

**AN EVALUATION OF THE SUCCESS OF SMALL MEDIUM AND MICRO-
ENTERPRISES ESTABLISHED IN MAFIKENG AND MMABATHO.**

by

KGOMOTSO BRIAN NTSIE

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN THE
DEPARTMENT OF COMMERCE AND ADMINISTRATION GRADUATE
SCHOOL OF BUSINESS AND GOVERNMENT LEADERSHIP**

SUPERVISOR: Mr van Pelsler

**DATE SUBMITTED:
OCTOBER 2006**



060001061E

North-West University
Mafikeng Campus Library

615462559
118423553

LIBRARY MAFIKENG CAMPUS
Call No.: TH 658.022
2007-04-16 NTS
Acc. No.: 07/Δ0029
NORTH-WEST UNIVERSITY

TABLE OF CONTENTS

	Page number
Acknowledgements	i
Abstract	ii
List of figures	iii
Chapter 1: Introduction and orientation	1
1.1 Background	1
1.1.1 Khula Enterprises	3
1.1.2 Ntsika Enterprises	4
1.1.3 Business partners	4
1.1.4 Franchise advice and information network	4
1.1.5 Manufacturing advisory centre	5
1.1.6 Business referral and information network	5
1.1.7 National Empowerment Fund	6
1.1.8 Tender advice centre	6
1.1.9 Umsobomvu	7
1.1.10 SMME support service	7
1.2 Scope of the study	8
1.3 Importance of the study	8
1.4 Objectives of the study	8
1.5 Study environment	8
1.6 Plan of the study	9
1.7 Conclusion	9
Chapter 2: Literature review	10
2.1 The role of SMMEs	10
2.2 Management of SMMEs	13
2.2.1 Marketing	13
2.2.2 Financial Management	14
2.2.3 Human Resources	15
2.2.4 Materials Management	15
2.2.5 Operations Management	16
2.3 Forms of businesses	16

2.4	Business Plan	17
2.5	Sources of venture capital	18
2.6	Awards to SMMEs	18
2.7	Franchise	19
2.8	Conclusion	21
Chapter 3: Defining the problem and research question		22
3.1	Introduction	22
3.2	Rationale to the problem	22
3.3	Defining the problem	23
3.4	Hypothesis	23
3.5	Conclusion	24
Chapter 4: Research design and analysis		25
4.1	Introduction	25
4.2	Research tool	25
4.2.1	Questionnaire	25
4.2.2	Advantages of questionnaires	25
4.2.3	Disadvantages of questionnaires	26
4.2.4	Interviews	27
4.3	Biographical data	27
4.4	Population	27
4.5	Sample	27
4.6	Data collection instrument	28
4.7	Covering letter	28
4.8	Format and content of the questionnaire	28
4.9	Data analysis	29
4.10	Conclusion	29
Chapter 5: Results and interpretation		30
5.1	Introduction	30
5.2	Analysis of questions	30
5.3	Conclusion	45

Chapter 6: Findings and recommendations	46
6.1 Introduction	46
6.2 Summary	46
6.3 Findings	46
6.4 Recommendations	48
6.5 Conclusion	49
Bibliography	50
Appendix A	
Covering letter and questionnaire	

ACKNOWLEDGEMENTS

My sincere gratitude goes to the Almighty father for giving me the strength and attitude to continue with this study.

Special thanks to Mr. V. Pelsler, my supervisor who guided me and instructed me every step of the way and gave me the courage to continue because of his enthusiasm and trust in my ability. To my wife Rebone Ntsie for her unconditional support and my only baby daughter Masego for inspiring me. Not forgetting Aaron Tshidzumba for his encouragement, you are the best.

Abstract

Small businesses contribute towards the Gross National Product of the country and also provide jobs. More and more people are leaving schools and universities with the hope of finding jobs but this is not always possible. The best solution for these people is that they should start their own small businesses in their communities.

Different businesses start because people have identified a need in their community.

Good things about small businesses are that some of them become successful and eventually turned into franchise. Franchise is one way of starting a business. People are sceptical of new products, they want the tried and tested products because they can identify with them. However, the franchisee will always be provided with support from Head office to ensure that they succeed.

The government has set-up organisations such as Ntsika and Khula that help the SMMEs with things such as business plans and finance. These organisations help entrepreneurs free of charge.

This project seek to evaluate those aspects that make some small businesses succeed and others fail in Mafikeng and Mmabatho area and also to what extend does management skills affect small skills affect small businesses. The report also looks at how entrepreneurs use technology in their businesses.

LIST OF FIGURES

	Page number
Figure 5.1: What made you start your business?	30
Figure 5.2: Business registration	31
Figure 5.3 Main business	32
Figure 5.4: Mission statement	33
Figure 5.5: How old is the business?	34
Figure 5.6: People employed	35
Figure 5.7: Main customers	35
Figure 5.8: Market research	36
Figure 5.9: Financing business	37
Figure 5.10: Business success	38
Figure 5.11: Promotion	39
Figure 5.12: An evaluation by customers	40
Figure 5.13: Home deliveries	40
Figure 5.14: Professional expertise	41
Figure 5.15: Skills provided by staff	41
Figure 5.16: Main customers	42
Figure 5.17: Credit facilities	43
Figure 5.18: Business in three years	44

CHAPTER 1 ORIENTATION

1. 1 Introduction

"Small, medium and micro-enterprises (SMMES) represent an important vehicle to address the challenges of job creation, economic growth and equality in South Africa", The Star, Business Report 8 February 2005. The rate of unemployment is currently, especially of school leavers, is currently high. As a result, entrepreneurs attempt to create jobs because there is a variety of small and medium business that can be started. Co'neill (1997:2) defines an entrepreneur as someone "who undertakes to pursue opportunities, to fulfil the needs and wants through innovation and starting a business". Therefore in South Africa the entrepreneurs play an important role in introducing businesses in response to the high rate of unemployment.

One example of emerging entrepreneurs in South Africa Dingaan Mnizi, a former Umkondo we sizwe soldier who started a catering business after he returned from political exile. This entrepreneur started his business because he saw need in the community that he wanted to address. His business sells meals to staff at schools, two hospitals, the local police station and a local bank (Business News May 2002). Mnizi is an entrepreneur who created a job for himself and two more people and plans to grow the business. If the business grows rapidly, more jobs will be created which will mean more people will be employed.

There are various reasons entrepreneurs start their businesses such as a desire to be financially independent,. Many entrepreneur choose their business type according to their intensity and passion., Start and manage your business (Feb/March 2001).

Based on the above, it shows that some people can start their own successful business if they want to be financially independent. Other people start their business small and eventually grow to be one of the most successful businesses. Entrepreneurs with enough courage to start their own business may be a solution to the high unemployment rate in South Africa, Start and manage your business, Feb/March 2002.

Carter (2000:199) defines a franchise a "contractual relationship between a franchisee and a franchisor in which the former agrees to produce or market a product or service in accordance with an overall "blueprint" devised by the franchisor." The relationship will be continual and support and service will always be provided at a small fee. One such business is St Elmos, a pizza business which started in 1985. This company is now found in all major cities in South Africa (Start and manage your business April/May 2000). Murphy (1996:3) on the other hand argues that small business are started because they cater for the niche markets and encourage and satisfy innovation. He further states that such businesses help to create jobs, reduce unemployment and contribute to a nation's gross domestic product.

In South Africa there are different organisations which support SMMEs to be sustainable and to grow to be big businesses that can be changed into franchises. These organisations include Khula Enterprises, Ntsika, Business Partners, Franchise Advice and Information Network, Manufacturing Advisory Centre and Business Referral and Information Network. Each of these organisations specialises in providing emerging entrepreneurs with different information to meet their different objectives. The National Small Business Act was promulgated in 1996 and provides

for the establishment of the National Small Business Council and the Ntsika Enterprise promotion agency. The Act also provides guidelines for the state to promote small successful businesses. This was a good move by the government to help aspiring entrepreneurs (Mail 2003:17).

