment: Expert panel should prepare a comprehensive regulatory review for SMEs;
- Easing access to debt and equity finance: The state's role in easing access to finances for start-up and evolving SMEs should be examined;
- Establish small business support services: Support and grow franchising associations since it has been successful globally in reducing business failure rate; and
- Address the skills gaps: Provide school leavers and unemployed youth with training and skill development.

Most national governments realise the importance of sustainable business practices among SMEs, and therefore the support from the government is vital for sustainability, according to the Association of Chartered Certified Accountants (ACCA, 2012:3). Apart from the support and assistance from the government, business owners and managers

must work hard and spend enough time on planning to achieve success (Muske, 2011:1-3). Because of the size of SMEs, a simple management mistake may result in business failure since no opportunity exists to refer to past mistakes (Bowen *et al.*, 2009:16). The following section will discuss the concept of small business management, emphasising the role of the manager or owner in the different business growth stages and SME performance.

2.5 Small business management

Running a small business successfully takes a great deal of time and effort, but small business owners are responsible for managing all aspects of their businesses. Management is commonly defined as the alignment and coordination of multiple activities in a business and business owners use management skills to accomplish the goals and objectives of their businesses. Small business management requires business owners to use a mixture of education, knowledge and expertise to achieve business success (Vitez, 2013).

In order to improve the management and operational efficiency of a small business, and ultimately be more sustainable and successful, Attolini (2012:6) suggests that the following need to be addressed by management:

- Planning for the business

The essential ingredient for small business success is to know its own strategy and understand the path that the partners and employees wish to travel. Business and strategic planning processes are crucial for small business management.

- Practice models and networks

If a small business is built on a solid foundation of good decision-making, ethical and efficient processes, and a balanced team of committed leaders, it can be confident about its long-term future.

- Building and growing the business

Building and growing the business involves exploring the issues of developing a growth strategy, building a business advisory practice, coping with increased regulation and competition, pricing, marketing and developing a firm culture.

- Developing a people strategy

The degree to which a small business can provide good service and be successful is determined by the competencies and quality of employees and leadership. The ability to attract, retain, motivate, and train employees is vital for small business management and success.

- Technology and e-business

In a climate of ongoing change, increased regulation and the emergence of global reporting systems, it is even more critical for small businesses to adopt best practice in respect to emerging technologies. Effective selection, implementation and management of technologies, as well as training employees to use these tools, are fundamental to the success of any firm.

- Client relationship management

Strong and effective client relationships are the backbone of a successful small business. Increased competition demands that small businesses maintain and enhance client relationships while increased regulation places more importance than ever on knowing the clients.

2.5.1 Requirements for sustainability

According to Armstrong and Drnevich (2009:17), prior research on small businesses might have overlooked opportunities for differentiating forms of strategy among small firms and lacks exploration to the applicability and relevance of management theories to the context of small businesses. The management models of small businesses need to be developed in such a manner to pursue it theoretically and therefore affecting business survival and growth directly and positively. Since there is a shortcoming in

these requirements, an opportunity exists to refine management theory for small businesses since the current theories are understood to a lesser degree than the theories for large businesses. Armstrong and Drnevich (2009:1-2) believe that existing management theories for larger businesses are growth orientated, and suggest that the management theories for small businesses should be growth orientated as well.

Most small business creators start with a passion for success, yet these venture creators lack the desire to manage the business and may lack the necessary background and expertise (Pryor *et al.*, 2012:2). A strategic management model is suggested by Pryor *et al.* (2012:3), whereby small business owners and managers understand the elements of management and implement them in the business operations. The elements of the strategic management model are illustrated in Table 2.7 (Pryor *et al.*, 2012:3):

Table 2.7: Elements of the strategic management model

Strategic element	Definition
SWOT analysis	Analysis of internal strengths & weaknesses and external threats and opportunities
Mission	The main reason a business exists
Vision	Where a business wants to be in the future
Core values	Principles that employers and employees care about and believe in
Strategy formulation	The plan of how and when to achieve the business goals and objectives
Strategy development	The execution of strategic plans
Measurement and feedback	The monitoring and feedback element
CSF's	What a business has to do right to succeed
Distinctive competencies	Unique capabilities that give a business an advantage over its competitors

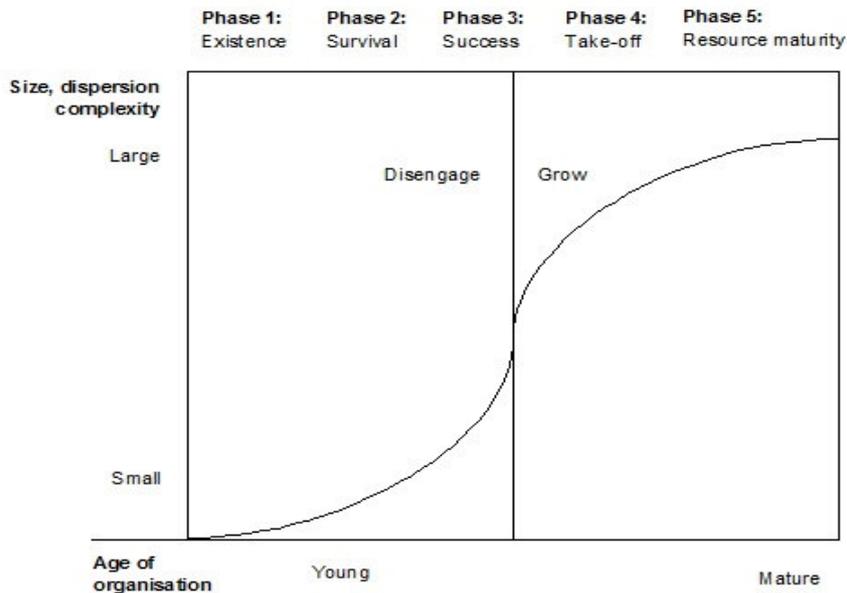
(Source: Pryor *et al.*, 2012:3).

The critical success factors (CSF's) include being able to identify and focus on the market, adopting the correct strategy, being able to develop and sustain capabilities, regionalisation, responsive organisation system, strong management team, good networking, leadership, government support, good product/service features, respectable customer and client relationship, Human Resources (HR) management practice and availability of financial and technological resources (Ghosh *et al.*, 2001:216). According to Schmitt-Degenhardt *et al.* (2002:10), most small business owners have consciously chosen to keep their company small, as the negative effects of growth outweigh the positive outcomes and once the small business had reached the size of an easily maintainable employee base, it becomes stagnant. Although growth is the core assumption of management theories, the majority of firms remains small and focuses on surviving rather than achieving the growth potential of large businesses. The following section will outline a lifecycle- and growth model for SMEs.

2.5.2 Lifecycle- and growth model for SMEs

According to Phelps *et al.*, (2007:1), most business owners refer to the business lifecycle as 'the stage of a business' or 'the next level'. Lifecycles are described as a series of stages a business passes through, starting with birth, continuing to maturity, reinvention or death (Phelps *et al.*, 2007:1). The growth path of an SME is described as a lifecycle model that is based on an SMEs size and maturity (Sha, 2012:60). Figure 2.1 illustrates the growth pattern of an SME:

Figure 2.1: Process of SME growth pattern



(Source: Sha, 2012:60)

During the first phase, obtaining customers is the key focus and formal systems are usually minimal or non-existent. The survival phase is the second phase and is characterised by employing formal systems and the owner or manager is able to delegate responsibilities to employees. The owner or manager decides to keep the business at the current operating level or explores growth opportunities; and motivation, available resources and opportunity recognition will drive this decision. During the third phase, referred to as the success phase, decisions must be made on whether to exploit the business's accomplishments and expand or keep the business stable and profitable. Key decisions have to be made during the fourth phase, where management has to determine the rate of growth and finance the desired growth, if possible and viable. During the resource maturity stage, financial gains resulting from growth have to be maintained. An SME in this stage would typically have well-established organisational systems (Sha, 2012:61-62).

Farouk and Saleh (2011:4) state that the organisational lifecycle model represents the dynamic and complicated nature of the growth process. During each stage, a business's

attributes, challenges, characteristics and practices are mapped into separate consecutive stages. According to Sha (2012:2), there is a belief that each stage is coupled with a different set of business characteristics, -needs, -managerial abilities and -challenges. The organisational lifecycle model has the ability to predict the management needs and problems of growing businesses, says Phelps *et al.* (2007:3).

Sha (2012:2) also believes that the organisational lifecycle model exists of three to five stages that most businesses will go through. It is still unclear how many stages there are in each business's lifecycle and what it is that constitutes each of these stages (Phelps *et al.*, 2007:4). Four stages may exist in the organisational lifecycle of an SME (Sha, 2012:2). These stages are determined by the length of time the SME has been operative. The stages, duration, characteristics and failure rate during each stage are suggested as follows:

Table 2.8: Organisational life cycle model

Stage	Duration	Characteristics	Failure rate
Start-up	0-3 years	Products are developed; business's first experience on the marketplace; high failure rate; and low growth rate.	About 80%
Growth	4-6 years	Rapid expansion of production, turnover and employment; and require critical business decisions that affect the future.	40-50%
Maturity	6-9 years	Initial business idea and concept will no longer guarantee an expansion; and declining growth rates.	20%
Stability	10+ years	Advancement towards a broader business concept within which each new line of products or services.	10%

(Adapted from: Sha (2012:2), Schmitt-Degenhardt *et al.* (2002:9) and Yiyun (2010)

According to Jones (2010:5), it is difficult to apply the organisational lifecycle model to all small businesses, since not all businesses must go through the same stages of development to gain success. The organisational lifecycle model must apply to the owner self, as to why they started the business and to what happened in the early stages of development and growth. Applicable to small business, each stage is characterised by the business size, diversity and complexity of the nature of the specific businesses itself. The following management factors are also crucial during each stage:

- managerial style,
- organisational structure,
- extent of formal systems,
- major strategic goals, and
- owner involvement.

For an SME to survive in any marketplace, Sha (2012:2) carries on to state that longevity and sustainability are linked to the age of the business as well as the growth potential of the business. Although SME growth research has received much attention, no definite theories can explain why some SMEs grow while others fail (Farouk & Saleh, 2011:26). However, it is demonstrated that younger and smaller businesses exhibit the highest growth rates (Phelps *et al.*, 2007:3).

2.5.3 SME performance

According to Islam *et al.* (2011:290), performance refers to a business's success in the marketplace and the ability to create acceptable outcomes and actions for that business. Since SMEs play a significant role in the economy, the performance of the SME sector is directly related to the performance of the country (Chittithaworn *et al.*, (2011:180). Ciemleja and Lace (2011:501) further realise the necessity for research in the field of SME performance evaluation, since all the issues have not been fully addressed regarding this topic. For instance, there is still uncertainty whether large business performance measurement models can be applied to the needs of SMEs.

Like other businesses, SMEs also operate in a working environment comprising the internal and external environment. The owner or manager of an SME has little control over the external environment while the internal environment is under the direct control of the management members of the SME (Sha, 2012:55). Ciemleja and Lace (2011:506) also suggest that the following internal and external environmental factors have an influence on the performance of SMEs, as illustrated in Table 2.9:

Table 2.9: Environmental factors influencing the performance of SMEs

Internal environmental factors	
Social	Quality level of client's; secure relationships with clients; and communication channels among employees.
Environmental	Ability to improve products; variety of product and services; possibilities to improve manufacturing process; ability to react to market changes; and ability to introduce innovations.
External environmental factors	
Macro-environment	Tax laws
Micro-environment	Consumer purchasing power; resource access; obtaining new information; availability of external financial resources; relations with clients; qualified and skilled labour force; and networking with business partners in the external environment.

Source: Ciemleja and Lace (2011:506)

According to Islam *et al.* (2011:291), the characteristics of the owner or manager also play a significant role in the actual performance of the relevant SME and these characteristics includes: readiness, orientation, personal traits, individual characteristics and demographic characteristics. The demographic characteristics such as the manager or owner's age, gender and individual background may have a direct influence on the business. A South African Small Business Survey by FinScope indicated that the average age of a small business owner in South Africa is 41 years and that the majority of small business owners tend to be female (58%) and 84% of small business owners in South Africa are black. The study also discovered that 43.1% of owners completed high school and only 2.3% have a university degree. The small business owners in the North West Province had the lowest likelihood of achieving a level of education higher than primary school level (Grundling & Kaseke, 2010:19-22).

Ciemleja and Lace (2011:506) believe that SME performance metrics include the following:

- rate of asset turnover,
- ability to provide revenues,
- cost structure,
- the ability to achieve productivity goals,
- liquidity,
- marginal revenues,
- productivity and,
- profitability.

2.5.4 Characteristics of sustainable SMEs

Despite the attention devoted to SME growth and performance, there is still no universal definition for a sustainable SME, as suggested by Janczak and Bares (2010:1). A sustainable SME usually refers to a high growth, -sales and -turnover business. Other factors affecting the sustainability of SMEs are the characteristics of the SME, management and expertise, products and services, customer and markets, the way of

doing business, resources and finance, strategy, external environment and business success (Chittithaworn *et al.*, 2011:189), and will be outlined in the following section:

- Characteristics of an SME

In terms of management criteria, the level of motivation greatly influences an SME in a positive way. Other SME characteristics include the business type, where businesses with a limited liability status are more likely to grow than the sole proprietorship or partnership. Businesses older than six years have more of a tendency for growth potential than younger businesses (Woldie *et al.*, 2008:6&8). There is also a positive correlation between the business stage and business success, as the growing and established businesses are more likely to indicate growth (Grundling & Kaseke, 2010:17).

- Management and expertise

SME owners or managers with more experience (managerial-, sector- or previous SME experience) tend to have more growth potential than SMEs with a lack of the aforementioned. There are even studies showing a negative relationship between being unemployed *before* starting a business and business growth (Grundling & Kaseke, 2010:7).

- Products and services

In many businesses' mission statements, a statement is included stipulating that the business will contribute to the costumers' satisfaction through the use of its products and/or services and customer services are an important concept that needs to be integrated in all types of businesses' operations (Bickle, 2012).

- Customer and market

According to The Times 100 (2013), businesses such as Nestle and Cadbury place great emphasis on building relationships with customers through extensive market research. Well-focused sales methods and attention to individual detail are likely to encourage customers to become more loyal towards a business.