1.1.1 Khula Enterprises

This organisation was established after the national government realised that entrepreneurs from the previously disadvantaged communities lacked start-up capital and capacity to start their own businesses. More often than not, existing and prospective entrepreneurs fail to raise finance from financial institutions due actual or lack or perceived lack of collateral. Khula Enterprise was therefore established to address this problem and does not work directly with small businesses, but rather through banks and non-profit business loans organisations organizations called Retail Finance Institutions (Dti Newsletter 2002).

Access to capital is a major constraint to SMMEs growth and efforts to establish sustainable sources have been made by Khula to address this problem. Khula Enterprise has five ways of getting finance namely:

- ***The Khula Credit Guarantee Fund:*** A fund that guarantees bank loans on behalf of business owners who do not have enough collateral.
- ***Technology Transfer Fund:*** To help businesses to upgrade their technology.
- ***Business to business Partnership Fund:*** Link South African small businesses with Danish business partners.
- ***Thuso Mentorship Program-me:*** To help small businesses to write good business plans.

- **Khula-Start:** A fund that helps micro-loan organisations to give out loans to very small income generating businesses (www.khula.org.za)

1.1.2 Ntsika Enterprise Promotion Agency

This organisation is the government's agency charged with helping small businesses with their non-financial needs. These needs range from basic business skills to the use of technology in business. The agency does not deal with the small business directly but supports network of organisations throughout South Africa, which in turn help small businesses (www.ntsika.co.za, 2002).

1.1.3 Business Partners

This organisation invests about R250 000.00 to R15 million in start-ups, management buy-ins, franchise, tenders and contracts. It also provides a range of independent added-value services including property broking, property management, consulting and mentorship and helps entrepreneurs to establish themselves (Your Business Feb/March 2004).

1.1.4 Franchise Advice And Information Network (FRAIN)

This organisation was established by the Department of Trade and Industry (DTI) to provide invaluable information and advice on all aspects of franchising. Its mission is to supply value added information support service to individuals and small enterprises to ensure growth and improvement of new and existing franchising businesses (Dti Newsletter, 2002).

Franchising is a rapid and relatively safe way to enter into business, but most South Africans do not have access to opportunities or support to enable them to utilise it. Frain vision is to utilise the opportunity to grow the South African SMME market rapidly by improving franchising in the South African Micro, Small and Medium sized Business sector. Frain was initiated by the Franchise Association of South Africa (FASA) with the support of the Department of Trade and Industry (DTI) (www.thedti.org.za).

1.1.5 Manufacturing Advisory Centre (MAC)

This centre provides advisory services to existing manufacturing and SMMEs to ensure improvement in quality, competitiveness and productivity. Such advice includes support, analysis, and mentoring at highly subsidised rates. The centre targets market in small and medium sized manufacturing enterprises which employ up to 200 individuals (Dti Newsletter, 2002).

The programme's vision is to supply high-quality advisory services to existing manufacturing SMMEs to ensure a quantum improvement in their quality, competitiveness and productivity. The emphasis is on Historically Disadvantaged Individuals (HDI) businesses and the aim is to improve these businesses over time by enabling them to join the mainstream economy and eventually become sustainable exporters (www.thedti.org.za).

1.1.6 Business Referral And Information Network (BRAIN)

This organisation renders information service to SMMEs. BRAIN's vision is to improve the competitiveness and growth of SMMEs. The information is supplied

through a network of existing delivery centre and the targeted client base is predominantly Historically Disadvantaged Individuals who own small businesses or who want to start their own businesses. The organisations main task is to support SMMES to be sustainable and to grow the (Dti Newsletter, 2002). It was set up to supply high-quality, value added information services through existing small business support organisations to small business. It has a website that consists of comprehensive business information and it is continuously expanded and updated (www.brain.org.za).

1.1.7 National Empowerment Fund

The organisation is intended to empower entrepreneurs by providing loans to small businesses. It gets its funds from money accrued from privatised state owned assets.

South Africa is a land of opportunities and has a lot of resources, so it is important for people to be encouraged to start their own businesses to reduce unemployment. (www.nyf.org.za). This will not only create jobs, but it will also develop the economy of the country. Privatisation can cause problems, one of them being that people can loose their jobs. Therefore, SMMEs should be seen as part of an integrated strategy to promote a diversified economy and should be provided with the required support for them to flourish (www.thedti.gov.za).

1.1.8 Tender Advice Centres (TAC)

TAC consists of a group of organisations throughout South Africa that help small businesses to tender for contracts. Services provided by TAC include training, helping with filling in tender forms, letting small businesses know which contracts are available and post-tendering support and advice (Dti Newsletter, 2002).

There are other ways in which an aspiring entrepreneur can go into business. One of them is by acquiring a franchise in catering that target small entrepreneurs such as Chip n Dip. This is a vending for french fries with a choice of eleven delicious dips. These focus is on tasty, no fuss meals that are an attractive, convenient, non-messy nutritious and affordable (Succeed, Jan/ Feb 2002).

1.1.9 Umsobomvu Youth Fund

The aim of this programme is to help young people acquire skills that will enable them to create jobs for themselves. This programme consist of two sub-programmes namely youth employment and youth entrepreneurs. These sub-programmes focus on different skills that young people need to create their own jobs (www.yfu.co.za)

1.1.10 Smme Support Service

This support service's main aim is to facilitate the creation of an enabling environment for the thriving of small, medium and micro enterprises. The entrepreneur can visit this Center to get more information (Newsletter, SMME support services).

1.2 Scope Of The Study

The scope of this study is to find out why some of SMMEs established in the past ten years are successful and others failed. According to De Beer (1997:1) businesses fail because they lack good management. Even if one's business is in a lucrative spot, if there is no proper management the business will fail.

1.3 Importance of the Study

South African needs better training and education if they are to become more entrepreneurial (Succeed July/August: 2005). This research is important because it will try to compare the aspects that make small businesses succeed and also why others fail. According to Opportunity (issue 15), "SMME's need more money and generic training to move into growth-oriented commercial activities. They require technology development, professional advice and financial assistance". This research would also try to find ways that would help entrepreneurs be sustainable.

1.4 Objectives of the Study

Entrepreneurs once they have established their own businesses, must make sure that they manage their businesses well to grow. They can do this by registering for short courses in business management that will equip them with skills to better manage their businesses.

However, not all businesses that have started will succeed because some are not managed well. So the main aim of this study is to analyse those aspects that make small business succeed and those that make them fail in Mmabatho.

1.5 Study Environment

This research evaluated the successes of the SMMEs in the Mafikeng and Mmabatho area. Therefore the research will only be focusing on this are only. The population in this are is multicultural and consist of local residents and migrant workers. This information is important because entrepreneurs must know who their clients will be.

Mafikeng is the capital city of the North West province and small businesses contribute to the economy of the province by providing jobs.

1.6 Plan of the study

This study is divided into six chapters. Chapter one of this study focuses on introducing the topic chapter two reflects the literature reviewed for this study. Chapter three presents the problem statement, hypothesis and the rationale for the study.

Chapter four focuses on the research design, analysis the population, sample and analysis. Chapter five reflects the results and interpretation of data. The final chapter six focused on discussions, conclusions and recommendations.

1.7 Conclusion

This chapter introduced the topic of research. Different organisations that can help SMMEs were highlighted and briefly discussed. The aims and objectives of the study were also discussed. A more detailed discussion of literature review will be done in chapter two.

CHAPTER 2 LITERATURE REVIEW

2.1 The role of small medium and micro-enterprises

Unemployment is the major cause of widespread poverty in South Africa. Currently unemployment is estimated at 22.9% of the economic active population (USAID 2002). Job creation remains the major problem for the government. Small, medium and micro-enterprises development has been identified by the government as a priority in creating jobs to solve the high unemployment rate in South Africa (Nieman 2004:2) The Small, Medium, and Micro Enterprises (SMMEs) sector provides people with job opportunities and helps to alleviate poverty.