- The way of doing business

O'Higgins (2012:4) believes that a business' value of honesty and integrity is the foundation of the business reputation and the frontrunner in the way of doing business. Personal integrity and organisational integrity should be combined to align with the business values and commitments. The Times 100 (2013) also states that trust within a business is a critical factor in the ultimate success of the business.

- Resources and finance

Grundling and Kaseke (2010:28) found that 46.1% of small business owners kept financial records. The most common financials these owners keep record of are the total sales, stock and cost of sales. De Lalaingstraat (2013) mentioned that access to finance is considered as one of the most important problems for SMEs around the world. Actual access to finance was identified as an obstacle for growth by Grundling and Kaseke (2010:31), and the ultimate source of finance was gained through spouse/partner salary, government pension, income from another job, and family contributions.

- Strategy

According to Kraus *et al.* (2007:2), several studies reveal a link between strategic planning and business success. SMEs often neglect to apply successful strategic planning because of a lower level of resources, limited access to human, financial and customer capital, and a lack well-developed administration.

- External environment and business success

Smaller businesses usually attract staff and customers by offering a workplace culture that is more participatory and values relationships with family members and other important external role-players. A broader vision of success requires new business tools, practices and relationships (IISD, 2013). SMEs tend to be more sustainable when they cooperate with other businesses in order to reduce production cost, share technologies and form networking opportunities. SMEs cooperate with other businesses

in order to reduce production cost, share technologies and form networking opportunities (Shinozaki, 2012:11). According to Bullock *et al.* (2004:6), the following characteristics of high growth SMEs could include the following:

- Smaller SMEs grow faster than larger SMEs do;
- Younger SMEs grow faster than older SMEs do;
- Owner-managed firms grow faster; and
- Driver of innovation and training.

Lilischkis (2011:4) defines a growing SME as a business with an average annual growth in employees or alternatively in turnover. A survey was conducted by Accenture Sustainability Services covering Brazil, China, France, Germany, India, Japan, the United Kingdom and the United States. The survey explored the relationship between sustainable business and high business growth with 250 managers or owners, who had final decision-making power or significant input into the business decisions, taking part in the survey. It demonstrated that 78% of respondents agreed that sustainability is vital for the growth potential of their businesses (Accenture: 2012:2).

Shinozaki (2012:11) states that an SME is considered as a high growth business when it relies on own capital, a niche market is created and a shift has been made from domestic to different international markets and these SMEs cooperate with other businesses in order to reduce production cost, share technologies and form networking opportunities between businesses.

2.6 Reasons for SME failure

According to Mboniyane (2006:7), many new businesses are started every year, but also that an increased number of businesses are failing annually. Business owners experience a high mortality rate for start-up businesses. The failure rate of SMEs is generally referred to as “nine out of ten firms fail in the first year of operation” and “80% of new start-ups fail during the first 3 years”, according to Gore and Fal (2011:23). Other statistics of small business failures reported that three out of five fail within the first few months (Bowen *et al.*, 2009:16), approximately 40 to 50% of small firms established

cease trading within three to four years (Urwin *et al.*, 2008:29), and approximately 70 to 80% new small businesses fail in the first year (Bradley & Cowdery, 2002:206). According to Mboniyane (2006:1), the South African small business failure rate is extremely high, ranging from 50 to 80% of started businesses that will eventually fail within the first five years. The failure rate increases as the size of the business decreases, resulting in an unacceptably high failure rate for smaller businesses (Watson & Everett, 2004:1).

Since the South African failing rate for SMEs is extremely high, an international survey was conducted to discover the reasons why many South African SMEs do not reach optimal growth potential, or eventually fail. The Global Entrepreneurship Monitor (GEM) Report (2011:38) proposes Entrepreneurial Framework Conditions (EFCs) as the necessary oxygen of resources, incentives, markets and supporting institutions to the growth of new firms. Information on the EFCs is gathered by the National Expert Survey (NES), conducted in 38 participating GEM countries. The NES provides insights into the ways in which these EFCs foster or constrain the South African entrepreneurial climate, activity and development for SMEs (GEM Report, 2011:41). Furthermore, it was also discovered that most experts agree that the South African market dynamics discourage people from starting a small business and obstruct the growth potential of existing small enterprises. The dominance of the South African large businesses is considered as a key issue to this obstruction, and makes it nearly impossible for small businesses to compete with regard to availability of products and services, quality and above all, price. The importance of supplier development is emphasised as it has the ability to contribute towards the sustainability and growth of small businesses (GEM Report, 2011:43). The respondents of this survey were asked to identify and comment on the most important constraining factors for entrepreneurial activity in South Africa. The results are summarised in Table 2.10.

Table 2.10: Key factors constraining entrepreneurship in South Africa

Constraining factor	% respondents citing this factor
Financial support	49.1%
Government policies	46.6%
Government programmes	14.5
Education and training	27.1
Research & development transfer	5.6
Commercial and professional infrastructure	8.1
Market openness	10.0
Access to physical infrastructure	7.2
Cultural and social norms	27.4
Capacity for entrepreneurship	11.5
Economic climate	13.3
Workforce features	10.5
Perceived population composition	1.6
Political, institutional and social context	28.7

(Source: GEM Report, 2011:43)

Financial support and government policies are considered as the top constraining factors for entrepreneurship in South Africa, while perceived population composition and research and development transfer do not have a significant constraining influence. The GEM Report (2011:44) considers inefficient government bureaucracy as the most problematic factor for doing business in South Africa, while government taxes and regulations are the major limiting factors identified by SME owners/managers.

Small businesses are considered as important creators of new jobs, but due to the failure among these businesses it may also mean that many of these jobs are lost and rather creates informal sector growth. The government's role is important in helping to establish why many small businesses cease trading at an early point and should develop strategies to reduce these high failure rates.

The support from the government must be targeted at supporting small businesses in acquiring the necessary skills that will lead to sustained employment opportunities (Urwin *et al.*, 2008:3-4). There are five general types of failures for SMEs, which include (Ropega, 2011:477-478):

- A rapid growth business leads management to become overoptimistic ;
- An uninterested established business, existing more or less successfully;
- An ambitious growth business with a high propensity of risk due to an overestimation of the product demand, despite the inexperience and capabilities of management; and
- Excessive internal consumption where the owner uses business resources for personal wealth;
- An unsuccessful start-up where businesses fail due to management errors.

There has been considerable research into the reasons for the high failure rate of SMEs, indicating that bad budgeting, -stock control, -personnel relations, -customer relations and a lack of staff training are the primary reasons for failure (Mbonyane, 2006:7-9). Seeletse (2012:11001) believes that common causes of SME failure include an increase in crime, a lack of effort to satisfy the needs of clients, failure to add value and empower employees, shortfall of competence in inventory control, inappropriate uses of technology, limited finances or credit, lack of appropriate training for owners and employees, poor customer relations, underdeveloped infrastructure, poor financial- and cashflow management and a lack of attentiveness in business. Bowen *et al.* (2009:17) consider poor education and a lack of infrastructure as the main reasons for SME failure. According to Petrus (2009:24-31), the factors contributing to SME failure are poor business planning, poor financial planning, poor marketing, poor management, limited access to finance, regulation, gender, inadequate financing, teamwork, globalisation, inability to manage growth, access to markets and access to information.

SME failure is not always due to internal problems, but can be the result of external factors such as changes in the behaviour of customers, suppliers and other businesses (Ropega, 2011:476) as these factors are derived from the environment and include the general environment and the nearby environment. The general (macro-) environment factors include government decisions, the national and international economic conditions and the effects of the global financial crises. The extended duration of the procedures to obtain public funding, insufficient financial support, lack of qualified staff and bad directions of public assistance are considered as failure reasons derived from the general environment. An enterprise constantly interacts with clients, suppliers, competitors and shareholders and these interactions with the closest environment of a business determine its development in a positive or negative way (Ropega, 2011:479-481).

2.7 Small business sustainability issues

YU *et al.* (2007:21-22) are concerned about the inadequate attention research has given to SME sustainability. The low engagement in sustainability might be because SMEs have little time and resources available in order to implement actions such as sustainability strategies. The SIGMA Project (2006:2-7) lists the most common sustainable issues for SMEs. A brief explanation of these issues is summarised in Table 2.11.

Table 2.11: Sustainability issues for SMEs

Sustainability issue	Explanation
Crime	Unlawful acts or the threat of them, negatively affect a business.
Deduction of wages	Punishments in the form of wage should not be permitted in sustainably managed businesses.
Diversity and opportunity	Equal opportunities for all the employees in a business are crucial, without unfair restrictions or barriers.
Education and training	An educated workforce is a vital part of a successful business. The provision of training for employees improves their capabilities to benefit the individual, the business and society.
Ethics in communication	Ensuring that advertising, public relations, marketing and other forms of communication reflect sustainability ethics and values.
Fair competition	Competition should boost quality and fair pricing.
Health and safety	Prevent employees from harm and illness at work.
Intellectual rights	The business will recognise employees' intellectual rights and protect these rights to contribute towards the business.
Living wage	Businesses must ensure that employee remuneration meets legal or industry standards.
Reputation	The perception of key stakeholders can be crucial to the success of a product or business strategy.
Resource use	Carefully managed use of resources to provide for the business's needs and wants.
Supply chain issues	Businesses must work with partners involved in the supply chain to ensure that they meet the business's own standards.
Tax laws and regulation	Businesses must understand the importance of their contribution to public finances and make timely tax

	payments.
Work-life balance	Sustainable businesses are open to adjusting working patterns and providing flexibility in employment practices.

Source: The SIGMA Project (2006:2-7)

There are definitely numerous advantages in owning a small business, but the challenge for SME owners and managers is to maintain the employees' ongoing interest in sustainability practices and issues (Remmen *et al.*, 2012:12). Effective communication on a regular basis is essential for reaching the business objectives and integrating sustainable practices into the business environment. Employees must understand how sustainability fits into the business's operations and how to maintain the employees' commitment towards sustainability is the challenge for owners and managers. The sustainability initiatives must be a logical extension of the mission of the business (Remmen *et al.*, 2012:11).

The highest priority for SME managers is to upgrade the business's marketing, technology and management to meet with the strict competition (Ruffe *et al.*, 2003:3). Sustainability includes social, financial and environmental concerns into daily business decisions. A sustainable SME is characterised by (Remmen *et al.*, 2012:4):

- Long-term financial value;
- Reduce negative impacts on the environment, resulting from the business actions; and
- A positive social change, caring for employees, the community and customers.

Sustainable management is crucial for SME success as Bradley and Cowdery (2002:207) reported that 90% of SME failures are because of poor management. An SME manager must realise the amount of effort required for sustainable management, and should manage the business accordingly (Bradley & Cowdery, 2002:211). SME managers usually focus on human resources, inventory, strategic planning and other business operations. Financial decisions must also be managed, which include working

capital, trade credits, taxes, accounting, payroll, regulations and economic trends and market research, awareness of competitors, customer feedback, selection of location and changes in consumer trends are a few of the crucial marketing activities to be managed for sustainable SME growth. Seeletse (2012:10996) adds that customers and an understanding of their buying habits are compulsory for SME managers, and market research is also beneficial to SMEs sustainability. For successful SME management, it is crucial that the manager is motivated and has the required skills and abilities to lead the business successfully and sustainably (Ropega, 2011:479).

SMEs working to become more sustainable will seek to ensure that relevant sustainability issues and stakeholder concerns are understood and acted upon (The SIGMA Project, 2006:2), a skilled and experienced management team exists (Grundling & Kaseke, 2010:7) and position the SME development policy against national targets (Luetkenhorst & Geiger (2004:32).

2.8 Summary

Several factors contribute to the success of a business, and an understanding of what these factors are and how they work together can help a business succeed (Anderson, 2013:1). The sustainability of SMEs has gained vast academic interest, but there is no single model containing the factors contributing to sustainability. The focus of this chapter was the sustainability of SMEs.

The chapter also reviewed literature of the global SME sector, focusing on the background and definition, the importance of SMEs for the economy and the relationship between government's policies and SME development. The chapter further included a review on the management theories of small businesses, paying attention to the organisational lifecycle and growth pattern of SMEs. Attention was also paid to the reasons why SMEs fail, and sustainable management and -practices were suggested to attain business success. The next chapter will discuss the research methodology, results and statistical analysis of the research data collected.

CHAPTER 3

EMPIRICAL INVESTIGATION

3.1 Introduction

This chapter presents the research methodology and the empirical investigation of the study performed in the SME sector in Potchefstroom. The chapter also reports on the findings of the literature research, where a number of factors influencing the sustainability of SMEs have been identified and reported. More specifically, this chapter reports on the following aspects:

- Research methodology;
- results; and
- correlations between questions.

The aim of this chapter is to present the results of the empirical investigation regarding the following:

- The factors that have an influence on the sustainability of SMEs in Potchefstroom.

3.2 Research methodology

The research consists of two major parts that can be divided into an extensive literature study and an empirical investigation that investigates the factors that influence the sustainability of SMEs.

3.2.1 Literature study

The empirical investigation is based on the literature review of Chapter 2. Factors affecting the sustainability of SMEs have been identified and discussed, and the effect of these factors is interpreted in Chapter 3.

3.2.2 Empirical

The data was analysed by means of descriptive statistics. In addition, the following statistical techniques were employed in the study:

- Frequency tables;
- Cross-tabulations;
- Symmetric measures (Cramer's V-value)
- T-test; and
- Independent sample test.

The data was analysed using the statistical program, *Statistical Package for Social Sciences (V21)* and the Statistical Consultation Services of the North-West University in Potchefstroom processed the data gathered from the completed questionnaires.

3.2.2.1 Measuring instrument

The data was collected by using a questionnaire based on the literature, as discussed in Chapter 2, and was distributed via email, hard copy and available on Survey Monkey. The questionnaire was accompanied by a cover letter that explained the purpose of the study and included instructions on how the questionnaire should be completed. A pilot study was conducted in the form of a pilot version questionnaire to formulate a workable document. The preparatory study consisted of 10 questionnaires that were distributed to senior managers of various small businesses in the Potchefstroom area in South Africa.

The population consists of owners or managers of SMEs in Potchefstroom. From this population, a randomly selected sample of 450 individuals was selected, and a total number of 135 responded (response percentage of 30%). The sample includes participants from shopping malls, industrial- and CBD areas in Potchefstroom.

Despite the fact that the questionnaire was available on Survey Monkey for three months, only 45 respondents completed the questionnaire. There was a misunderstanding about the completion of the questionnaire as respondents completing the hard copy answered certain questions differently than respondents completing the

online questionnaire on Survey Monkey. The data could be combined and the Cramer's V- and T-tests were considered as appropriate measures for this study.

3.3 Research findings

The results of sections A and B are discussed in the research findings section. The questionnaire's section A consists of the biographic profile and section B examined the sustainability factors. Section C covered open questions to extract some additional factors that are important to respondents that were not included in the questionnaire.

3.3.1 Section A: Biographic profile

The demographic profile of the respondents is shown in Table 3.1.

Table 3.1: Demographic profile of respondents

AGE GROUP	FREQUENCY
18-30	26.7%
31-40	29.6%
41-50	20.7%
51-60	14.8%
61+	7.4%
GENDER	
Male	57.0%
Female	43.0%
ETHNICITY	
Black	9.6%
White	80.0%
Coloured	6.7%
Asian	2.2%

EDUCATION	
Matric	25.9%
Diploma	20.7%
Degree	20.7%
Honours	12.6
Master's	8.1%
MBA	7.4%
Professional (Medical, Law, Financial)	3.0%
Work experience	
0-5	16.3%
6-10	21.5%
11-15	20.0%
16-20	11.1%
21-25	11.9%
25+	18.5%

Source: own compilation

n=135

Table 3.1 shows that the majority of the respondents are in the age groups 31 to 40 years (29.6%), 18 to 30 years (26.7%) and 41 to 50 years (20.7%). The male and female respondents were almost equal, but with slightly more male respondents. The majority of the respondents were white. Almost three quarters of the respondents have a formal tertiary qualification and 25.9% only completed their education at a school graduation level. Work experience ranged from six to 10 years among most of the respondents (21.5%), followed by 11 to 15 years (20.0%).

The questionnaire contained nine questions where respondents were allowed to rank certain aspects according to importance on a scale from 1 (unimportant) to 10 (very important). Table 3.2 summarises the results of the importance of characteristics in terms of sustainability among the managers or owners.

Table 3.2: Business sustainability characteristic rating

Characteristic rating	Frequency
Communication skills	25.9%
Competitive aggressiveness	23%
Innovativeness	17.8%
Risk taking	15.8%
Pro-activeness	13.4%
Support network	5.9%
Self-efficacy	4.5%
Motivation	3%
Need for achievement	2.7%

Source: own compilation

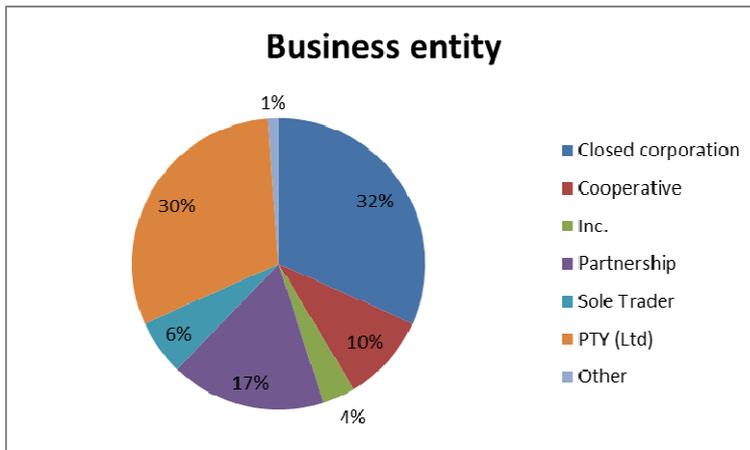
The characteristic rating question indicated that communication skills are regarded as the most important characteristic, while the need for achievement is considered as the least important characteristic by the respondents. These are the personal characteristics that the business person regards as his/her own.

3.3.2 Section B: Sustainability factors

The focus of section B was to reveal which sustainability factors have an influence on SMEs in the Potchefstroom area. The following figures on pages 51 to 64 graphically illustrate the results from the business sustainability factors section.

From Figure 3.1, which indicates the business entity, it is clear that 32% of SMEs in Potchefstroom are closed corporations and 30% are PTY (Ltd). The smallest number of the business entities are incorporated businesses (4%).

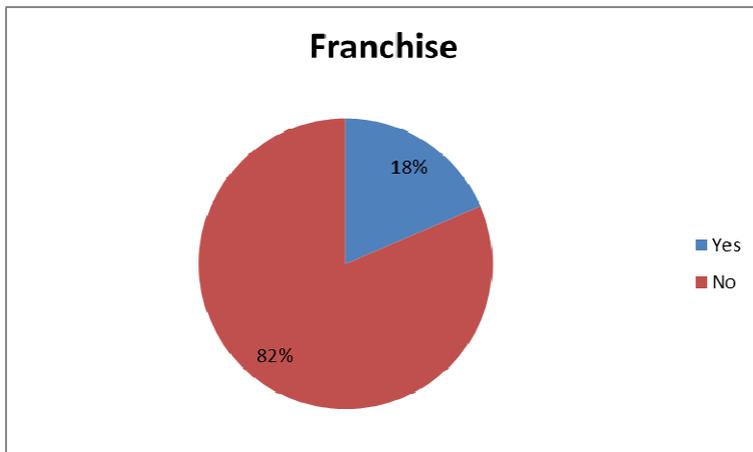
Figure 3.1: Business entity



Source: own compilation

Figure 3.2 indicates that the majority (82%) of the respondents' SMEs are not franchises. This is contradictory to the popular notion that franchise businesses are the way forward. Although the franchise business model allows the owner to rely on the existing systems and procedures of the corporate entity, this could lead to less business initiative being implemented, whereas a non-franchise business allows the owner/manager more freedom for expression of own business ideas and incorporation of creative systems.

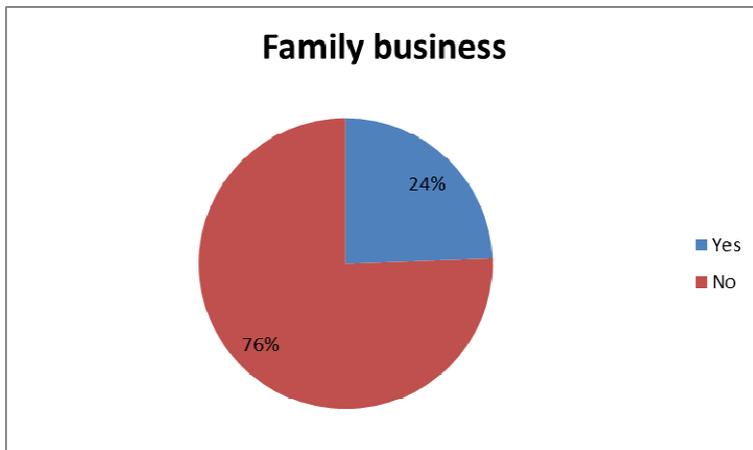
Figure 3.2: Franchise



Source: own compilation

In Figure 3.3 above, the majority of respondents (76%) are not operating as a family business.

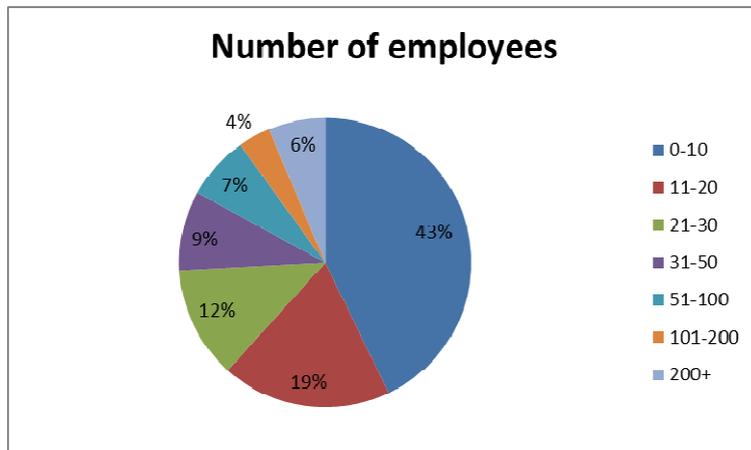
Figure 3.3: Family business



Source: own compilation

The number of employees in 43% of the SMEs in Potchefstroom is restricted to 0 to 10 employees and this phenomenon creates the opportunity to create more jobs in the Potchefstroom area if the correct training- and development programmes are to be implemented among businesses.

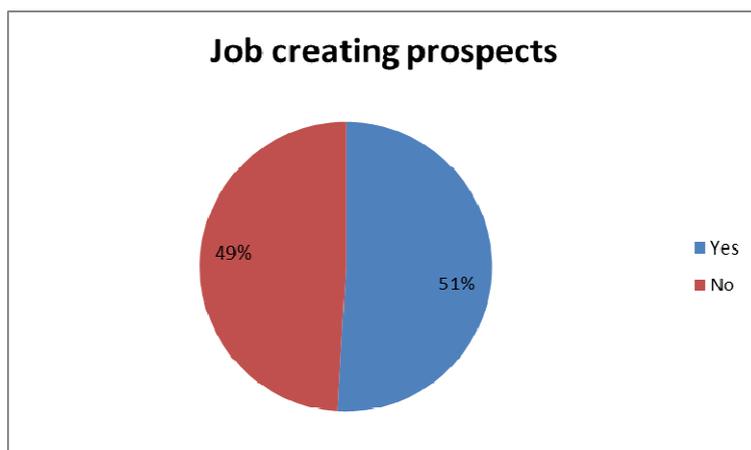
Figure 3.4: Number of employees



Source: own compilation

More than half (51%) of respondents indicated they have job creating prospects. If respondents indicated that they have job creating prospects, the next question that needs to be asked is how many jobs they are willing to create. This question was completed by 56 respondents and the results showed that 46 respondents want to create 0 to 10 jobs, six respondents want to create 11 to 20 jobs and four respondents have the prospect of creating more than 20 jobs.

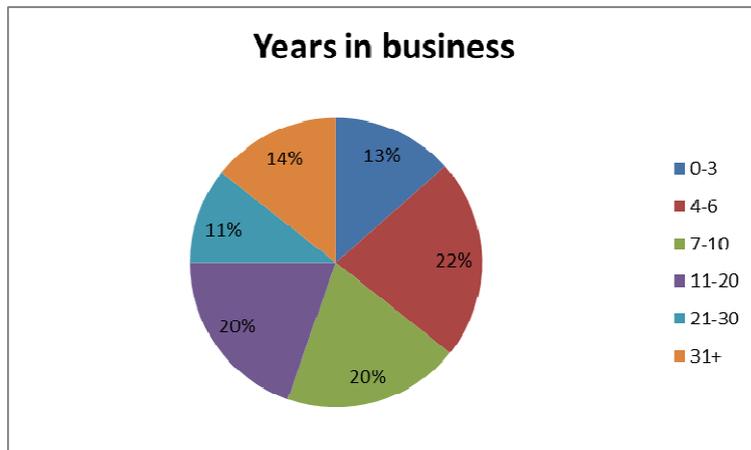
Figure 3.5: Job creating prospects



Source: own compilation

Most of the SMEs in Potchefstroom have been in business for four to six years.

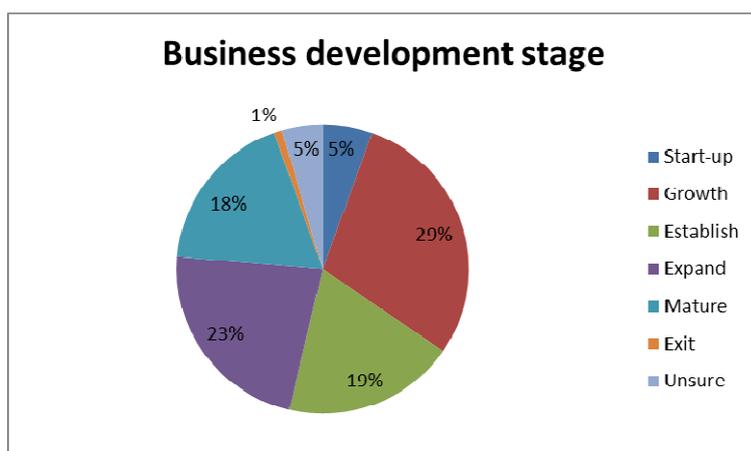
Figure 3.6: Years in business



Source: own compilation

Figure 3.7 complements the results of Figure 3.6 whereas the majority of SMEs are in the growth stage of business development, usually in the fourth year of business existence. This could be indicative of the fact that only established businesses in Potchefstroom are expanding (23%) and that the market is reluctant to the risk of opening new ventures, as only 5% are in the start-up phase. The recent economic climate and volatility could be the reason for the low rate of new businesses that find themselves in the early phase.

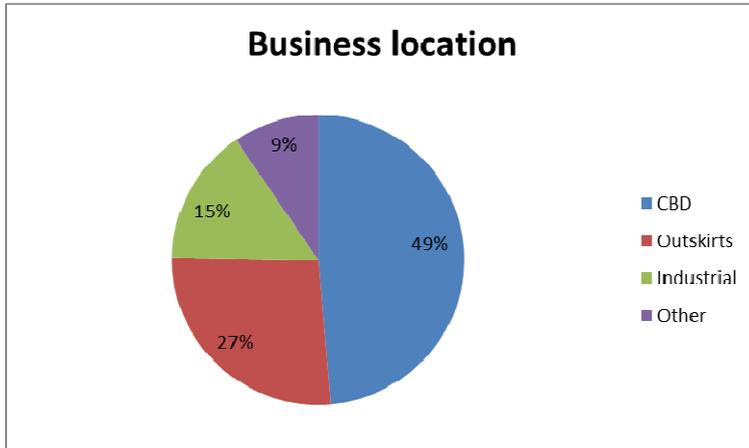
Figure 3.7: Business development stage



Source: own compilation

Most SMEs are situated in the CBD and the least amount in the industrial areas.