SMMEs have unique qualities which enable them to create and provide job opportunities, stimulate initiative and innovations, promote healthy competition and fulfil an extremely important socio-economic role far easier than big businesses (Kroon 1998:29). There are different SMMEs sectors ranging from food production to manufacturing and combined contribute towards the Gross Domestic National Product (GNP) of South Africa. GNP is the value of all the goods and services produced by a country during a given period. It is one of the most widely used methods for measuring a nation's total economic performance in a single year (World Book Encyclopaedia 1988:423).

Many unemployed people in South Africa are from predominately historically disadvantaged background. This problem has forced citizens to start businesses to address the problem of unemployment and created jobs for others. The ability to make decisions and increased earning power are not the only advantages

entrepreneurship offers. Entrepreneurs are in a position to create jobs, thus offering a unique opportunity to touch the lives of others (Parker 2003:9). However, except this, there are many other reasons why people start their own businesses. More important than riches to many an entrepreneur is the freedom that comes from being one's own boss. It gives them (entrepreneurs) the opportunity to work in a field they really enjoy (Barrow 1998:30).

Some of the ideas come because one cannot have a better service in the community. Mrs. Merango got her idea to start her bathtub business when she struggled to buy a customized bathtub set, Sunday Times (2001:12). If you have passion and vision about what you are doing, Kabi(2002:204) state that idea, that "entrepreneurs and people with enough courage to start their own business may be a solution to the high unemployment rate in South Africa". Meyer (1994:31), outlines the advantages of a good entrepreneur: *Financial independence, being own boss and having job security*. However, these advantages cannot be achieved if there is no hard work and dedication. City Press (2002:24) states that he was not prepared to spend the rest of his life working for another person and decided to start his own business in hair products.

Starting a business is not limited to a specific gender. Every person irrespective of age or gender can start his or her own business. However, the main purpose of the African National Congress Youth League is to empower the youth of South Africa irrespective of age and gender with skills to start their own businesses. This organisation concentrates on youth development in South Africa and has developed a job strategy with four central pillars, namely

- *"To increase the total number of jobs in the country.*
- *To introduce special program which serve both to provide temporary employment for the youth and to increase their levels of skills.*
- *To increase the proportion of total available jobs that is channeled to youth.*
- *To promote self-employment and collective employment program for the young people". www.anc.org.za*

There are many challenges facing SMMEs such as lack of financial resources which is an obstacle for aspiring entrepreneurs. This difficulty makes it impossible for people to start their own businesses and to invest back in the business if its already operating. In addition to this, big businesses and some banks find it difficult to help small businesses. Moegsien (2002:12) banks cannot give loans to SMMEs because they classify them as high risk. However, they can provide loans once they see that the business is making some profit.

The United States Agency for International Development/ South Africa (USAID/SA: 2002) states that the main problem facing SMMEs is lack of money. Nedlac has a different viewpoint regarding this since it believes that although the government has put mechanisms in place such as Khula and Ntsika, blacks are still considered high risk redlined by banks which refuse to extend finances to such businesses (Nedlac 2002). Kroon (1998:34) identifies factors that are experienced by SMMEs:

- *Inadequate turnover*
- *Stock receipt control*
- *Stock control*
- *Poor location.*

The author further outlined other internal problems that usually arise once the business has been established:

- *Incompetence of management.*
- *Lack of managerial information. Information on aspects such as purchases, sales and stock keeping.*
- *Ineffective planning. Planning on the basis of formal goals, budgets.*
- *A continuous shortage of capital.*

2.2 Management of Smme

Each and every business should be managed effectively because management can affect the business positively or negatively. Well-managed businesses succeed because managers have some knowledge of factors such as marketing, financial management, human resources, materials and operations management. According to Biznews (2006) "you cannot run a business with a positive attitude alone. Plans help run the business". Therefore planning is important for the business and can help in alleviating problems than may occur

2.2.1 Marketing

Marketing plays an important role in any business because it can determine whether a business will make profit or operate at a loss. It actually exposes people to the products or services that are offered by a business or company. Millions of rands are spent by many companies to make sure that people know about their products. Machado(1996:2). Small business marketing entails identifying target markets, determining their potential and preparing, communicating and delivering satisfaction to these target markets

However, there are various ways or methods that can be used to attract people to a business. Marketing can be done through newspapers, radio, magazine and outdoors advertisings. All these types of marketing mediums have their advantages and disadvantages. So its the duty of the entrepreneur to select the medium that will best advertise his or her business. The entrepreneur can make use of the marketing mix strategy to advertise his or her products. White (2003:28) states that: "The five Ps make up the marketing mix, the components of marketing that are under your control" Theses four Ps stand for people, product, promotion, place and price. These factors are important because they help the entrepreneur to promote his or her business.

2.2.2 Financial Management

Most of the SMME do not have credit facilities and some owners have poor financial skills. Given this situation, it is important that efficient record keeping becomes extremely important to the entrepreneur Kroon (1998:191). Smit (2000.183) argues that one of the biggest weaknesses with small businesses is poor control over finances, for instance poor cash control. The author further outlines the following benefits of keeping records:

- *The resources of a business can be used effectively.*
- *The owner will always be informed about the financial position of the business.*
- *The owner can keep a check on sales.*
- *Informed choice can be made.*
- *Stock can be controlled.*

Keeping good records is a key to the success of any business. According to Van Aardt (200:159) financial administration involves keeping the original records of the following:

- *All the payments received by business.*
- *All the credit advancement to customers.*
- *All the payment made by the business*

2.2.3 Human Resource Management

Human resource management is one of the functional area of management. Machado (1998:85) defines human resource as those activities performed by the human resource department that help managers to use the personnel of the business in the best way possible to attain the objectives of the business. In a small business, the human resource department does not exist because the number of employees is usually not more than 100 individuals. The owner is usually the one who plays the role of a human resource manager. Parker (2003:54) states that entrepreneur should plan their staff complement in advance rather than making ad hoc decisions as the need arises.

2.2.4 Materials Management

Businesses should always supply customers with good quality products. Reliable suppliers will enable the business to provide customers with quick service. Choosing a supplier is much like choosing best friends because suppliers must be trustworthy and loyal. The supplier of goods must be able to process orders quickly and offer quality that keeps customers happy (Start and manage your business 2001:52).

Therefore having the right supplier will ensure that the business will be able to deliver service quickly.

2.2.5 Operation Management

De Beer (1997:64) defines operations management as the management of systems or processes that offer products or services. The product must be designed in such a way that it will be produced smoothly to meet the demands of the market. Small businesses must be organised in such a way that they will be able to operate efficiently and employees must know their roles, i.e. their job description in a business.

2.3 Forms of businesses

Machado (1996:6) states that there are different forms of businesses that entrepreneurs can use to register their businesses namely: *Sole proprietors, partnership, company and close corporation*. The author defines sole proprietorship and partners as:

2.3.1 Sole proprietorship is a business that is owned by one person. In such a business, the resources and assets belong to the owner, who is responsible and personally liable for all debts and claims against the business.

2.3.2 Partnership is a business formed by a contract between two or more people to set up and run that business. The people who sign this contract are called partners and any profit made by the business is shared among them.

2.3.3 Company should be registered in accordance with the Companies Act. Once it has been registered it will acquire its legal separate entity that is distinct from its shareholders. Strict accounting records should be kept Barrows (1998:50)

2.3.4 Close corporation on the other hand, is a form of business that does not have more than ten members and also acquires its legal entity upon registration. Each member must make a contribution that can consist of money, assets or services and he or she acquires a member's interest in the corporation, expressed as a percentage (Kroon 1998:63). SMME can choose one of the above forms to register their business.

2.4 Business Plan

Planning for a business is important because it the entrepreneur helps us achieve set goals. A business plan is an essential action plan outlining all aspects of the proposed business (Bowler 1995:29). It helps to develop a competent business strategy, feasibility of the venture and anticipate the problems that can occur. A business plan is important because:

- *It forces the entrepreneur to do proper research.*
- *In doing research, the entrepreneur views the business idea objectively and critical pitfalls are then anticipated.*
- *The business plan quantifies business goals and objectives.*
- *The business plan is an essential tool when applying for financial assistance.*

Small businesses such as catering, dressmaking etc. also need to plan their actives for them to be successful. Their planning should include amongst others the presentation of their food, clothes and cost. This is important because it will help in running the business and also helps the owner to focus on their business objectives.