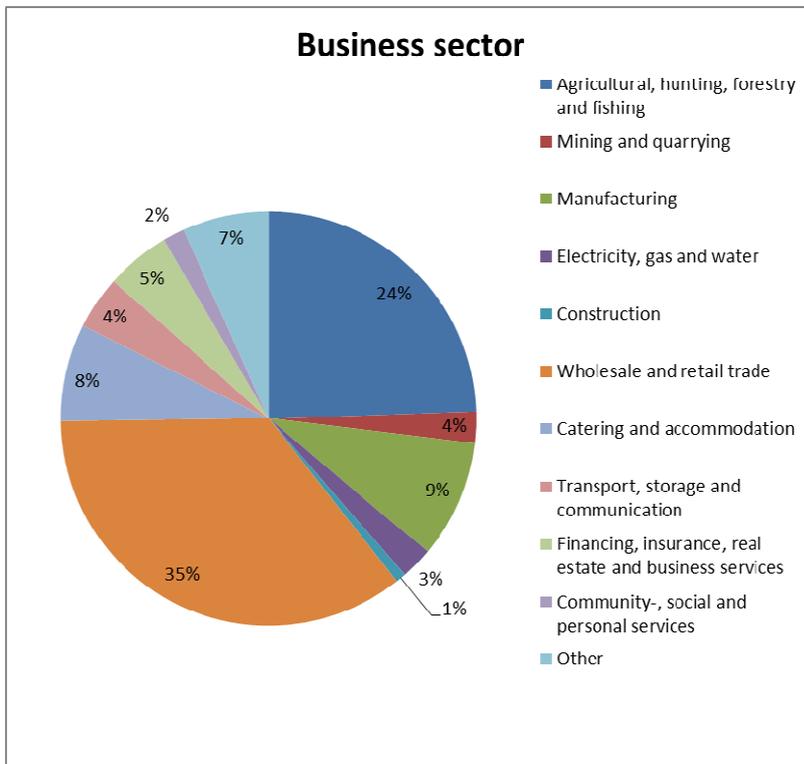
Figure 3.8: Business location



Source: own compilation

In the next question. the type of business sector, 35% of respondents operate in the wholesale and retail business sector, followed by the agricultural, hunting, forestry and fishing sector (24%) and the manufacturing sector (9%). The construction sector (1%), community-, social and personal services sector (2%) and electricity, gas and water sector (3%) are the least represented in this study.

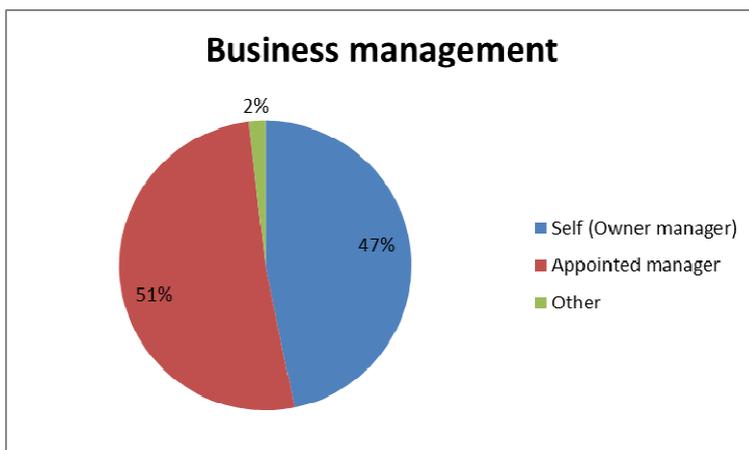
Figure 3.9: Business sector



Source: own compilation

An appointed manager is the business management option implemented by 51% of the SMEs in Potchefstroom and 47% of owners opt to manage their own businesses.

Figure 3.10: Business management



Source: own compilation

Tables 3.3, 3.4, 3.5 and 3.6 summarise the results of the importance of management criteria, product and service features, customers and markets, and the way of doing business.

Table 3.3: Management criteria rating

Management criteria	Frequency
Experience	63.2%
Innovation/creativity	29.2%
Established relationships	23.6%
Knowing competition	10.5%
Defining and sharing knowledge, vision and goals	8.5%
Knowing the business drivers	7.5%

Source: own compilation

The management criteria rating question indicated that business experience is regarded as the most important criterion, while knowing the business drivers is considered as the least important criterion by the respondents. Rather concerning is the fact that innovation/creativity and established relationships scored below 30% and these are regarded as very important criteria of doing business and the establishment of this culture should be a focal point when addressing sustainability issues among the SMEs in the Potchefstroom area. These findings correlate with results previously shown in Table 3.1, where 30.4% of respondents have more than 20 years' work experience and are indicative of the fact that experience rated higher among respondents.

Table 3.4: Product and service feature rating

Product and service feature	Frequency
Service delivery	56.1%
Product quality	31.1%
After sales service	26.4%
Design	13.1%
Packaging	15%
Pricing	8.4%

Source: own compilation

The product and service feature rating question indicated that service delivery is regarded as the most important feature, while pricing is the least important feature according to the respondents.

Table 3.5: Customers and markets rating

Customers and markets	Frequency
Relationship building	55.7%
Making use of customer feedback	28.3%
Constant re-defining of market	21%
Market research	12.4%
Previous experience in the industry	8.6%
Cares about customer satisfaction	2.9%

Source: own compilation

The customers and markets rating question indicated that relationship building is the most important aspect and the caring about customer satisfaction is of least importance.

Table 3.6: The moral way of doing business rating

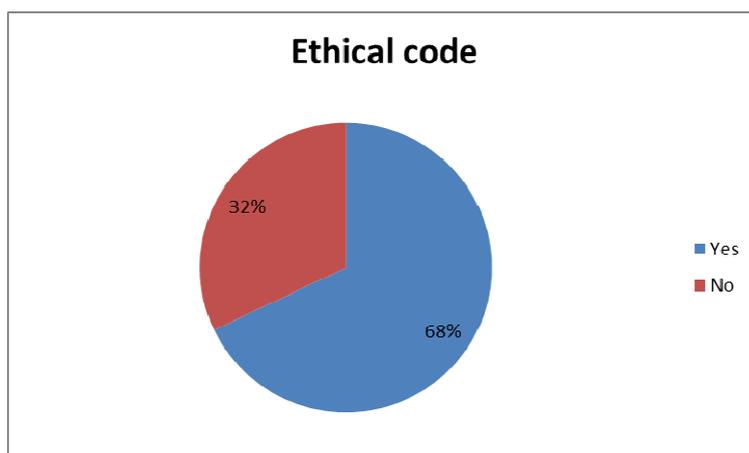
The way of doing business	Frequency
Honesty	62.6%
Open for change	23.1%
Trust	15%
Client orientation	6.5%
Integrity	1.9%
Ethics	12.1%

Source: own compilation

The moral way of doing business rating results indicated that honesty is important, while ethics is the least important criterion for doing business, which is an interesting result as honesty and ethics should go hand-in-hand.

Figure 3.11 graphically illustrates which SMEs have an ethical code and which do not currently have a formal ethical code. An ethical code is available at 68% of the respondents' SMEs and points to a notion of a healthy business environment in the Potchefstroom area.

Figure 3.11: Ethical code



Source: own compilation

Table 3.7: Resource and finance availability rating

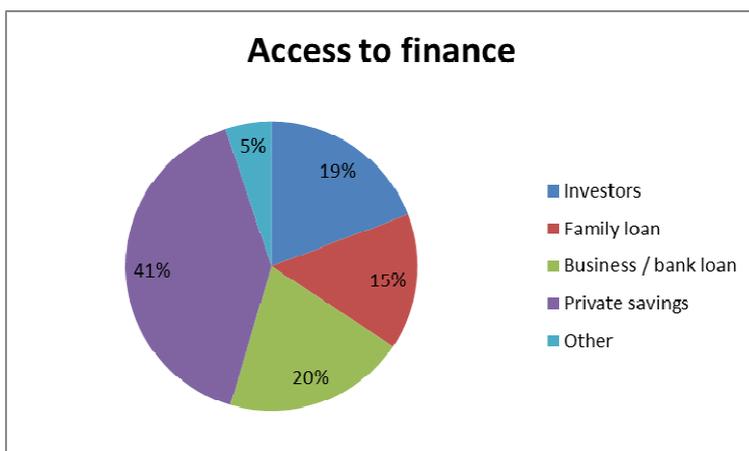
Resource and finance availability	Frequency
Good financial skills/knowledge	45.8%
Availability of capital for business expansion	37.7%
Availability of working capital	25.5%
Availability of capital for long-term investments	9.4%
Access to finance	9.4%
Use financial targets to assist in assessing business performance	8.5%

Source: own compilation

The resource and finance availability rating results indicated that good financial skills/knowledge is the most important, and the use of financial targets to assist in assessing business performance is considered as the least important by the respondents.

Figure 3.12 below represents the sources of finance that respondents have access to. Private savings are considered as the most suitable resource for access to finance.

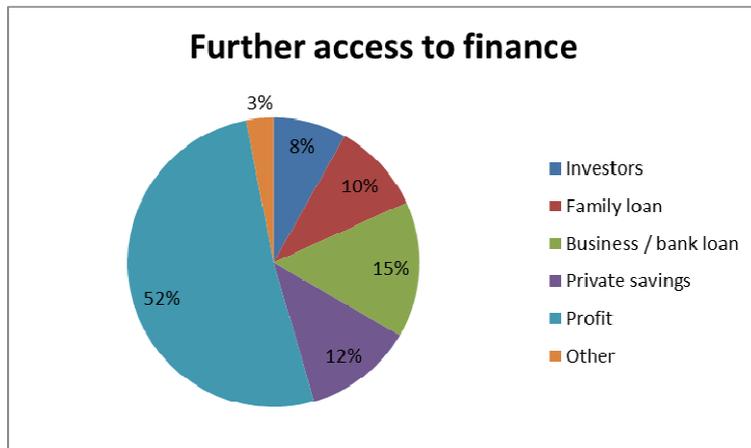
Figure 3.12: Access to finance



Source: own compilation

Profit from the business is used for further access to funding by 52% of the respondents. These funding sources are applied to stimulate cashflow.

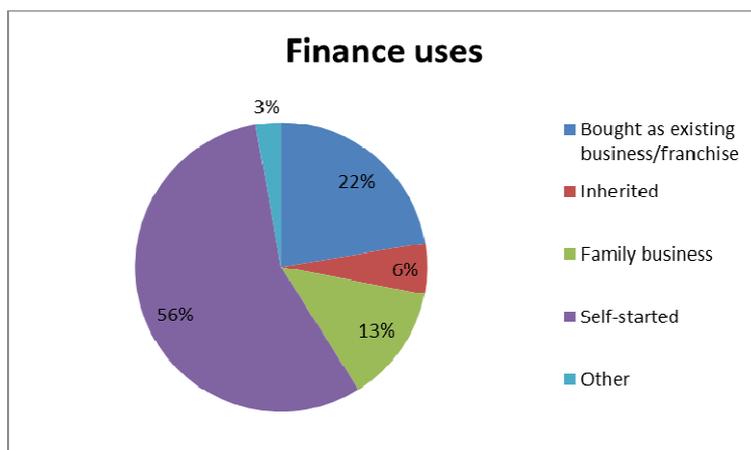
Figure 3.13: Further access to finance



Source: own compilation

Initial finance was used to start an SME from scratch, since 56% respondents' finance was used for self-started businesses.

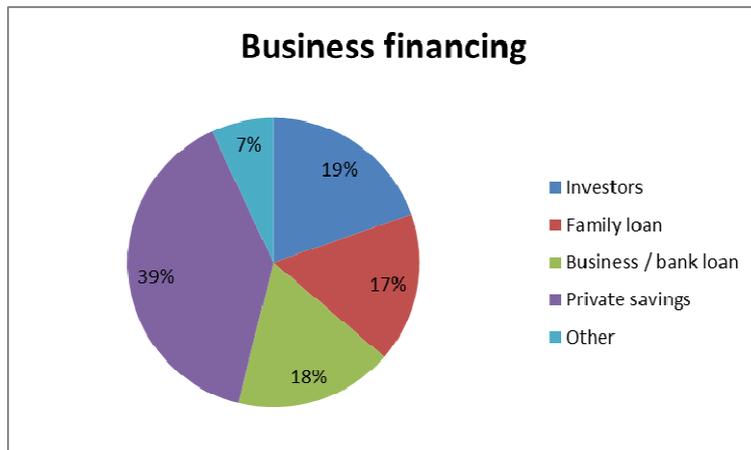
Figure 3.14: Finance uses



Source: own compilation

The majority (39%) of respondents specified that private savings are used for business financing, indicating that private savings were initially applied to start the business.

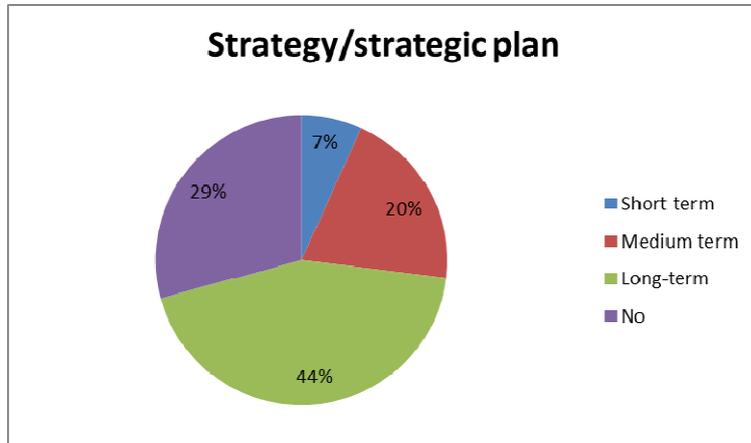
Figure 3.15: Business financing



Source: own compilation

A long-term strategy is implemented by the majority of respondents, with 29% indicating that they do not have a strategy or strategic plan.

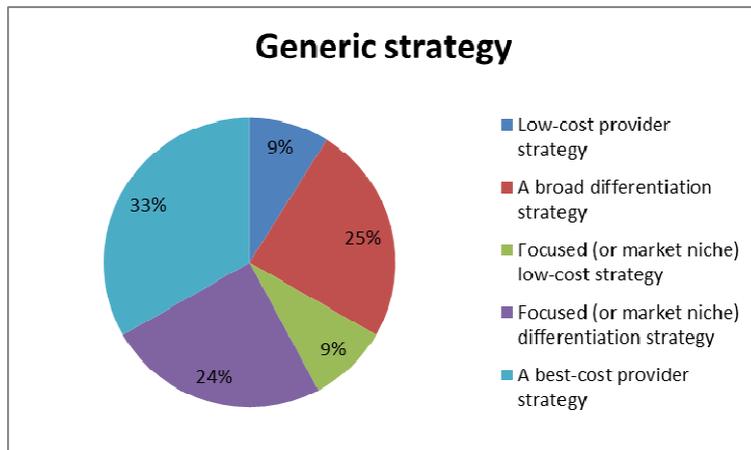
Figure 3.16: Strategy/strategic plan



Source: own compilation

In the question about which generic strategy they follow, 33% of respondents, with a broad differentiation strategy implemented by 25%, a focused differentiation strategy by 24%, and a low-cost provider and focused low-cost provider strategy respectively implemented by 9% of the respondents.

Figure 3.17: Generic strategy



Source: own compilation

Question 31 in the questionnaire (see Appendix 1) gave respondents the opportunity to choose more than one factor that is important to business sustainability. Table 3.8 illustrates the factors and the total responses for each of the factors and the percentage of respondents that consider the factor as important.

Table 3.8: Factors important to business sustainability

Factor	Total responses	Percentage
Financial support	62	45.9%
Government policies	21	15.6%
Government programmes	12	8.9%
Education and training	48	35.6%
Research & development transfer	26	19.3%
Commercial and professional infrastructure	32	23.7%
Market openness	61	45.2%
Access to physical infrastructure	22	16.3%
Cultural and social norms	24	17.8%
Capacity for entrepreneurship	31	23%
Economic climate	58	43%
Workforce features	24	17.8%

Perceived population composition	6	4.4%
Political, institutional and social context	16	11.9%

Source: own compilation

The most important factors for business sustainability are market openness (45.2%), financial support (45.9%), economic climate (43%), and education and training (35.6%). Perceived population composition (4.4%), political, institutional and social context (11.9%), and government programmes (8.9%) are not important for business sustainability, according to the respondents.

Respondents' knowledge regarding the financials of their businesses was questioned and tested by means of question 39 of the questionnaire. Table 3.9 illustrates the total responses that indicated that the respondents know the value of the specific financial factors and the percentage of respondents that responded positively regarding the knowledge of the financials. The purpose of the question was to determine the financial literacy of business people.

Table 3.9: Business financial knowledge

Factor	Total responses	Percentage
Gross profit	94	69.6%
Gross profit %	84	62.2%
Net profit	81	60%
Net profit %	75	55.6%
ROI (Return on investment)	45	33.3%
Future value	46	34.1%
Current ratio	50	37%
Average of payables (in days)	59	43.7%
Average of receivables (in days)	59	43.7%
EBIT (Equity Before Interest and Tax)	44	32.6%

Source: own compilation

The majority of respondents know what the business's gross profit, gross profit percentage, net profit and net profit percentage are. Only a few respondents know their business's EBIT, ROI, future value and current ratio. To attain or strive for a comprehensive business sustainability platform, the above-mentioned business financial knowledge is of utmost importance for success. This knowledge, or the lack thereof, must be addressed when implementing the business strategy

Tables 3.10, 3.11, 3.5 and 3.12 summarise the results of the strategy implementation, technology used and external environment ratings.

Table 3.10: Strategy implementation rating

Strategy implementation	Frequency
Established clear goals	50%
Good record system to track performance	31.8%
Formal business and marketing plan	17.1%
Strategic fit	12.7%
Strategic positioning	10.9%
Understanding how business strategy links to financial outcomes	9%

Source: own compilation

The strategy implementation rating results in Table 3.10 indicated that established, clear goals are the most important, and the understanding of how business strategy links to financial outcomes is considered as the least important by the respondents.

Table 1.11: Technology used rating

Technology used	Frequency
Availability of website	45.6%
Website links to other sites	21.1%
Development and maintenance of website	20.2%
Online newsletter	13.2%
Social media portfolios (Twitter, Facebook and LinkedIn)	5.3%

Source: own compilation

The technology used rating indicated that availability of a website is important, while social media portfolios are not important for SME respondents in Potchefstroom.

Table 3.12: External environment rating

External environment	Frequency
Networking	51.4%
Informal and formal links or alliances with other firms	25.7%
Use of government assistance	35.9%
Use of consultants / advisors	24.8%
Use of accountants	20%
Informal support from family or friends	18.3%

Source: own compilation

The external environment rating shows that networking is most important Informal support from family or friends is not that important for respondents.

3.3.3 Section C: Open questions

Respondents were given an opportunity to provide factors which will assure business sustainability and which will threaten business sustainability. Suggestions on how to make a business operate in a more green way were also provided by respondents.

The most important factors which will assure business sustainability, as answered by the respondents, include:

- Economic growth;
- relationships;
- finance access;
- knowledge;
- more effective management to better our productivity;
- economic climate and –stability;
- skills and competencies;
- value adding services and solutions at competitive prices;
- motivation and work capacity of the owner;
- quality and trained agents;
- add BEE partners to the business;
- low interest rates;
- stable rate of exchange;
- stable work force;
- quality of service and product delivered in conjunction with personal relationships;
- constant refinement of the goal;
- long term sustainable relationships with customers;
- team;
- location;
- education;
- innovativeness; and
- customer retention.

The most important factors which will threaten business sustainability, as answered by the respondents, include:

- economic downturn;
- competitors product prices;
- not delivering on time;
- lack of internet connectivity;
- lack of experience;
- bad service;
- poor productivity;
- political climate, government policies and interference;
- perceptions and resistance to change;
- interest rate;
- labour unrest;
- lack of quality,
- unsustainable high profits
- lack of continuous new business development;
- over aggressive growth; and
- pricing and transport;

Businesses can operate in a more green way by:

- getting input from green suppliers;
- educating the business on operating more green;
- identifying ideas to use off-cut material in a better way;
- generating own electricity from Biogas;
- being more energy conscious;
- water purification;
- driving more fuel economic vehicles;
- working more electronically and using less paper; and
- solar / gas.

3.4 Measures of association

Cross tabulations were run to look at the strength of association between variables. Both measures of association were estimated – Phi and Cramer’s V – but Cramer’s V was used as the measure of association because the dataset had more than two categories.

3.4.1 Cramer’s V

Cramer’s V is a statistic measuring the strength of association or dependency between two nominal categorical variables in a contingency table (Whoo, 2013:2).

- the closer the value is to 0, the smaller the association between the variables,
- a value closer to 1 is an indication of a strong association,
- a value of 0.00 to .010 indicates a negligible association between the two variables,
- a value between 0.10 and 0.20 is considered as a weak association,
- a moderate association has a value between 0.20 and 0.40,
- a relatively strong association’s value ranges between 0.40 and under 0.60,
- a strong association has a value between 0.60 and under 0.80, and
- 0.80 to 1.00 indicates a very strong association.

Table 3.13 shows the association between questions 16 and 17 in the questionnaire. Question 16 asked how many years the respondents have been in business and question 17 questioned the respondents about their business development stage.

Table 3.13: Cramer’s V for questions 16 & 17

		Value	Approx. Sig
Nominal by nominal	Phi	.791	.000
	Cramer’s V	.354	.000

Source: own compilation

The Cramer's V value of .354 shows that there is a moderate association between questions 16 and 17, which means that the questions and their subsections can be further interpreted. The results appear in Table 3.14.

Table 3.14: Association of subsections for questions 16 and 17

	0-3	4-6	7-10	11-20	21-30	31+
Start-up	33.3%	33.3%	16.7%	0.0%	16.7%	0.0%
Growth	35.5%	32.3%	19.4%	9.7%	0.0%	3.2%
Establish	10.0%	10.0%	25.0%	30.0%	5.0%	20.0%
Expand	0.0%	20.0%	28.0%	36.0%	4.0%	12.0%
Mature	0.0%	20.0%	5.0%	15.0%	35.0%	25.0%
Exit	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

Source: own compilation

The results illustrate that the start-up stage (66.6%) and growth business stage (67.8%) are represented by SMEs being in business for 0 to six years, where SMEs operating for 11 to 30 years are in the expand- (40%) and mature business (50%) stages. Only one respondent were in the exit phase and in business for more than 30 years (thus the 100% value).

The association between questions 16 and 29 appears in Table 3.15. Question 16 asked how many years the respondents have been in business and question 29 asked what the initial finances were used for.

Table 3.15: Cramer's V for questions 16 and 29

		Value	Approx. Sig
Nominal by nominal	Phi	.498	.173
	Cramer's V	.249	.173

Source: own compilation

The Cramer's V value of .249 shows that there is a moderate association between questions 16 and 29, which means that the questions and their subsections can be further interpreted. The results appear in Table 3.16.

Table 3.16: Association of subsections for questions 16 and 29

	0-3	4-6	7-10	11-20	21-30	31+
Bought	17.4%	8.7%	26.1%	13.0%	13.0%	21.7%
Inherited	0.0%	20.0%	40.0%	0.0%	0.0%	40.0%
Family business	7.7%	15.4%	7.7%	15.4%	15.4%	38.5%
Self-started	15.0%	28.3%	20.0%	20.0%	11.7%	5.0%

Source: own compilation

Table 3.16 consists of the results for the association of subsections of questions 16 and 29. SMEs operating for four to six years and between 11 and 20 years for used their initial finance to self-start the business. SMEs being in business for seven to 10 years (40%) and over 30 years (40%), inherited finance to start the business. Finance was mostly used (38.5%) to expand family businesses that has been operating for more than 30 years. It now becomes clear that the most sustainable businesses are either inherited or family owned businesses. Self-started business are sustainable, but to a lesser extend.

Table 3.17 illustrates the association between questions 33 and 4 in the questionnaire. Question 33 contained the choice of five generic strategies implemented at the SME and question 4 asked about the manager/owner's education level.

Table 3.17: Cramer's V for questions 33 and 4

		Value	Approx. Sig
Nominal by nominal	Phi	.661	.079
	Cramer's V	.296	.079

Source: own compilation

The Cramer's V-value of .296 indicates a relatively strong association between questions 33 and 4, which means that the questions and their subsections can be further interpreted. The results appear in Table 3.18.

Table 3.18: Association of subsections for questions 33 and 4

	Matric	Diploma	Degree	Honours	Master's	MBA	PhD	Professional
Low-cost provider	75.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	75.0%
Broad differentiation	22.7%	27.3%	36.4%	0.0%	9.1%	4.5%	0.0%	22.7%
Focused low-cost	25.0%	37.5%	25.0%	0.0%	0.0%	12.5%	0.0%	25.0%
Focused differentiation	22.7%	9.1%	18.2%	27.3%	4.5%	13.6%	4.5%	22.7%
Best-cost provider	26.7%	20.0%	23.3%	10.0%	13.3%	6.7%	0.0%	26.7%

Source: own compilation

Respondents with a matric certificate as well as respondents with professional degrees both stated that their SME implemented a low-cost provider strategy. Both respondent groups with a PhD, MBA or honours degree reported that a focused differentiation strategy is implemented at their SMEs. Respondents with a diploma implement a focused low-cost strategy; a focused low-cost strategy is implemented by respondents with a degree; and respondents with a master's degree implement a best-cost provider

strategy. It can therefore be interpreted that the knowledge regarding the five different generic strategies does not necessarily have anything to do with the education level of a respondent, since both educated and less educated respondents are aware of the strategy implemented at their SMEs, and rather base their strategic decisions on the needs of the SME. This further indicates that strategy plays an important role among SMEs in the Potchefstroom area and those respondents, regardless of formal training, has had some form of exposure to strategy implementation.

The association between questions 33 and 5 appears in Table 19. Question 33 contained the choice of five generic strategies implemented at the SME and question 5 contained options regarding respondents' work experience in years.

Table 3.19: Cramer's V for questions 33 and 5

		Value	Approx. Sig
Nominal by nominal	Phi	.581	.166
	Cramer's V	.260	.166

Source: own compilation

The Cramer's V-value of .260 shows that there is a moderate association between questions 33 and 5. The questions and their subsections can be further interpreted. The results appear in Table 3.20.

Table 3.20: Association of subsections for questions 33 & 5

	0-5	6-10	11-15	16-20	21-25	25+
Low-cost provider	37.5%	12.5%	37.5%	0.0%	12.5%	0.0%
Broad differentiation	9.1%	22.7%	36.4%	4.5%	13.6%	13.6%
Focused low-cost	37.5%	12.5%	12.5%	25.0%	0.0%	12.5%
Focused differentiation	13.6%	22.7%	9.1%	13.6%	27.3%	13.6%
Best-cost provider	31.0%	17.2%	6.9%	10.3%	6.9%	27.6%

Source: own compilation

As with the case of respondents' education level, discussed in Table 3.18, respondents' work experience does not have an influence on the choice of generic strategy implemented. It can be inferred that the strategic decisions are based on the SME's needs rather than the qualities or abilities of the SME owner or manager.

Table 3.21 presents the association between questions 33 and 32 in the questionnaire. Question 33 contained the choice of five generic strategies implemented at the SME and question 32 gave respondents the choice between a short-term, medium-term, and long-term strategy, implemented at the SME.

Table 3.21: Cramer's V for questions 33 and 32

		Value	Approx. Sig
Nominal by nominal	Phi	.677	.011
	Cramer's V	.338	.011

Source: own compilation

The moderate association between questions 33 and 32 are proven by the Cramer's V-value of .338. Table 3.22 contains the results that can further be interpreted.

Table 3.22: Association of subsections for questions 33 and 32

	Short-term	Medium-term	Long-term
Low-cost provider	28.6%	0.0%	57.1%
Broad differentiation	0.0%	43.8%	25.0%
Focused low-cost	0.0%	33.3%	50.0%
Focused differentiation	4.8%	19.0%	19.0%
Best-cost provider	3.6%	10.7%	64.3%

Source: own compilation

The results indicate that short-term strategies are usually low-cost provider strategies, medium term relates to broad differentiation strategies and long-term strategies correlate with best-cost provider strategies. In the short term, SMEs want to sell products at a lower cost than competitors. In the medium term, SMEs will gain a competitive advantage by distinguishing products with an excellent design, high awareness, and easy accessibility. Prices are higher and capacity will increase with higher demand. Long-term strategies are associated with best-cost provider strategies, where SMEs increase the product quality while reducing cost to compete with a high quality and best price product.