2.5 Sources of Venture Capital

When an entrepreneur wants to start his or her business, he or she needs a good business plan and most importantly money. Money for financing a business is not always available. Corman (1996:291) identifies the following sources that entrepreneurs can use to acquire money:

- **Seed financing:** This is the money saved by the entrepreneurs and usually its not enough to start a business.
- **Relatives and friends:** This is the most frequently used method to acquire money
- **Partners:** Many businesses ventures are started with one or many partners in order to meet capital requirements more easily.
- **Commercial Banks:** Banks that receive funds from depositors and lend these funds to businesses. These banks require a personal guarantee in the form of mortgages or collateral.
- **Government sponsored agencies:** These are institutions that the government has set up to help small businesses with finance and other skills such as financial management.

2.6 Awards For Smme

In South Africa small businesses play an important role in the development of the economy of the country. They contribute towards the Gross National Product of the country. As mentioned above, there are reasons for starting a business. Others start their businesses because they want to be their own bosses, to be financially independent, etc. For those people that do not have finances to start their businesses, they can use services such as Ntsika, and Khula set up by the government for assistance (www.khula.org.za).

Businesses are started and some of them succeed and the others fail because of different reasons. Such other reasons include lack of management skills, lack of financial management, lack of marketing skills and experience. Those that succeed must be recognized and rewarded for their effort. Africa SMME Awards is one such kind of award that is given to SMMEs and Center of Africa Investment Analysis at the University of Stellenbosch Businesses School initiated this award. Its aim is to encourage SMME to provide the best service and deliver good product (City Press 2003:7)

The National Department of Agriculture and Land Affairs also presented its own awards to female farming entrepreneurs (Sowetan 4 December 2003). These awards also encourage women to be entrepreneurs so as to create jobs for other people.

2.7 Franchise

One way of starting a business is to buy a franchise which is an arrangement between a franchisers and the franchisee. The two parties enter into an agreement with the intention to exploit the franchisers brand and proven business system (Parkers2003:171). The benefits of buying a franchise include among others include the following:

- *Proven product/ service*
- *Marketing support.*
- *Advertising support*
- *Brands names.*
- *Training from the headquarters.*
- *Formula for success.*

Franchise businesses are profitable for a number of reasons such as:

- *“To get into business for themselves for themselves, not by themselves.*
- *Companies to convert their exiting branches into a lean marketing machine”.*

(Starting and owning your business 2001:9)

When one buys a franchise one will always get marketing or other form of assistance from the head office. However, owning a franchise does not mean that the owner will just relax and that the brand will bring in money. Factors such as good customer service can play an important role in business management. If the customer service is not good, the clients will not use the service or buy products. Starting and owning your business 2001:44) provides ways to promote good customer service:

- *“Do a little extra each time for the customer.*
- *Redress a customer concern immediately.*
- *Get to the customer before they get into you.*
- *Keep those promises.*
- *Attend to detail”.*

Doing a little extra for the customers will guarantee that they will come back and will tell the other people. Attending to customer concern immediately will make sure that the customer stays happy and business will not be lost. Success does not come without planning. “Planning is the result of conscious decision to change the current situation to the desired situation”(Starting and manage your business 2001:27). For one to succeed, one must fully understand the current situation and also appropriate

course of action. If a business does not yield the appropriate income, one has to go back to the drawing board and try to rectify the problem.

Entrepreneurs who have just started the business or have a unique product or service to offer must be careful when they turn their business into a franchise. The main problem with this is that the market they are entering can be very volatile and they can lose their investment. Starting and owning your own business (2000:27): supplement further provides a checklist against this problem:

- *Do you offer a quality product or service?*
- *Is the product/ service in demand?*
- *Is your business making a profit?*
- *Does the business require special skills and are you able to provide training?*
- *Will franchised stores be profitable enough to support the franchise and you?*

2.8 Conclusion

Small businesses create jobs, but to start a small business requires money, which a lot of people do not have. It is important that entrepreneurs should do research before starting their businesses to determine the viability of such business. This is important because it will make sure that they minimize their chances of failing. In South Africa, the National Government has setup institutions that help entrepreneurs with aspects of starting business such as writing business plans.

CHAPTER 3 DEFINING THE PROBLEM AND RESEARCH QUESTION

3.1 Introduction

The aim of this study was to investigate the reasons SMMEs established in the Mafikeng and Mmabatho survive and reasons others failed. A questionnaire was used to gather data, as it enables us to have a large sample of respondents.

The questionnaire was chosen for this study because as Corman 1996:160 states it is easy to use and data collected is geared specifically to the decision-making. Copies of questionnaires were given to different businesses. Confidentiality was guaranteed in order to enable participants to respond honestly.

3.2 Rationale to study

Since the African National Congress took government office in 1994, a lot of effort has been put to develop SMMEs such as structures include amongst others Ntsika, and Khula. The Department of Trade and Industry also helps small businesses to be sustainable by equipping the entrepreneurs with skills. Entrepreneurs create jobs for themselves as well as other people and this helps to reduce the unemployment rate in the country. Sustaining and developing small businesses is good stimuli for any economy, more so in the case of developing countries like South Africa.

However, some problems have emerged which make it difficult for entrepreneurs to sustain their businesses such as lack of finance and management skills. Nieman (2004:170) holds that the growth capital consists of those funds needed to shift the firm from the start-up phase to a position where it can become a significant contender in the market place. It is important that money has to be invested in the business for

the entrepreneur to be able to start the business and more money has to be invested in the business in order for it grow (Machado 1999:127).

South Africa has the opportunity to host the World Cup in 2010 and this is an excellent opportunity to start businesses because people will be visiting the country bringing money. All the visitors including locals must be catered for and it is for this reason that catering business should provide a world class service to visitors so that they can return to our country long after world cup. Marketing is essential in selling products (De Beer 1996:45) selling products or service will increase the profits of any businesses. Good quality products also contribute to increasing the revenue of a business. This again will make South Africa to be one of the top holiday destinations long after the World Cup.

3.3 Defining the problem

Small businesses contribute towards the economy of the country and people need to be encouraged to start the own businesses. SMMEs are faced with a lot of problems such as marketing, financial management, operational management, materials management and human resource management. The failure rate amongst SMMEs is relatively high and without exception, the reasons for failure can be ascribed to the human factor (Kroon 1998:34). Unlike big corporates, where there are different departments such as human resource and marketing where people are employed to run these departments, SMMEs have limited human resources.

3.4 Hypothesis

- SMMEs established in the past ten years (1995-2005) in Mafikeng and Mmabatho area are successful.

- Good finance, marketing, human resource, operational and materials management is a contributing factor towards the success rate of SMMEs.

3.5 CONCLUSION

This chapter reflected the rationale for this research, the definition of the problem at hand and the hypothesis formulated.

CHAPTER 4 RESEARCH DESIGN AND ANALYSIS

4.1 Introduction

The research method used in this study was varied and mixed. A combination of research methods was employed to capture and analyse data. The methods employed included the use of qualitative and quantitative data search, interviews and questionnaire. The research was empirical in nature however time constraints limited the amount of data that had to be collected.

4.2 Research Tool

The following instruments were used to collect and analyse data.

4.2.1 QUESTIONNAIRE

According to Vos (2005:166) a questionnaire is a collection of questions on a form, which is completed by the respondents in respect of a research project.

In this study the, the copies of the questionnaire were hand delivered to small businesses (20) selected. The importance of a questionnaire is that it is in the hands of the respondents and is completed by him or her, usually not under supervision of the researcher.