Table 3.23 illustrates the Cramer's V-value for the association between questions 4 and 39 in the questionnaire. Question 4 focused on respondents' education level, while question 39 tested the knowledge regarding several business financials.

Table 3.23: Cramer's V for questions 4 & 39

		Value	Approx. Sig
Nominal by nominal	Phi	.433	.204
	Cramer's V	.433	.204

Source: own compilation

The relatively strong association between question 4 and 39 is confirmed by the Cramer's V value of .433. Table 3.24 contains the results that can further be interpreted.

Table 3.24: Association of subsections for questions 4 and 39

	Matric	Diploma	Degree	Honours	Master's	MBA	Professional
Gross profit	22.6%	21.5%	20.4%	14%	9.7%	9.7%	1.1%
Gross profit %	24.1%	19.3%	20.5%	13.3%	9.6%	10.8%	1.2%
Net profit	25.0%	22.5%	15.0%	16.3%	7.5%	11.3%	1.3%
Net profit %	24.3%	20.3%	16.2%	16.2%	9.5%	10.8%	1.4%
ROI	15.6%	26.7%	17.8%	20%	8.9%	6.7%	2.2%
Future value	31.1%	24.4%	11.1%	17.8%	6.7%	4.4%	2.2%
Current ratio	26.5%	22.4%	14.3%	18.4%	8.2%	6.1%	2%
Average of payables	22.0%	22.0%	18.6%	15.3%	10.2%	10.2%	0%
Average of receivables	27.1%	18.6%	18.6%	15.3%	8.5%	10.2%	0%
EBIT	20.9%	23.3%	16.3%	16.3%	9.3%	9.3%	23.3%

Source: own compilation

The results indicate that the level of education does not correlate with the knowledge regarding business financials, as seen in Table 3.24. In fact, the percentage of respondents with a matric certificate stating that they know the SME's financials, are

23.92%. An average of 22.06% respondents with a diploma have knowledge of the SME's financials, 16.88% for respondents with a degree, 16.29% for respondents with an honours degree, 8.81% for respondents with a master's degree, 8.95% for MBA graduates and 3.47% for respondents with a professional educational level. It can be concluded that people with a lower education level are more willing to learn in the business environment than people with higher education levels.

3.4.2 T-test

A paired sample t-test is used to determine whether there is a significant difference between the average values of the same measurement made under two different conditions. Both measurements are made on each unit in a sample, and the test is based on the paired differences between these two values. If the Sig (2-Tailed) value is greater than 0.05, the conclusion can be made that there is no statistically significant difference between the two conditions. If the Sig (2-Tailed) value is less than or equal to 0.05, the conclusion can be made that there is a statistically significant difference between the two conditions (Easton & McColl, 2013).

A paired sample t-test was applied on question 39, together with the questions 21, 22, 23, 24 and 26. Question 39 tested respondents' knowledge regarding ten business financials. The rest of the question gave respondents the opportunity to rank management criteria, product and service features, customers and markets, the way of doing business and resource and finance availability, according to importance.

The following tables include the results of each business financial compared with the subsections of the other questions. The mean, standard deviation and Sig (2-tailed) values are presented. Tables 3.25 and 3.26 do not have a Sig (2-tailed) column because some of the respondents did not complete the subsection by answering either yes or no.

Table 3.25: Gross profit t-test

	Mean	Standard deviation
21.1) Experience	5.0000	1.60459
21.2) Established relationships	4.3750	1.65614
21.3) Knowing competition	4.2184	1.74159
21.4) Knowing the business drivers	4.3864	1.61482
21.5) Innovation/creativity	4.5227	1.50078
21.6) Defining and sharing knowledge, vision and goals	4.3864	1.54199
22.1) Pricing	4.5795	1.74014
22.2) Packaging	3.6364	1.91894
22.3) Design	3.7614	1.75509
22.4) After sales service	4.4091	1.39487
22.5) Product quality	4.9886	1.29094
22.6) Service delivery	5.2500	1.14721
23.1) Previous experience in the industry	4.2727	1.67282
23.2) Market research	3.8750	1.83712
23.3) Cares about customer satisfaction	4.9205	1.39968
23.4) Constant re-defining of market	4.0568	1.60715
23.5) Relationship building	5.2273	1.09047
23.6) Making use of customer feedback	4.6136	1.41772
24.1) Honesty	4.9428	1.65392
24.2) Ethics	4.3371	1.83367
24.3) Trust	4.9101	1.37047
24.4) Integrity	4.9038	1.37642

24.5) Client orientated	4.9438	1.39284
24.6) Open for change	4.3258	1.93517
26.1) Good financial skills/knowledge	4.6778	1.53482
26.2) Access to finance	4.0112	1.74834
26.3) Use financial targets to assist in assessing business performance	4.2135	1.46529
26.4) Availability of working capital	4.4382	1.34802
26.5) Availability of capital for business expansion	4.6067	1.32817
26.6) Availability of capital for long-term investments	4.1011	1.89524

Source: own compilation

The results in Table 3.25 show that the highest mean values for the questions are:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Good financial skills/knowledge (Resource and finance availability rating).

Table 3.26: Gross profit % t-test

	Mean	Standard deviation
21.1) Experience	4.9750	1.64567
21.2) Established relationships	4.3875	1.66493
21.3) Knowing competition	4.1392	1.78838
21.4) Knowing the business drivers	4.4125	1.60453
21.5) Innovation/creativity	4.5625	1.46559

21.6) Defining and sharing knowledge, vision and goals	4.4875	1.45823
22.1) Pricing	4.5443	1.77444
22.2) Packaging	3.5696	1.92609
22.3) Design	3.7595	1.75569
22.4) After sales service	4.3797	1.40789
22.5) Product quality	4.9114	1.32229
22.6) Service delivery	5.2911	1.09956
23.1) Previous experience in the industry	4.3671	1.67315
23.2) Market research	3.7722	1.89432
23.3) Cares about customer satisfaction	4.9747	1.35849
23.4) Constant re-defining of market	4.1013	1.58191
23.5) Relationship building	5.2152	1.12854
23.6) Making use of customer feedback	4.7089	1.36016
24.1) Honesty	4.9750	1.63796
24.2) Ethics	4.2750	1.88918
24.3) Trust	4.8875	1.40518
24.4) Integrity	4.9125	1.40698
24.5) Client orientated	5.0000	1.35945
24.6) Open for change	4.4125	1.88057
26.1) Good financial skills/knowledge	4.6296	1.56080
26.2) Access to finance	3.9500	1.78531
26.3) Use financial targets to assist in assessing business performance	4.2500	1.47124
26.4) Availability of working capital	4.5125	1.35005

26.5) Availability of capital for business expansion	4.6625	1.30184
26.6) Availability of capital for long-term investments	4.1875	1.88326

Source: own compilation

The results in Table 3.26 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Table 3.27: Net profit t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	5.0128	1.62364	.548
21.2) Established relationships	4.2949	1.69115	.680
21.3) Knowing competition	4.1818	1.84053	.922
21.4) Knowing the business drivers	4.3333	1.61701	.044
21.5) Innovation/creativity	4.4231	1.51631	.116
21.6) Defining and sharing knowledge, vision and goals	4.5128	1.52676	.328
22.1) Pricing	4.6234	1.77734	.444
22.2) Packaging	3.6104	1.96117	.190
22.3) Design	3.7792	1.79637	.328
22.4) After sales service	4.4286	1.47281	.338
22.5) Product quality	4.9740	1.35699	.985
22.6) Service delivery	5.2727	1.19908	.295

23.1) Previous experience in the industry	4.2727	1.77435	.685
23.2) Market research	3.8701	1.90118	.138
23.3) Cares about customer satisfaction	4.8571	1.47536	.444
23.4) Constant re-defining of market	4.0519	1.61324	.210
23.5) Relationship building	5.2338	1.05001	.038
23.6) Making use of customer feedback	4.5714	1.49057	.704
24.1) Honesty	4.8205	1.72637	.918
24.2) Ethics	4.1667	1.86155	.535
24.3) Trust	4.8590	1.38381	.539
24.4) Integrity	4.8590	1.42085	.427
24.5) Client orientated	5.0000	1.38639	.035
24.6) Open for change	4.2692	1.97170	.104
26.1) Good financial skills/knowledge	4.7215	1.58468	.425
26.2) Access to finance	3.9359	1.85402	.570
26.3) Use financial targets to assist in assessing business performance	4.2949	1.53833	.406
26.4) Availability of working capital	4.4103	1.40902	.773
26.5) Availability of capital for business expansion	4.6410	1.34815	.055
26.6) Availability of capital for long-term investments	4.1154	1.93385	.114

Source: own compilation

The results in Table 3.27 show that the highest mean values for the questions are:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)

- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 21.4 (knowing the business drivers), 23.5 (relationship building) and 24.5 (client orientated) have Sig (2-tailed) values less than .05, meaning that there is a statistically significant difference between the two conditions.

Table 3.28: Net profit % t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	4.9589	1.63672	.530
21.2) Established relationships	4.2603	1.68348	.664
21.3) Knowing competition	4.0972	1.84742	.958
21.4) Knowing the business drivers	4.4795	1.60822	.035
21.5) Innovation/creativity	4.5068	1.51037	.104
21.6) Defining and sharing knowledge, vision and goals	4.5342	1.43452	.292
22.1) Pricing	4.5634	1.82626	.437
22.2) Packaging	3.4789	1.91877	.204
22.3) Design	3.8028	1.76165	.313
22.4) After sales service	4.4085	1.44990	.338
22.5) Product quality	4.9296	1.38692	.960
22.6) Service delivery	5.3380	1.14572	.250
23.1) Previous experience in the industry	4.3239	1.74663	.702
23.2) Market research	3.7746	1.90636	.153
23.3) Cares about customer satisfaction	4.9296	1.40737	.453

23.4) Constant re-defining of market	4.0423	1.50653	.183
23.5) Relationship building	5.2394	1.07524	.042
23.6) Making use of customer feedback	4.6338	1.38605	.651
24.1) Honesty	4.9028	1.70467	.955
24.2) Ethics	4.1667	1.89885	.544
24.3) Trust	4.8056	1.43044	.578
24.4) Integrity	4.8750	1.37316	.419
24.5) Client orientated	5.0278	1.36322	.031
24.6) Open for change	4.3056	1.88873	.087
26.1) Good financial skills/knowledge	4.5890	1.60585	.386
26.2) Access to finance	3.9306	1.87140	.572
26.3) Use financial targets to assist in assessing business performance	4.2361	1.52438	.423
26.4) Availability of working capital	4.4028	1.38055	.773
26.5) Availability of capital for business expansion	4.6667	1.32154	.049
26.6) Availability of capital for long-term investments	4.2222	1.87062	.092

Source: own compilation

The results in Table 3.28 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Availability of capital for business expansion (resource and finance availability rating).

Questions 21.4, 23.5, 24.5 and 26.5 have Sig (2-tailed) values less than 0.05, meaning that there is a statistically significant difference between the two conditions.

Table 3.29: Return on investment (ROI) t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	4.8444	1.69163	.816
21.2) Established relationships	4.1556	1.84583	.853
21.3) Knowing competition	3.8864	1.81999	.302
21.4) Knowing the business drivers	4.2667	1.55797	.261
21.5) Innovation/creativeness	4.2444	1.50990	.052
21.6) Defining and sharing knowledge, vision and goals	4.4667	1.39153	.054
22.1) Pricing	4.4884	1.85642	.888
22.2) Packaging	3.1628	1.86356	.916
22.3) Design	3.4419	1.70855	.258
22.4) After sales service	4.4651	1.46951	.261
22.5) Product quality	4.8372	1.42979	.017
22.6) Service delivery	5.3023	1.16568	.020
23.1) Previous experience in the industry	4.4186	1.74891	.422
23.2) Market research	3.6512	1.93814	.506
23.3) Cares about customer satisfaction	4.8372	1.39609	.565
23.4) Constant re-defining of market	3.8837	1.41773	.616
23.5) Relationship building	5.1860	1.13925	.985
23.6) Making use of customer feedback	4.5349	1.38614	.986
24.1) Honesty	4.9091	1.70932	.044

24.2) Ethics	4.2500	1.76694	.005
24.3) Trust	4.7045	1.45601	.038
24.4) Integrity	4.8182	1.29889	.089
24.5) Client orientated	4.9318	1.45311	.026
24.6) Open for change	4.0455	2.11258	.122
26.1) Good financial skills/knowledge	4.5455	1.75810	.012
26.2) Access to finance	3.8182	1.88350	.030
26.3) Use financial targets to assist in assessing business performance	4.2727	1.56061	.134
26.4) Availability of working capital	4.4318	1.43701	.197
26.5) Availability of capital for business expansion	4.6591	1.23784	.097
26.6) Availability of capital for long-term investments	4.3182	1.88966	.161

Source: own compilation

The results in Table 3.29 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 22.5, 22.6, 21.4, 24.2, 24.3, 25.5, 26.1 and 26.2 have Sig (2-tailed) values less than 0.05, meaning that there is a statistically significant difference between the two conditions.

Table 3.30: Future value t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	4.9333	1.64317	.575
21.2) Established relationships	4.4000	1.77610	.616
21.3) Knowing competition	4.2273	1.72349	.057
21.4) Knowing the business drivers	4.4667	1.54626	.064
21.5) Innovation/creativity	4.4667	1.47093	.000
21.6) Defining and sharing knowledge, vision and goals	4.7333	1.32116	.000
22.1) Pricing	4.6977	1.80653	.414
22.2) Packaging	3.6279	1.82605	.491
22.3) Design	3.8372	1.61732	.150
22.4) After sales service	4.6047	1.32987	.197
22.5) Product quality	5.1395	1.14604	.000
22.6) Service delivery	5.4651	.98437	.001
23.1) Previous experience in the industry	4.4884	1.83059	.213
23.2) Market research	4.1395	1.80715	.258
23.3) Cares about customer satisfaction	4.9302	1.43751	.012
23.4) Constant re-defining of market	4.3023	1.37208	.027
23.5) Relationship building	5.3256	1.04017	.057
23.6) Making use of customer feedback	4.7674	1.28799	.105
24.1) Honesty	5.0227	1.66340	.005
24.2) Ethics	4.5227	1.69113	.010
24.3) Trust	4.7955	1.39066	.000
24.4) Integrity	4.8636	1.30457	.003

24.5) Client orientated	5.0227	1.40578	.000
24.6) Open for change	4.4773	1.92280	.011
26.1) Good financial skills/knowledge	4.5909	1.72961	.130
26.2) Access to finance	4.2727	1.80907	.134
26.3) Use financial targets to assist in assessing business performance	4.4773	1.42223	.001
26.4) Availability of working capital	4.4773	1.42223	.002
26.5) Availability of capital for business expansion	4.8636	1.11211	.248
26.6) Availability of capital for long-term investments	4.4318	1.78362	.260

Source: own compilation

The results in Table 3.30 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated and honesty (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 21.5, 21.6, 22.5, 22.6, 23.3, 23.4, 21.4, 24.2, 24.3, 24.4, 24.5, 24.6, 26.3 and 26.4 have Sig (2-tailed) values less than .05, meaning that there is a statistically significant difference between the two conditions.

Table 3.31: Current ratio t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	4.8913	1.70265	.517
21.2) Established relationships	4.1522	1.83748	.590
21.3) Knowing competition	4.1778	1.76183	.832
21.4) Knowing the business drivers	4.3261	1.59240	.749
21.5) Innovation/creativity	4.4348	1.50040	.001
21.6) Defining and sharing knowledge, vision and goals	4.6522	1.43322	.001
22.1) Pricing	4.5106	1.82819	.952
22.2) Packaging	3.5106	2.02025	.960
22.3) Design	3.6170	1.82439	.350
22.4) After sales service	4.6170	1.40733	.390
22.5) Product quality	4.8511	1.47411	.001
22.6) Service delivery	5.3617	1.07188	.000
23.1) Previous experience in the industry	4.5106	1.76773	.636
23.2) Market research	3.9362	1.93822	.710
23.3) Cares about customer satisfaction	4.8723	1.46876	.138
23.4) Constant re-defining of market	4.1064	1.53558	.151
23.5) Relationship building	5.2340	1.12700	.895
23.6) Making use of customer feedback	4.7021	1.41290	.892
24.1) Honesty	4.9167	1.81991	.010
24.2) Ethics	4.3750	1.78200	.003
24.3) Trust	4.9375	1.31126	.162
24.4) Integrity	4.8958	1.27562	.206

24.5) Client orientated	5.0417	1.42856	.001
24.6) Open for change	4.2917	1.99956	.026
26.1) Good financial skills/knowledge	4.5625	1.64906	.025
26.2) Access to finance	4.1042	1.75329	.051
26.3) Use financial targets to assist in assessing business performance	4.3958	1.51221	.009
26.4) Availability of working capital	4.6250	1.42359	.008
26.5) Availability of capital for business expansion	4.8333	1.15470	.613
26.6) Availability of capital for long-term investments	4.1458	1.92398	.612

Source: own compilation

The results in Table 3.31 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated and honesty (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 21.5, 21.6, 22.5, 22.6, 21.4, 24.2, 24.5, 24.6, 26.1, 26.3 and 26.4 have Sig (2-tailed) values less than .05, meaning that there is a statistically significant difference between the two conditions.

Table 3.32: Average of payables (in days) t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	5.0536	1.48225	.102
21.2) Established relationships	4.3036	1.74689	.280
21.3) Knowing competition	4.0545	1.73652	.208
21.4) Knowing the business drivers	4.3571	1.60032	.166
21.5) Innovation/creativity	4.4107	1.52288	.020
21.6) Defining and sharing knowledge, vision and goals	4.3571	1.45763	.014
22.1) Pricing	4.4912	1.82368	.447
22.2) Packaging	3.4737	1.89082	.519
22.3) Design	3.6491	1.70599	.118
22.4) After sales service	4.3509	1.45763	.191
22.5) Product quality	5.0175	1.34285	.406
22.6) Service delivery	5.3333	1.10733	.497
23.1) Previous experience in the industry	4.5965	1.54527	.612
23.2) Market research	3.7193	1.84927	.560
23.3) Cares about customer satisfaction	4.9123	1.39233	.054
23.4) Constant re-defining of market	4.0000	1.46385	.069
23.5) Relationship building	5.2456	1.09023	.176
23.6) Making use of customer feedback	4.7018	1.30883	.210
24.1) Honesty	4.9828	1.62752	.067
24.2) Ethics	4.3103	1.80843	.048
24.3) Trust	5.0000	1.22832	.020
24.4) Integrity	5.0000	1.22832	.063

24.5) Client orientated	5.0345	1.42614	.055
24.6) Open for change	4.2069	1.89883	.170
26.1) Good financial skills/knowledge	4.6379	1.55257	.000
26.2) Access to finance	3.9138	1.80918	.008
26.3) Use financial targets to assist in assessing business performance	4.0862	1.50186	.092
26.4) Availability of working capital	4.4483	1.39136	.171
26.5) Availability of capital for business expansion	4.8966	1.05448	.393
26.6) Availability of capital for long-term investments	4.3276	1.82947	.446

Source: own compilation

The results in Table 3.32 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 21.5, 21.6, 24.2, 24.3, 26.1 and 26.2 have Sig (2-tailed) values less than 0.05, meaning that there is a statistically significant difference between the two conditions.

Table 3.33: Average of receivables (in days) t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	5.0179	1.55495	.638
21.2) Established relationships	4.3929	1.68068	.707
21.3) Knowing competition	4.1273	1.70027	.100
21.4) Knowing the business drivers	4.3750	1.60185	.085
21.5) Innovation/creativity	4.5179	1.46463	.008
21.6) Defining and sharing knowledge, vision and goals	4.3393	1.50486	.007
22.1) Pricing	4.5263	1.77387	.216
22.2) Packaging	3.6491	1.89446	.252
22.3) Design	3.7368	1.70636	.008
22.4) After sales service	4.4035	1.44987	.049
22.5) Product quality	4.9298	1.43750	.930
22.6) Service delivery	5.2281	1.18046	.935
23.1) Previous experience in the industry	4.4912	1.54830	.376
23.2) Market research	3.7895	1.81990	.261
23.3) Cares about customer satisfaction	4.9123	1.39233	.004
23.4) Constant re-defining of market	4.1228	1.47685	.001
23.5) Relationship building	5.2456	1.09023	.019
23.6) Making use of customer feedback	4.7719	1.25382	.002
24.1) Honesty	4.9655	1.65397	.030
24.2) Ethics	4.3448	1.79230	.020
24.3) Trust	4.9655	1.21346	.164
24.4) Integrity	4.9655	1.26997	.070

24.5) Client orientated	5.1034	1.41036	.631
24.6) Open for change	4.3621	1.81319	.637
26.1) Good financial skills/knowledge	4.6034	1.55529	.014
26.2) Access to finance	3.9828	1.84953	.089
26.3) Use financial targets to assist in assessing business performance	4.2069	1.46010	.072
26.4) Availability of working capital	4.5172	1.36679	.152
26.5) Availability of capital for business expansion	4.8966	1.08724	.393
26.6) Availability of capital for long-term investments	4.4310	1.82682	.446

Source: own compilation

The results in Table 3.33 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Client orientated (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 21.5, 21.6, 22.3, 22.4, 23.3, 23.4, 23.5, 23.6, 24.1, 24.2 and 26.1 have Sig (2-tailed) values less than 0.05, meaning that there is a statistically significant difference between the two conditions.

Table 3.34: Equity before interest and tax (EBIT) t-test

	Mean	Standard deviation	Sig (2-tailed)
21.1) Experience	4.8537	1.72570	.925
21.2) Established relationships	4.4878	1.81827	.927
21.3) Knowing competition	4.1250	1.84234	.040
21.4) Knowing the business drivers	4.3902	1.49797	.052
21.5) Innovation/creativity	4.2683	1.67368	.002
21.6) Defining and sharing knowledge, vision and goals	4.6341	1.46212	.000
22.1) Pricing	4.6500	1.79100	.092
22.2) Packaging	3.3750	1.94393	.166
22.3) Design	3.5250	1.58499	.106
22.4) After sales service	4.4500	1.35779	.079
22.5) Product quality	5.1750	1.10680	.013
22.6) Service delivery	5.3750	1.10215	.019
23.1) Previous experience in the industry	4.5250	1.72445	.087
23.2) Market research	3.8000	1.95067	.125
23.3) Cares about customer satisfaction	4.8000	1.48842	.085
23.4) Constant re-defining of market	4.1000	1.49872	.098
23.5) Relationship building	5.2000	1.11401	.066
23.6) Making use of customer feedback	4.7500	1.37281	.106
24.1) Honesty	5.0732	1.66419	.015
24.2) Ethics	4.3902	1.73029	.019
24.3) Trust	4.8537	1.42410	.000
24.4) Integrity	4.8049	1.43561	.002

24.5) Client orientated	4.9512	1.44830	.012
24.6) Open for change	4.2439	2.02213	.048
26.1) Good financial skills/knowledge	4.6429	1.69391	.002
26.2) Access to finance	3.8333	1.93702	.005
26.3) Use financial targets to assist in assessing business performance	4.1429	1.53927	.037
26.4) Availability of working capital	4.5000	1.38370	.051
26.5) Availability of capital for business expansion	4.6905	1.31572	.197
26.6) Availability of capital for long-term investments	4.3810	1.82065	.192

Source: own compilation

The results in Table 3.34 illustrate high mean values for:

- Experience (Management criteria rating)
- Service delivery (Product and service feature rating)
- Relationship building (Customers and markets rating)
- Honesty (The way of doing business rating)
- Availability of capital for business expansion (Resource and finance availability rating).

Questions 21.3, 21.5, 21.6, 22.5, 22.6, 24.1, 24.2 24.3, 24.4, 24.5, 24.6, 26.1, 26.2 and 26.3 have Sig (2-tailed) values less than .05, meaning that there is a statistically significant difference between the two conditions.

3.5 Summary

Chapter 3 dealt with the empirical investigation regarding business sustainability issues for SMEs in the Potchefstroom geographical area.

The results address the importance of certain factors contributing towards SME sustainability. Communication skills are the most important characteristic for SME sustainability and need for achievement is the least important characteristic. Experience of the manager or owner is necessary, while knowledge regarding the business drivers is not. Service delivery is the most important product and service feature, and pricing is the least important. Respondents indicated that relationship building contributes to SME sustainability, but caring about customer satisfaction will not have such a huge influence on sustainability. Contradictory to honesty, ethics is not quite as important. For the implementation of strategies, established clear goals are important and the understanding of how business strategy links to financial outcomes is less important for SME sustainability. Respondents realise the value of a website, but social media portfolios are not considered a contributing factor for sustainability. Networking is important, and informal support from family or friends is not a definite necessity for SME sustainability.

Chapter 4 is the final chapter of this investigation, and consists mainly of conclusions and recommendations. Chapter 4 completes the research project.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

In this chapter, the investigation will be concluded deriving outcomes from the empirical investigation and also outlines the findings of this study and the relationship to the relevant literature study in Chapter 2. The chapter will be based on conclusions and recommendations related to the findings of Chapter 3. The chapter will focus on conclusions and recommendations with regard to the aspects of sustainability factors of SMEs and future research and recommendations. Each section will be dealt with separately and conclusions and recommendations will be made in each section.

The chapter will then conclude with a final overview of the research with recommendations for further use of the questionnaire developed for the measurement of key influences for sustainability of SMEs.

4.2 Main findings of the study

4.2.1 Demographic profile

Section 2.5.3 from the literature study mentioned the South African Small Business Survey by FinScope indicating that the average age of a small business owner in South Africa is 41 years. The survey also revealed that the majority of small business owners tend to be female (58%) and 84% of small business owners in South Africa are black. The study also discovered that 43.1% of owners completed high school and only 2.3% have a university degree. The small business owners in the North West Province had the lowest likelihood of achieving a level of education higher than primary school level.

The results from section A, the demographic profile, in the questionnaire revealed that the majority of the respondents are in the age groups 18 to 30 years, 31 to 40 years and 41 to 50 years. The male and female respondents were almost equal, but with slightly

more male respondents. The majority of the respondents were white and nearly three quarters of the respondents have a formal tertiary qualification and 25.9% completed their education at a high or secondary school graduation level.

The reason for the difference in results regarding ethnicity might be because the study was not representative of the whole South African population since it was only based on SMEs in the Potchefstroom area.

4.2.2 Sustainability factors of SMEs

Regarding the factors of SMEs it can be concluded that the following aspects were prominent indicators for sustainability of the business:

Communication skills as a business sustainability characteristic rating were seen as an important measure for the long term success of the respondents businesses. In section 2.4.2 of the Literature study, improving communication between the small business community and the government was one of the objectives in the White Paper on Small Businesses' ten-year development framework. The literature also indicated that communication channels among employees influence the performance of SMEs and effective communication on a regular basis is essential for reaching the business objectives and integrating sustainable practices into the business environment.

Experience was outlined as an important management criterion for sustainability. The literature study highlights this since owners or managers with more experience (managerial-, sector- or previous SME experience) tend to have a greater inclination towards growth and was also considered an essential criteria for sustainability. Table 3.1, where 30.4% of respondents have more than 20 years' work experience, are indicative of the fact that experience rated higher among respondents.

The product and service feature rating results indicated that service delivery is an important factor for sustainability with a frequency of 56.1%, followed by product quality (31.1%). The results for the open questions from section C indicated that respondents

consider bad service as the most important factors which will threaten business sustainability.

Since respectable customer and client relationship is considered as a critical success factors (CSF's) in the literature study, it explains why relationships building is the prominent customers and markets rating factor for sustainability. One of the internal environmental factors influencing the performance of SMEs is securing relationships with clients (see Table 2.9).

The moral way of doing business rating indicated that honesty is an important factor for business sustainability. The literature study showed that a business' value of honesty and integrity is the foundation of the business reputation and the frontrunner in the way of doing business.

The literature overview (chapter 2) indicated that 46.1% of small business owners kept financial records. The most common financials these owners kept record of are the total sales, stock and cost of sales. Poor financial management is believed to be a common cause of SME failure. The resource and finance availability rating results showed that good financial skills/knowledge is important for sustainability. Respondents' knowledge regarding business financials were tested in question 39, and the majority of respondents know what the business's gross profit, gross profit percentage, net profit and net profit percentage are. Only a few respondents know their business's EBIT, ROI, future value and current ratio. To attain or strive for a comprehensive business sustainability platform, the above-mentioned business financial knowledge is of utmost importance for success.