4.2.2 ADVANTAGES OF QUESTIONNAIRES

According to Vos (2005.p12), if the questionnaire is handed to the respondents to complete, the researcher is available in case problems are experienced. The following are some of the advantages of questionnaires:

- They are cost effective when compared to face-to-face interviews.
- They are easy to analyse. Data entry and tabulation for nearly all surveys can be easily done with many computer software packages.
- They are familiar to most people. Nearly everyone has had some experience completing questionnaires and they generally do not make people apprehensive.
- They reduce bias. There is uniform question presentation and no middleman bias.
- They are less intrusive than telephone or face-to-face surveys.
(www.statpac.com).

4.2.3 Disadvantages of Questionnaires

According to Vos (2005.12), questionnaires can only be used if respondents are motivated to read the questions carefully and respond honestly and if they are knowledgeable on the issues which are addressed in the questionnaire. The following are some of the disadvantages of questionnaires:

- Questionnaires are standardised so it is not possible to explain any points in the questions that participants might misinterpret.
- Open-ended questions can generate large amounts of data that can take a long time to process and analyse.
- Respondents may answer superficially especially if the questionnaire takes a long time to complete.
- People might not want to answer the questions. They might not want to reveal the information or they might think that they will not benefit from responding perhaps even be penalised for giving their real opinion (www.icbl.hw.uk).

4.2.4 Interviews

Intensive and elaborate interview sessions were conducted with failed business owners before the research can start. Their views provided qualitative assumptions and their opinions were used to draft a questionnaire

4.3 Biographical Data

All the respondents were residents of Mafikeng and Mmabatho who had small business in catering. They all came from different backgrounds and were both females and males.

4.4 POPULATION

According to McBurney (2001:248), a population is the totality of persons, events, organisation units, case records or other sampling units with which the research problem is concerned. In this study the respondents were mainly residents of Mafikeng and Mmabatho area. They were mainly small businesswomen and men whose businesses were less than five years old. Biographical data including education level, age, language and socio-economic status of the respondent was not taken into consideration in this research.

4.5 Sample

According to Vos (2005:p193) quoting Kerlinger(1986), a sample is taking any portion of a population as representative of that population". As a result of the nature of the topic, the population was very small (40 businesses) and a small sample of 20 businesses were given the questionnaire to complete. Sample random sampling was

also used to choose the respondents. It's also important to note that no respondent was forced to complete the questionnaire.

4.6 Data Collection Instruments

A survey questionnaire and interview was employed as the technique for data collection. The questionnaire was required to achieve the objective of this research. The respondents were urged to answer all the questions honestly and to contact the researcher in case they needed more information on some of the questions.

4.7 Covering Letter

A letter to explain the purpose of the study accompanied each copy of the questionnaire. The covering letter informed the respondents that their information would be used solely for educational purposes and confidentiality would be mentioned.

4.8 Format and content of the questionnaire

The questionnaire comprised of both open and closed ended questions. A closed ended question gives the respondents options to choose from and it does not allow respondents to elaborate on the questions asked. Open-ended questions on the other hand allow the respondents to further elaborate on the question asked. The letter of consent highlighted the purpose of the research and assured the respondents that the information that they would provide would be treated with confidentiality.

The questionnaire was divided into two parts, the first part comprised of questions about the business. The respondents were required to answer questions about the

registration of the business and human resource. The second part consisted of information about management skills and future plans of the business.

4.9 Data analysis

Graphs and Statistical Analysis Software System (SASS) were used to analyses data. Using this software gave accurate analysis of information from the questionnaire.

4.10 Conclusion

This chapter presented an overview of the research methodology used in the study. The questionnaire was used as the main tool for collecting data for the study and interviews were also conducted with failed business owners. The results obtained from SASS are discussed in the next chapter.

CHAPTER 5 RESULTS AND INTERPRETATION

5.1 Introduction

In this chapter, the results obtained from the questionnaire are discussed. The data are presented in graph format followed by a brief discussion. However, not all the questions are presented in graphs but a detailed discussion is presented per question.

5.2 Analysis of questions

PART A: Information about business type

1. What type of business are you in?

All the respondents (100%) indicated that they are in a catering business (BEE).

2. What made you start this business?

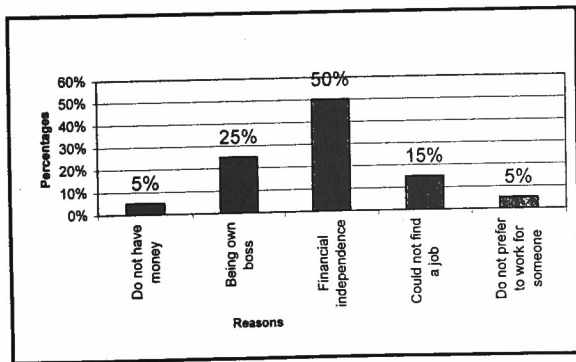


Figure 5.1: What made you start your business?

The majority (50%) of the respondents indicated that they started their business because they wanted to be financially independent. However, 25% indicated that they wanted to be their own bosses. On the other hand, 15% indicated that they started their businesses because they could not find any job. Others (5%) started their business because of they do not have money or do not prefer to work for someone.

3. Is your business registered?

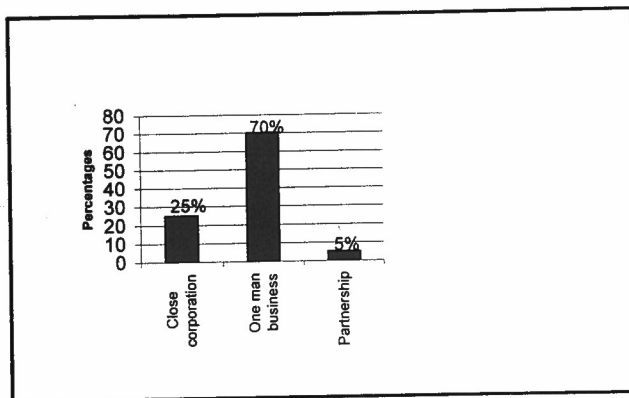


Figure 5.2: Business registration

Most of the respondents (70%) stated that their business is one man business, 25% had registered their businesses as close corporations while 5% were in partnerships.

4. Who are the main shareholders?

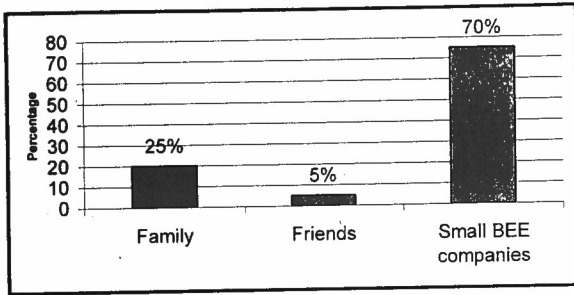


Figure 5.3: Main business

Most of the respondents (70%) indicated that other small BEE companies are their main shareholders in their businesses. However 25% indicated that family members are their main shareholders in the businesses. The remaining respondents (5%) indicated that friends are main shareholders.

5. Does your business have a mission statement?

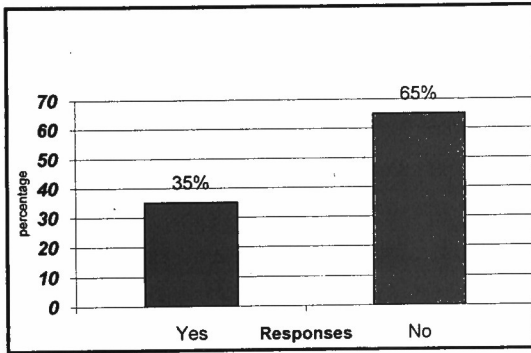


Figure 5.4: Mission statement

Most of the respondents (65%) indicated that they had no mission statements for their businesses. On the other hand, 35% of the respondents indicated that they had mission statements that they used in managing their business.

6. If yes in question 5, how does it help you manage your business?

35% of the respondents indicated the mission statement gave their business direction and keeps them focussed in marketing and administration of the business.

7. How long has the business been established?

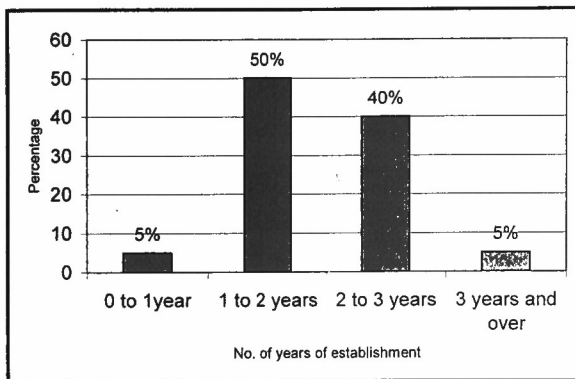


Figure 5.5: How old is the business

Most of the respondents (50%) stated that their businesses have been established for a period of one to two years. However, 40% of the businesses were two to three years old and over, 5% indicated that their businesses were less than one year old and another 5% three years and older.

8. How many people do you employ?

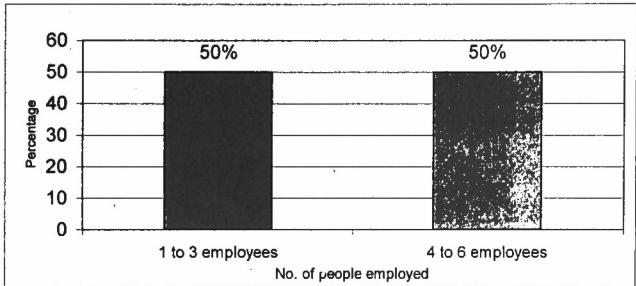


Figure 5.6: People employed

50% of the respondents employed one to three people while another 50% employed between four to six people.

9. Who are your main customers?

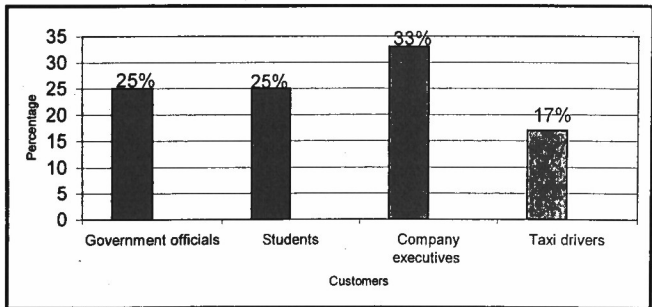


Figure 5.7: Main customers

33% of the respondents indicated that their main customers were company executives from Mafikeng, while on the other hand only 25% indicated that their main customers were students and the other 25% government officials. Only 17% of the respondents had indicated that their customers were taxi drivers.

10. Did you do market research before you started your business?

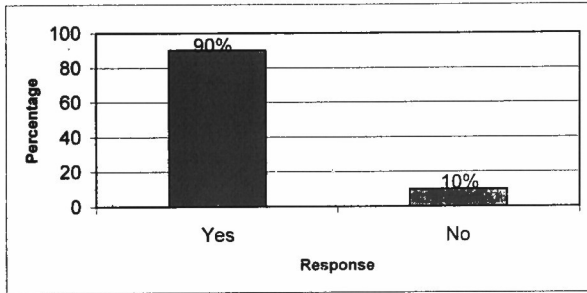


Figure 5.8: Market research

Out of all the respondents, 90% did their market research before starting their business as compared to 10% who did not do it.

11. If yes in question 10, did it help start your business?

Most of the respondents (90%) of the respondents indicated that market research that they conducted, helped them to start their business. They were able to identify their target market and provide the right customer service. Even before starting business they had contracts signed up with same customers.

12. How did you finance your business?

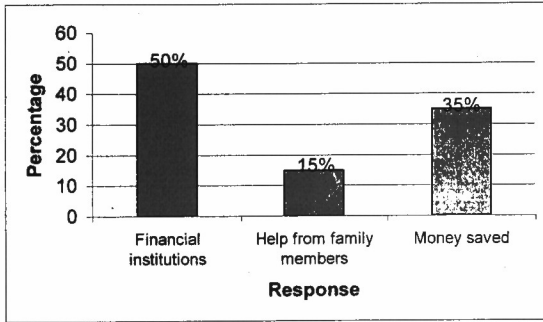


Figure 5.9: Financing businesses

The majority of the respondents got a loan from financial institutions (50%). On the other hand 15% of the respondents indicated that they got help from family members or started small and then grew from the profits ploughed back into the company, respectively. The other 35% stated that they started their business from the money they saved.

13. What do you think makes your business a success?

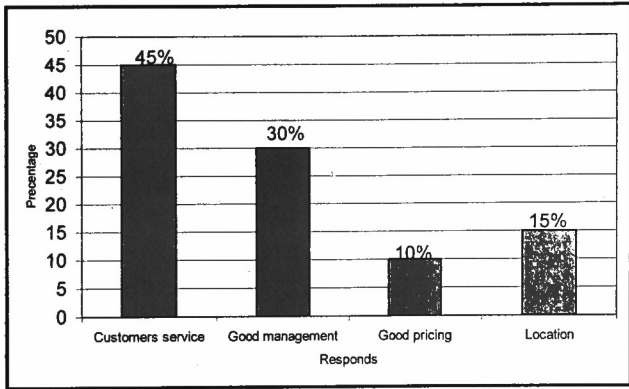


Figure 5.10: Business success

About 45% of the respondents stated that good customer service plays an important role in their business, 30% of respondents indicated that good management made their business succeed. On the other hand, 10% indicated that good pricing made their business succeed, while 15% indicated that location made their business succeed.

PART B: Information about management skills.

14. How do you promote your business?

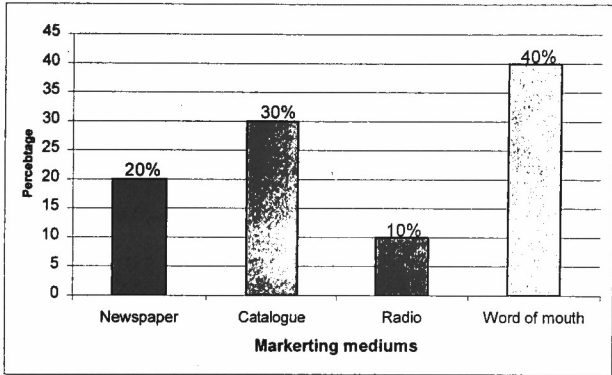


Figure 5.11: Promotion

Most of the respondents (40%) indicated that they advertised themselves by word of mouth. On the other hand, 30% indicated that they promoted their business by using catalogues usually distributed with local newspaper, 20% indicated that they advertise in the local newspapers while 10% used radio advertising.

15. Do you think the customer is always right?

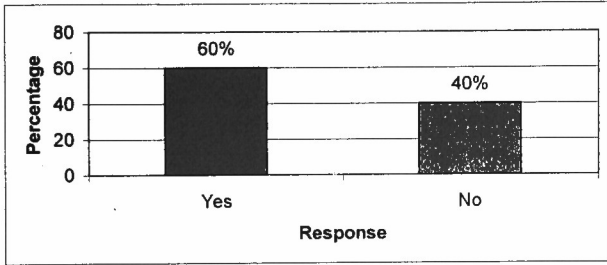


Figure 5.12: An evaluation by customers

The majority of the respondents (60 %) indicated that the customer is always right. On the other hand, 40% of the respondents had a different perception, in stating that the customer is not always right because they always complaining about the service.

16. Do you think home deliveries can improve your service?

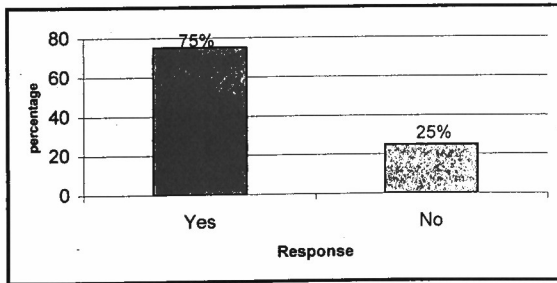


Figure 5.13: Home deliveries

Most of the respondents (75%) stated that home deliveries can improve their service while on the other hand 25% stated that home deliveries cannot improve their business.