The establishment of clear goals (as a strategy implementation measurement), the accomplishment of business goals and objectives is seen as an important factor for small business management (section 2.5). The results for the strategy implementation rating indicated that respondents consider established clear goals as an important sustainability factor.

Some respondents indicated in the open question section, that a lack of internet connectivity is one of the most important factors which will threaten their business sustainability. The availability of a website, one of the technology usage rating components, was considered as an important business sustainability factor. Without internet connectivity it is difficult to have access to a website, either by the customer or the business itself.

The external environment rating results revealed that networking is important for sustainability. The literature study confirms the importance as good networking is considered as a critical success factor for a business. SMEs also tend to be more sustainable when they cooperate with other businesses in order to reduce production cost, share technologies and form networking opportunities.

The sustainability of SMEs is not limited to the above factors and therefore a business coaching programme could be developed and implemented focusing on the above factors as well as other factors included in the literature and research.

4.3 Evaluation of the study

The primary objective of this study was to identify factors that influence the sustainability of selected small and medium-sized enterprises. The goal was reached since several factors, as indicated by the literature study and confirmed by the empirical investigation, stood out as important contributors for business sustainability.

The secondary objectives of this study were reached since the factors that influence the sustainability of SMEs were empirically validated, a profile of SMEs was formulated according to research that was conducted, the reliability of the factors that influence the sustainability of SMEs was determined, and conclusions and recommendations based on the findings of this study can be drawn.

4.4 Recommendations

This study is not representative of the whole South African population. It can be concluded that this study adds value to the research based on sustainability of SMEs and that future research could confirm the findings in different research populations. A larger sample size should be used to measure factors determining the sustainability of SMEs. Since the model was only tested in the Potchefstroom area of the North West Province of South Africa, further studies should be conducted to get a national and international perspective.

Regarding the measuring instrument, it can be concluded that respondents completed the questionnaires in a varied manner and some questions were not answered or were incomplete. This has a direct influence on the statistical results of the study. It is therefore recommended that a clear indication and example should guide respondents in answering the questions. Another recommendation would be to scale down on the number of questions within the questionnaire as it was found that respondents lost some interest towards the end of the questionnaire as well as a lesser completion rate of the open questions section. The questionnaire should also be simplified as a whole to ensure a more accurate response rate as some information was lost in conveyance when instructions had to be explained to the respondents.

4.5 Conclusion

In this study, the aim was to determine the factors on sustainability of selected SMEs. The model required modifications to better fit the SME sector and the factors determining it. In order to achieve the primary objectives, several secondary objectives were set and reached throughout the four chapters of this study.

Within Chapter 1, the elaboration on the purpose of the study and the need to measure the factors that determine the sustainability of selected small and medium-sized enterprises were identified. This chapter also provided the structure, primary and secondary objectives of this study.

Further onwards, Chapter 2 reviewed the literature of the factors determining the sustainability of selected small and medium-sized enterprises and how the selected target group differs from the global model as well as the similarities between the two. The chapter also included a literature review on sustainability of SMEs, the influences of sustainability as well as the managerial effect of these influences on the enterprise.

Also in Chapter 3 the research methodology that was presented included the analysis and the empirical results of this study. It also included the descriptive and informative section of the study regarding influences that affect the sustainability of SMEs. The results also addressed the validity, calculated the reliability coefficients, and reported on the importance of the selected criteria and their measuring items.

To conclude, the final chapter drew conclusions and offered recommendations based on the findings in Chapter 3. The chapter also identified some areas for future research and presented the factors determining the sustainability of selected small and medium-sized enterprises in the Potchefstroom area in the North West Province of South Africa.

Specifically formulated guidance is needed for SMEs for the creation of sustainable businesses. The guidance must be focused on creating the right conditions for SMEs to create jobs; stimulating entrepreneurs to fulfil their motivation to start and build businesses; and encouraging sustainable workplaces with increased productivity and improved working conditions. Factors determining sustainability for SMEs, as discovered in this study, should be included in the formulated guidance as it specifically focuses on the needs of the SME owners or managers.

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APPENDIX 1: QUESTIONNAIRE

SECTION A: BIOGRAPHIC PROFILE

1. What is your age? (not the age of your business)

(Mark with an x)

1.1) 18-30	1.2) 31-40	1.3) 41-50	1.4) 51-60	1.5) 60+

2. Specify your gender: (Mark with an x)

2.1) Male	2.2) Female

3. Which ethnicity group do you belong to? (Mark with an x)

3.1) Black	3.2) White	3.3) Coloured	3.4) Asian	3.5) Other:

If your answer is "other", please specify:

4. Please indicate your education level? (Mark with an x)

4.1) Matric	4.2) Diploma	4.3) Degree	4.4) Honours	4.5) Masters	4.6) MBA	4.6) PhD
4.7) Professional (Med, Law, Fin)	4.8) Other					

If your answer is "professional OR other", please specify:

5. How many years work experience do you have? (Mark with an x)

5.1) 0-5	5.2) 6-10	5.3) 11-15	5.4) 16-20	5.5) 21-25	5.6) 25+

6. **Characteristic rating:** Please rate according to the level of importance of each criteria (1=unimportant, 10=very important)

	Please rate	Example
6.1) Need for achievement		6
6.2) Motivation		8
6.3) Self-efficacy		1
6.4) Innovativeness		4
6.5) Risk taking		5
6.6) Pro-activeness		2
6.7) Competitive aggressiveness		10
6.8) Self-confidence		3
6.9) Communication skills		9
6.10) Support network		7

SECTION B: SUSTAINABILITY FACTORS

7. Indicate your business entity (Mark with an x)

7.1) Closed Corporation	7.2) Cooperative	7.3) Inc.	7.4) Partnership	7.5) Sole Trader	7.6) PTY (Ltd)	7.7) Other

If your answer is "other", please specify:

8. Is your business a franchise? (Mark with an x)

8.1) Yes	8.2) No

9. What is the annual turnover of your business?

9.1) Turnover in South African Rands (ZAR)
R _____

10. Is it a family business? (Mark with an x)

10.1) Yes	10.2) No

11. Indicate the number of employees working at your business (Mark with an x)

11.1) 0-10	11.2) 11-20	11.3) 21-30	11.4) 31-50	11.5) 51-100	11.6) 101-200	11.1.7) 200+

12. How many permanent and part-time-/contract workers do you have?

12.1) Permanent workers	12.2) Part-time/Contract workers
Number of workers _____	Number of workers _____

13. Do you have any job creating prospects? (Mark with an x)

13.1) Yes	13.2) No
<input type="checkbox"/>	<input type="checkbox"/>

14. If YES, how many jobs?

15. If NO, why not?

16. How long have you been in business? (Mark with an x)

16.1) 0-3	16.2) 4-6	16.3) 7-10	16.4) 11-20	16.5) 21-30	16.6) 31+
<input type="checkbox"/>					

17. At which stage of business development are you? (Mark with an x)

17.1) Start-up	17.2) Growth	17.3) Establish	17.4) Expand	17.5) Mature	17.6) Exit	17.7) Unsure
<input type="checkbox"/>						

18. In which area / location are your business situated? (Mark with an x)

18.1) CBD	18.2) Outskirts	18.3) Industrial	18.4) Other:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If your answer is "other", please specify:

19. Please indicate your business sector (Mark with an x)

	Please indicate
19.1) Agricultural, hunting, forestry and fishing	
19.2) Mining and quarrying	
19.3) Manufacturing	
19.4) Electricity, gas and water	
19.5) Construction	
19.6) Wholesale and retail trade	
19.7) Catering and accommodation	
19.8) Transport, storage and communication	
19.9) Financing, insurance, real estate and business services	
19.10) Community-, social and personal services	
19.11) Other	

If your answer is "other", please specify:

20. How is your business currently being managed? (Mark with an x)

20.1) Self (Owner manager)	20.2) Appointed manager	20.3) Other:

If your answer is "other", please specify:

21. Importance of management criteria

Please rate each criteria in relation to management in order of importance (**1=unimportant, 6=very important**)

	Please rate	Example
21.1) Experience		6
21.2) Established relationships		3
21.3) Knowing competition		1
21.4) Knowing the business drivers		4
21.5) Innovation / creativeness		5
21.6) Defining and sharing knowledge, vision and goals		2

22. Product and service features rating

Rate according to importance of product and service features (1=unimportant, 6=very important)

	Please rate	Example
22.1) Pricing		6
22.2) Packaging		3
22.3) Design		1
22.4) After sales service		4
22.5) Product quality		5
22.6) Service delivery		2

23. Customers and Markets rating

Rate according to importance of satisfying customers and markets (1=unimportant, 6=very important)

	Please rate	Example
23.1) Previous experience in the industry		6
23.2) Market research		3
23.3) Cares about customer satisfaction		1
23.4) Constant re-defining of market		4
23.5) Relationship building		5
23.6) Making use of customer feedback		2

24. The way of doing business rating

Rate according to importance of the way of doing business (1=unimportant, 6=very important)

	Please rate	Example
24.1) Honesty		6
24.2) Ethics		3
24.3) Trust		1
24.4) Integrity		4
24.5) Client orientated		5
24.6) Open for change		2

25. Does your business have a formulated ethical code? (Mark with an x)

25.1) Yes	25.2) No

26. Resource and finance availability rating

Rate according to importance of resource and finance availability (1=unimportant, 6=very important)

	Please rate	Example
26.1) Good financial skills / knowledge		6
26.2) Access to finance		3
26.3) Use financial targets to assist in assessing business performance		1
26.4) Availability of working capital		4
26.5) Availability of capital for business expansion		5
26.6) Availability of capital for long term investments		2

27. Access to finance / capital

Indicate your source of **start-up** finance / -capital when business was first started (Mark with an x)

	Please indicate
27.1) Investors	
27.2) Family loan	
27.3) Business / bank loan	
27.4) Private savings	
27.5) Other	

If your answer is "other", please specify:

28. Further access to funding

Indicate your source of funding to stimulate cash flow (Mark with an x)

	Please indicate
28.1) Investors	
28.2) Family loan	
28.3) Business / bank loan	
28.4) Private savings	
28.5) Profit	
28.6) Other	

If your answer is "other", please specify:

29. Finances uses

What was the finance / capital applied for? (Mark with an x)

	Please indicate
29.1) Bought (as existing business/franchise)	
29.2) Inherited	
29.3) Family Business	
29.4) Self-started	
29.5) Other	

If your answer is "other", please specify:

30. Business financing

Indicate **HOW** your business was started (Mark with an x)

	Please indicate
30.1) Investors	
30.2) Family loan	
30.3) Business / bank loan	
30.4) Private savings	
30.5) Other	

If your answer is "other", please specify:

31. Which of the following is important to your business' sustainability?

Please select from below – **you may choose more than one answer.** (Mark with an x)

	Please indicate
31.1) Financial support	
31.2) Government policies	
31.3) Government programmes	
31.4) Education and training	
31.5) Research & Development transfer	
31.6) Commercial and professional infrastructure	
31.7) Market openness	
31.8) Access to physical infrastructure	
31.9) Cultural and social norms	
31.10) Capacity for entrepreneurship	
31.11) Economic climate	
31.12) Workforce features	
31.13) Perceived population composition	
31.14) Political, institutional and social context	

32. Strategy / Strategic plan

Does your business/company have a strategy/strategic plan? (you can choose more than one answer)
(Mark with an x)

	Please indicate
32.1) Short-term	
32.2) Medium term	
32.3) Long-term	
32.4) No	

33. Which of the following generic strategies do you follow/implement in your business? (if any)

(Mark with an x)

	Please indicate
33.1) Low-cost provider strategy	
33.2) A broad differentiation strategy	
33.3) Focused (or market niche) low-cost strategy	
33.4) Focused (or market niche) differentiation strategy	
33.5) A best-cost provider strategy	
33.6) Other	

If your answer is "other", please specify:

34. Shortly motivate your strategies and how this is important for sustainability (from previous

35. Strategy implementation rating

Rate according to importance of strategy implementation (1=unimportant, 6=very important)

	Please rate	Example
35.1) Established clear goals		6
35.2) Good record system to track performance		3
35.3) Strategic positioning		1
35.4) Formal business and marketing plan		4
35.5) Strategic fit		5
35.6) Understanding how business strategy links to financial outcomes		2

36. Technology usage rating

Rate according to importance of technological resources applied in your business (1=unimportant, 5=very important)

	Please rate	Example
36.1) Availability of a website		6
36.2) Development and maintenance of website		3
36.3) Website links to other sites		1
36.4) Online newsletter		4
36.5) Social media portfolios (Twitter, Facebook and LinkedIn)		5

37. External environment rating

Rate according to importance of external environmental influences for the sustainability of your business (1=unimportant, 6=very important)

	Please rate	Example
37.1) Networking		6
37.2) Use of consultants / advisors		3
37.3) Use of accountants		1
37.4) Informal and formal links or alliances with other firms		4
37.5) Use of government assistance		5
37.6) Informal support from family or friends		2

38. Which factors drive your business

a. Internally:

b. Externally:

39. Do you know your business's: (Mark with an x)

	Yes	No
39.1) Gross profit		
39.2) Gross profit %		
39.3) Net profit		
39.4) Net profit %		
39.5) ROI (Return on investment)		
39.6) Future value		
39.7) Current ratio		
39.8) Average of payables (in days)		
39.9) Average of receivables (in days)		
39.10) EBIT (Equity Before Interest and Tax)		

SECTION C: OPEN QUESTIONS

40. In your own opinion, what are the most important factors which will **assure** business sustainability?

41. In your own opinion, what are the most important factors which will **threaten** business sustainability?

42. How can you make your business operating in a more "green" way?

43. Are you a member of the *Potch-Tlokwe chamber of commerce*?

(Mark with an x)

43.1) Yes	43.2) No

44. If YES, please indicate which aspects you would like the *Potch-Tlokwe chamber of commerce* must address and negotiate on your behalf on any sustainability platforms (to assist the sustainability of your business) .

.....
If, NO, please visit: <http://potch-tlokwe.co.za> to become a member.

Thank you for your time and effort to complete the questionnaire!