17. Do you think you can improve your business by using professional expertise?

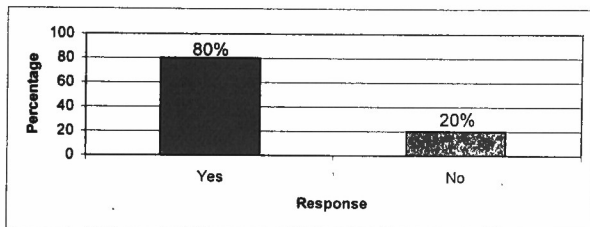


Figure 5.14: Professional expertise

Most of the respondents (80%) required professional expertise such as financial management and marketing skills, while 20% indicated that they did not need professional expertise.

18. Do you provide your staff with skills training?

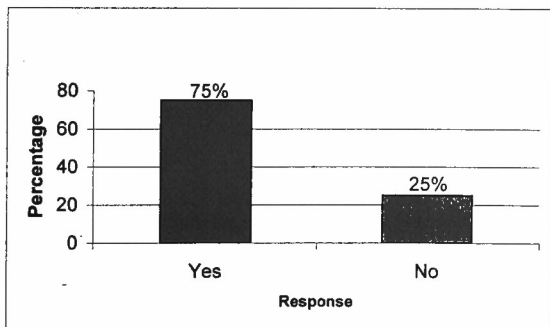


Figure 5.15: Skills provided to staff

A large percentage (75%) indicated that they provided their staff with skills training such as good customer service. Only a small percentage (25%) indicated that they did not provide their staff with training.

19. Who are your main competitors?

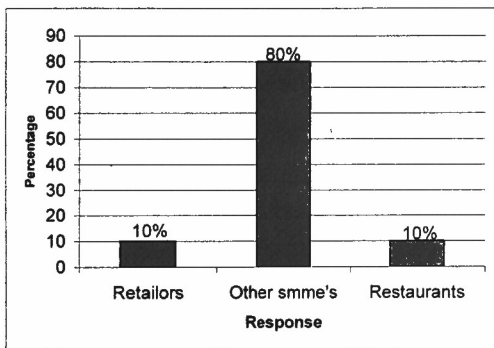


Figure 5.16: Main competitors

Most of the respondents (80%) indicated that other smmes in the same category are their main competitors. However, 10% of the respondents had indicated that retailers and restaurants were their main competitors.

20. How do you make sure that you have competitive advantage over your competitors?

All the respondents indicated that they tried to provide their customers with good services and unique products to customers (good customers service).

21. Do you allow customers to evaluate your service?

All the respondents indicated that they allowed customers to evaluate their business by using evaluation cards.

22. *If yes in question 21, how does it help your business?*

All the respondents indicated that an evaluation of their business by customers, help them to provided good service. The business owner would take that information provided by the customers and try to improve the business otherwise it will affect the business negatively.

23.1 *Do you have credit facilities?*

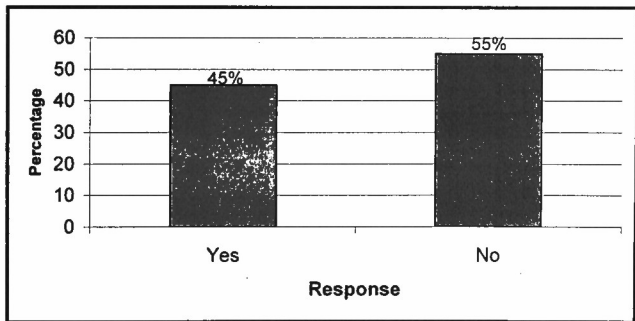


Figure 5.17: Credit facilities

The majority of the respondents 55% have indicated that they did not offer credit facilities in their businesses. On the other hand 45% of the respondents indicated that they do offer credit facilities in their businesses.

23.2 *How do you manage your collection?*

The respondents (45%) indicated that they offer their customers credit and collect the outstanding balance at month end. However, other remaining respondents indicated that their business is strictly cash only.

24. Which technological device help in the running of your business?

The majority of the respondents (90%) have indicated that they made use fax machine to do business and 10% made use of telephone to do business.

25. Where do you see your business in 3 years?

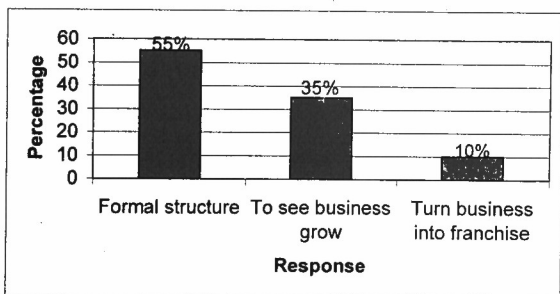


Figure 5.18: Business in three years to come

About 55% of the respondents indicated that they wanted to operate in a formal structure (rented building for doing business). In addition to that, 35% of the respondents indicated that they wanted to see their business grow in the next three years. However, 10% of them wanted to turn the business into a franchise within the next three years.

26. What are the major challenges that you have experienced managing the business?

The major challenges in the businesses that occur are as follows:

- Staff coming late to work.
- Difficulty in collection of debtors.
- Food wastage.

27. How did you solve those problems?

Staff members who usually come late to work were reprimanded. Based on that, the staff members improved and came early to work. This also help them to provide good service and to prepare enough food for the day. Delivering of food was outsourced to other people and some indicated that they were in the process of saving money to buy their own vans.

5.3 Conclusion

The results have provided a broad perspective into what makes SMMEs succeed or fail. Good management and services are among the aspects that were highlighted by SMMEs to try to improve their businesses. These are the most important aspects that can affect business. The next chapter present is conclusion and recommendations.

CHAPTER 6 FINDINGS AND RECOMMENDATIONS

6.1 Introduction

This study was an evaluation of the successes of small businesses in Mafikeng and Mmabatho. The recommendations that are supported are informed by the conclusions from the previous chapters.

6.2 Summary

Chapter 1 focuses on introducing the area to be studied and highlights the need to do this research.

Chapter 2 reflected literature reviewed on issues of business management and other aspects of running a business. In this chapter, a list of sources was consulted to check how much of this area has been covered.

Chapter 3 focuses on definition of the problem, research question and hypotheses.

Chapter 4 presents the research design and analysis, data collection, instruments and data presentation.

Chapter 5 reflects the interpretation of results.

Chapter 6 focuses on conclusions and recommendations.

6.3 Research Findings

In order to address the main aims of the study, the findings discussed in conjunction with the aims of the study in chapter one were highlighted. This section will discuss each of the findings for all the mentioned aims.

6.3.1 Findings on aim 1:

- *To find out what makes small businesses in Mafikeng and Mmabatho to succeed.*

Some small businesses in Mafikeng and Mmabatho are succeeding. This finding means that the owners are providing good service, their product is of a good quality and delivered on time. It also indicates that there is good management in these businesses. An evaluation of products by customers also help the business to grow and makes the owners to know whether they are doing the right job or not The other aspect that makes the businesses to succeed is the right location because the customers are able to reach them easily.

The business also tends to succeed when the owner has good financial skills. Allowing cash sales make it easier for the business to improve cash sales. Marketing also helps the business to be expose to the customers. Presentation should be done in such a way that it will have a lasting impression on customers. Business owners can use a variety of marketing methods

6.3.2 Findings on aim 2:

- *Those aspects that make small business fail in Mafikeng and Mmabatho.*

Most businesses fail because they do not have good managerial skills to run their businesses. The other aspect that affects small business is that the owners do not have a good sound knowledge of finance. Financial management does not exist and

withdraw to much money from their business. They do not have good marketing strategy and this affects their business. The other aspect is that their products is not delivered on time and is not of a good quality.

6.4 Recommendations

Based on the results of the study the following recommendations are suggested:

- Entrepreneurs should go for short courses in business management at institutions set up by the government such as Ntsika, Khula, Department of Trade and Industry. These institutions are set up to provide entrepreneurs with skills such as financial management, writing business plans and operations management. These skills will help them to operate their businesses effectively.
- In order for small businesses to succeed, they must make sure that they provide excellent service and their product should be unique from their competitors.
- Entrepreneurs must make sure that their businesses are in the correct location. If the business is located far away from its customers, it will experience problems with reaching its target market.
- Marketing plays an important role in any business. Small businesses must advertise their product to as many people as possible because this will help attract potential customers. One-way of doing this is to hand out leaflets that describe their business whenever and wherever they provide service.
- Entrepreneurs should attend short courses on financial management because they will be equipped with skills to manage their business.

- They must make sure that their product is very a good quality and it should be in line with what is happening on the market.

6.5 Conclusion

An entrepreneur recognises and makes use of opportunity in his or her community to the risk in making money. Small businesses create opportunities and jobs for other people. In addition to this, the economy of the country has improved quite substantially, because there is enough competition to stimulate innovation in businesses.

An important factor is that entrepreneurs can become financially independent. According to this research, 50% of the respondents indicated that they have started their business so that they could be financially independent and they did not like the thought of working for someone. Another reason people start their own businesses is that they could not find jobs and wanted to address the problem with which they were faced.

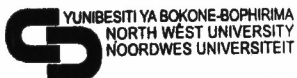
Finally it also appears that a lot of SMME are registered and most of them are privately owned. A small number of them are registered as close corporations. This might cause problems when they try to acquire loans from financial institutions such banks. Financial institution have a problem with businesses that are not registered because they think it is unwise to invest in a business that cannot guarantee good returns. But once they see or there are signs that the business will grow they will start to reinvest back into their businesses.

Bibliography

1. Barrow Colin (1998) The essence of small business, Second edition. Prentice Hall; England
2. Big News. January 2002
3. Bowler A. and Dawood M.S (1995) Entrepreneurship and small business management. Nasou; Cape Town
4. Britannica (1990) The new encyclopaedia Britannica. Volume. Encyclopaedia Britannica, Inc
5. Butler David (2001) Business Development: A guide to small business strategy. Butterworth Heinemann; Oxford
6. Co'neill R. C. et al (1997) Creative entrepreneurship. Kagiso Tertiary; Pretoria
7. City Press. June 8, 2003
8. City Press/. Feb 10, 2002
9. Corman Joel and Lussier N. Robert (1996) Small business management: a planning approach. Irwin; Chicago
10. De Beer A. A (1997) Management of a small business. Juta; Kenwyn
11. DTI Newsletter. 2002
12. Kabi, J. "Empowering women to talk the talk". www.iol.co.za. 18 September 2002
13. Kroon J. (1998) Entrepreneurship: Start your own business. Kagiso Education; Cape Town
14. Landstron Hans et al (1997) Entrepreneurship and small business research in Europe: an ECSB Survey. Avebury; Aldershot

15. Longenecker G. Justin et al (2000) Small Business management: An entrepreneurial emphasis. 11th edition. South Western College Publishing; Cincinnati
16. Machado R (1996) Marketing for a small business. Juta; Lansdowne
17. Machado R. (1999) The foundations of Business. Juta; Kenwyn
18. McBurney, D.H.(2001) Research Methods. Wadsworth Thomson Learning; London
19. Meyer, E and Allen, K. (1994) Entrepreneurship and small business management. McGraw Hill; New York
20. Moegsien, J. "Sacrifice bear fruit". Big News. May 2002
21. Murphy Michael (1996) Small Business Management. Prentice Hall Harlow; England
22. Nieman Gideon and Pretorius Marius (2004) Managing growth: A guide for entrepreneurs. Juta; Cape Town
23. Opportunity: Exploring business prospects in Southern Africa. Issue 15. 2005
24. Parker Eric (2003) Be a winner: run your business and make lots of money. Rollerbird Press; Pinegowrie
25. Smit Leon (2000) Entrepreneurship and Business management: Start your own business. CLS Publishers cc; Cape Town
26. Sowetan 19 June 2003
27. Sowetan. 4 December 2003
28. Start and manage your business. April/ May 2000
29. Start and manage your Business. February/ March 2001
30. Start and manage your business. February/ March 2002
31. Succeed. January/ February. 2002

32. The Mail. 2003
33. The Star. Business Report, 8 Feb. 2005
34. The Sunday Times, Business Report. October 2001
35. The Star. Wednesday 2003
36. The World Book Encyclopaedia, World Book, Inc Chicago (1990)
37. Van Isa Aardt et al (2000) Entrepreneurship and management, second edition.
Oxford University Press; Cape Town
38. www.anc.org.za
39. www.brain.org.za
40. www.khula.org.za
41. [www.nedlec.co.za\(2002\)](http://www.nedlec.co.za(2002))
42. www.ntsika.org.za
43. www.thedti.gov.za
44. [www.usaid.com\(2002\)](http://www.usaid.com(2002))
45. Your Business. February/March 2004



YUNIBESITHI YA BOKONE-BOPHIRIMA
NORTH WEST UNIVERSITY
NOORDWES UNIVERSITEIT

**GRADUATE SCHOOL OF BUSINESS & GOVERNMENT
LEADERSHIP**

POSTGRADUATE PROGRAMMES

Tel: 018-389 2095/2183/2215/2258/2486/2258

Fax: 018-389 2335

Email: graduateschool@uniwest.ac.za

Dear Participant

My name is Kgomotso Brian Ntsie and I'm a final year MBA (Finance) student at the North West University. I'm currently doing research and my topic is "AN EVALUATION OF THE SUCCESS OF SMALL, MEDIUM AND MICRO-ENTERPRISES ESTABLISHED IN MAFIKENG AND MMABATHO." Your assistance in filling in this questionnaire will be highly be appreciated. All the information that is provided will be treated confidentially.

Yours sincerely

K.B. Ntsie

SMME Questionnaire

PART A: INFORMATION ABOUT BUSINESS TYPE

1. What type of business are you in?

2. What made you start this business?

3. Is it registered as, (*Make a tick.* ✓)
Close corporation [] *Partnership* []
Private ownership []
4. Who are the main shareholders of this business? (*Make a tick.* ✓)
Family members []
Friends []
Investors []
5. Does your business have a mission statement?
NO [] *YES* []
6. If yes in question 5, how does it help you manage your business?

7. How long has the business been established? (*Make a tick.* ✓)
1 year [] *2 years* []
3 years [] *4 years and more* []
8. How many people do you employ?
1 [] *2* [] *3* []
4 [] *other, specify* _____
9. Who are your main customers?
Professionals [] *Students* []
Governments officials [] *Company executives* []
Taxi drivers []
10. Did you do market research before you started with you business?
NO [] *YES* []
11. If yes in question 10, did it help you start your business?

NO []

YES []

12. How did you finance your business?

Financial institution []

Help from family members []

Money saved []

13. What do you think makes your business a success?

Unique product [] **Customer service** []

Price [] **Good management** []

Location []

PART B INFORMATION ABOUT MANAGEMENT SKILLS

14. How do you promote your business?

Newspaper [] Radio/ TV []

Catalogue [] Word of mouth []

15. Do you think the customer is always right?

Yes []

No []

16. Do you think home deliveries can help your to have a competitive advantage over your competitors business?

NO []

YES []

17. Do you think you can improve your business by using professional expertise?

NO []

YES []

18. Do you provide your staff with skills training?

NO []

YES []

19. Who are your main competitors?

Retailers []

Other smme's []

Restaurants []

20. How do you make sure that you have competitive advantage over your competitors?

21. Do you allow the customers to evaluate your service?

NO []

YES []

22. If yes in question 21, how does it help manage your business?

23.1 Do you have credit facilities?

NO []

YES []

23.2 *How do you manage your collection?*

24. Which technological device help in the running of your business?

Telephones [] *Fax machine* []

25. Where do you see your business in 3 years?

To operate in a formal structure []

To turn the business into a franchise []

To grow their businesses []

26. What are the major challenges that you have experienced managing the business?

27. How did you solve them?
